Indonesia's Journey to SDG 1: Progress, Structural Challenges, and Poverty Alleviation Opportunities

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Abstract

This study evaluates Indonesia's performance in achieving Sustainable Development Goal 1 (SDG 1), focusing on poverty eradication through multidimensional and inclusive strategies. Using qualitative textual analysis and grounded in capability and structuralist theories, it investigates three core areas: national progress, institutional challenges, and innovative opportunities. Findings show that while social protection programs like Family Hope Program and direct cash transfers have reduced poverty rates, institutional fragmentation and urban-rural disparities hinder long-term impact. The study reveals underutilized opportunities in Islamic economic tools such as *zakat* and *waqf*, which could enhance ethical and community-based financing. By integrating global frameworks with Indonesia's socio-religious context, this research offers theoretical contributions and practical policy insights. The analysis recommends participatory governance, local innovation, and digital accountability to build sustainable, equitable solutions for poverty eradication. This article contributes to academic discourse by bridging global SDG norms and local realities in a developing country setting.

Keywords:

poverty reduction; SDG 1; Islamic economics; governance; family hope program; direct cash transfers; village fund program

INTRODUCTION

Poverty remains one of the most complex and persistent development issues in Indonesia, despite significant macroeconomic improvements. As a lower-middle-income country with a large and diverse population, Indonesia has been at the center of global attention in terms of its strategies to alleviate poverty under the Sustainable Development Goals (SDGs), particularly SDG 1. While the national poverty rate declined from 24% in 1999 to around 9.8% in 2016, multidimensional poverty—covering health, education, and living standards—remains a concern.

In this context, SDG 1 becomes not merely a quantitative target but a multidimensional moral and economic imperative (Sen, 1999, p. 87). The government has implemented a range of strategies including Program Keluarga Harapan (PKH), Village Fund programs, and various social assistance mechanisms to reach the poor.

From a theoretical standpoint, understanding poverty in Indonesia requires moving beyond income-based indicators to include a broader human development perspective (Alkire & Foster, 2011). This transition is reflected in Indonesia's recent adoption of multidimensional poverty indices by its national statistics agency, BPS.

Empirical studies have shown that while economic growth contributes to poverty reduction, inclusive development policies that focus on capabilities and empowerment are essential for long-term results (Todaro & Smith, 2015, p. 91). This also ties to institutional capacity, policy coherence, and the role of local governance in ensuring that poverty alleviation is equitable and sustainable (Grindle, 2004).

Despite growing literature on poverty and SDGs, a critical gap exists in contextualizing Indonesia's performance within the SDG 1 framework, particularly in relation to challenges and opportunities shaped by governance, demography, and the role of local wisdom. Moreover, Islamic economic principles such as *zakat*, *waqf*, and microfinance have not been fully integrated into Indonesia's poverty alleviation strategies, even though these mechanisms are widely practiced and supported culturally (Antonio, 2016, p. 154). Existing studies often overlook the intersection between religiously grounded development paradigms and secular SDG frameworks, presenting a significant theoretical and policy gap.

Thus, this study seeks to evaluate Indonesia's journey in addressing poverty through SDG 1, focusing on three research questions: (1) What progress has Indonesia made in achieving SDG 1 targets? (2) What are the main challenges hindering sustainable poverty alleviation? (3) What opportunities, including the use of Islamic economic instruments and community-based models, can be leveraged to strengthen poverty eradication efforts? These questions are addressed through a critical literature review, guided by development theories and grounded in the Indonesian socio-political context. The objectives of this study are to assess current policy effectiveness, highlight structural and contextual challenges, and propose actionable, theory-informed recommendations.

LITERATURE REVIEW

The literature surrounding SDG 1 and poverty alleviation in Indonesia reflects a broad spectrum of academic and policy-based discourses. Earlier frameworks emphasized economic growth as the primary tool for reducing poverty, with studies by Ravallion (2012) highlighting the elasticity between growth and poverty reduction. However, more recent literature argues that growth alone is insufficient. The multidimensional approach, championed by scholars such as Sen (1999, p. 122) and Alkire & Foster

(2011), reshaped the understanding of poverty by incorporating dimensions like education, health, and social inclusion.

In the Indonesian context, a number of Sinta-accredited studies and policy evaluations stress the role of targeted interventions such as PKH and BLT (direct cash transfers) in reaching the poorest (Yusuf, 2014). However, institutional and governance weaknesses continue to hinder the long-term effectiveness of these programs.

Literature also suggests a lack of synergy between national and local poverty reduction strategies, causing duplication and inefficiencies (Suryahadi et al., 2012). Moreover, the integration of Islamic financial instruments—though recognized in economic literature—remains marginal in mainstream policy debates (Ascarya, 2016).

While numerous international and national studies have assessed poverty trends, very few have contextualized the Indonesian experience within the broader SDG framework. Studies tend to treat SDGs and national strategies in isolation, failing to connect them theoretically and empirically. This research thus contributes by offering a unified lens that bridges global goals, national policy, and local realities.

Theoretical Framework

The theoretical underpinning of this study begins with Amartya Sen's Capability Approach, which shifts the focus from income to what individuals are effectively able to be and do (Sen, 1999, p. 73). This perspective is especially relevant to Indonesia, where inequality persists in health and education despite rising incomes. By emphasizing freedom, agency, and human dignity, the Capability Approach provides a normative foundation for understanding poverty beyond material deprivation.

Complementing this is the Structuralist Theory, which focuses on institutional and systemic factors such as governance, bureaucracy, and market failures that perpetuate poverty (Prebisch, 1950). In Indonesia, issues such as administrative fragmentation and uneven decentralization affect the efficacy of poverty alleviation programs (Grindle, 2004). The theory helps explain why even well-designed interventions may fail without addressing structural barriers.

This study also draws from Islamic Economic Theory, particularly the principles of *zakat*, *waqf*, and ethical finance. These instruments promote redistribution and community welfare and have been historically rooted in Indonesian society (Antonio, 2016, p. 160). The integration of Islamic economic principles into SDG implementation presents a unique opportunity for culturally grounded development.

Lastly, the concept of Sustainable Livelihoods Framework (Chambers & Conway, 1992) adds a micro-level lens to the analysis. It focuses on asset-based poverty alleviation and highlights the role of social capital and community participation, critical elements in rural Indonesian contexts. These four frameworks collectively guide the analysis and interpretation of Indonesia's poverty alleviation under SDG 1.

Previous Research

In 2005, Suryahadi and Sumarto examined the effectiveness of Indonesia's social safety nets post-Asian Financial Crisis, focusing on cash transfer programs and school subsidies. They found that while these interventions cushioned vulnerable households, they lacked sustainability and integration into long-term poverty strategies. Their findings underscore the importance of institutional reform in delivering targeted programs effectively (Suryahadi & Sumarto, 2005).

In 2009, Alatas et al. conducted an experimental study evaluating community-based targeting for anti-poverty programs. They compared different targeting methods and concluded that community involvement improved accuracy and satisfaction levels in aid distribution. However, the study also pointed to the risk of elite capture, especially in rural areas (Alatas et al., 2009).

Lewis (2010) explored local governance and decentralization in Indonesia's poverty programs, revealing a disconnect between national policy and local implementation. He emphasized the need for better policy coherence and accountability mechanisms at the regional level. This research highlighted institutional complexity as a major challenge (Lewis, 2010).

In 2012, LPEM UI evaluated the PKH (conditional cash transfer) program, finding that it had positive impacts on health and education but limited influence on long-term income security. Their report emphasized the importance of linking social assistance with empowerment strategies (LPEM UI, 2012).

Ascarya (2014) analyzed Islamic microfinance as a complementary tool for poverty alleviation. His findings suggest that *Baitul Maal wat Tamwil* (BMT) institutions offer more ethical and inclusive models of financing, particularly for women entrepreneurs. However, their impact remains limited by legal recognition and integration with state policy (Ascarya, 2014).

A World Bank (2015) study reviewed Indonesia's Village Fund program, which aims to empower rural communities through decentralized development. While funds reached the intended beneficiaries, challenges such as technical capacity and corruption risks were noted, indicating the need for institutional safeguards (World Bank, 2015).

These studies provide valuable insights into specific interventions, governance models, and financial instruments. However, most of them analyze individual programs without integrating them within a theoretical or SDG framework. This fragmentation reveals a significant research gap: the lack of a comprehensive, theory-informed analysis that links Indonesia’s poverty strategies to global development norms such as SDG 1. This study addresses that gap by combining multiple frameworks and evaluating both secular and faith-based instruments of poverty alleviation in Indonesia.

RESEARCH METHODS

This study is based on qualitative textual data, focusing on academic journal articles, policy documents, institutional reports, and books that address poverty, SDG implementation, and Indonesian development frameworks. Textual data is ideal for capturing complex, multidimensional constructs such as governance, empowerment, and sustainability (Neuman, 2014, p. 170). This approach allows for the interpretation of both explicit policy outcomes and implicit socio-cultural dynamics shaping poverty alleviation.

The data sources include peer-reviewed international journal articles, Indonesian Sinta-accredited journals, government reports, and international publications such as the World Bank, UNDP, and Bappenas. All sources were selected based on credibility, traceability, and publication recency (not later than 2016). The selection strategy ensures a diverse yet rigorous dataset that includes both global and local perspectives.

Data was collected using document analysis techniques, wherein relevant literature was identified, coded, and categorized based on thematic relevance to SDG 1, poverty reduction, and Indonesian context. The collection was guided by inclusion criteria such as source validity, thematic relevance, and citation traceability (Bowen, 2009). These criteria help ensure the robustness of the analysis.

The study employs thematic analysis as its main interpretive method. Themes such as institutional fragmentation, capability development, and community-based models were derived from the data and analyzed within the theoretical framework established earlier. Thematic analysis supports the discovery of patterns, contradictions, and emerging ideas relevant to poverty reduction (Braun & Clarke, 2006).

Conclusion drawing involved synthesizing thematic findings with the theoretical framework and previous research. The conclusions were cross-validated by rechecking against original sources and through triangulation with secondary insights from institutional reports and academic evaluations. This integrative approach ensures internal consistency, validity, and relevance to the broader academic and policy debates on SDG 1 in Indonesia.

RESULTS AND DISCUSSION

This study builds on the theoretical insights of Sen's capability theory and structuralist perspectives to interpret Indonesia's poverty reduction efforts. By engaging critically with prior research and new interpretations, this section deepens the understanding of why certain policies succeed while others falter. Unlike earlier works that isolated program evaluation from theoretical grounding, this study presents a systemic, theory-informed assessment.

New perspectives also emerge, particularly around integrating Islamic economic instruments into formal poverty reduction strategies. These tools offer ethical, community-rooted alternatives that have largely been underutilized in Indonesia's SDG 1 efforts (Antonio, 2016, p. 152). This integration, if pursued effectively, could address the limitations of top-down, secular approaches by incorporating religious trust, communal solidarity, and accountability.

By synthesizing global frameworks, local traditions, and grounded theory, the study fills the identified research gap. It offers a more holistic view of SDG 1 implementation in Indonesia, articulating how theoretical and empirical disconnects can be resolved through integrated policy design. The following subsections discuss each research question in turn, offering thematic analysis rooted in the frameworks discussed earlier.

1. Progress Toward SDG 1 in Indonesia

Indonesia has made measurable progress in reducing poverty, particularly in meeting the initial targets of SDG 1. The poverty rate fell to below 10% in 2016, a milestone not seen in decades. This achievement is attributed to pro-poor growth, investment in infrastructure, and targeted social protection policies such as PKH and BPNT. The World Bank (2016) also credits consistent macroeconomic growth and poverty-sensitive fiscal policies for maintaining momentum in poverty reduction. However, this decline does not capture the broader dimensions of poverty addressed by the Capability Approach. The Multidimensional Poverty Index (MPI) published by UNDP emphasizes that deprivation in education, health, and living standards often persists even where income-based poverty has declined, indicating a misalignment between statistical poverty reduction and lived experiences.

Data from BPS indicate improvements in health, education, and housing, particularly in urban centers. For example, literacy rates and access to clean water have improved significantly in cities, where infrastructure expansion is more feasible (BPS, 2016). Yet, rural poverty remains significantly higher, with regions such as Papua and East Nusa Tenggara consistently reporting poverty rates above 20%, illustrating the persistent inequality between regions. This spatial imbalance aligns with structuralist critiques emphasizing uneven development and weak institutional integration at the local level (Grindle, 2004). Furthermore, decentralized governance has not fully resolved disparities due to varying fiscal and administrative capacities across regions. While macro indicators suggest progress, micro-level disparities remain substantial, indicating that average improvements may mask localized pockets of entrenched poverty (UNDP, 2016).

One area of notable progress is the expansion of conditional cash transfer programs. PKH has been instrumental in promoting school attendance and maternal health services (LPEM UI, 2012). It has also contributed to reducing child labor and increasing birth registration, outcomes consistent with the program's conditionalities. Yet, its long-term efficacy depends on complementary empowerment strategies, such as vocational training, entrepreneurship programs, and access to microfinance. This echoes Sen's (1999, p. 104) argument that development must enhance individuals' capabilities, not just consumption. Without sustainable income sources or employment pathways, beneficiaries may remain dependent on aid and vulnerable to shocks.

Another success is the Village Fund program (*Dana Desa*), which has allowed rural communities to develop localized poverty interventions (World Bank, 2015). Over 74,000 villages have received annual disbursements to support basic infrastructure, such as rural roads, irrigation, and sanitation facilities. When managed transparently, these funds have improved local infrastructure and provided employment, particularly through cash-for-work schemes aligned with local needs. However, elite capture and weak local capacity pose recurring risks, with some villages lacking technical expertise or governance structures to manage large funds efficiently (Lewis, 2010). Moreover, a lack of standardized monitoring and evaluation tools complicates assessments of long-term impact and sustainability (IMF, 2016).

In summary, while Indonesia has made strides toward SDG 1, the progress is uneven and incomplete. Theoretical insights from structuralist and capability-based frameworks suggest that future gains will require deeper institutional reforms and a shift toward empowerment-oriented policies. Bridging gaps between national programs and local implementation, integrating multidimensional indicators into policy assessments, and harnessing culturally rooted approaches such as Islamic social finance could significantly enhance the inclusivity and effectiveness of Indonesia's poverty reduction efforts (Ascarya, 2014; Antonio, 2016, p. 155).

2. Persistent Challenges in Achieving Sustainable Poverty Alleviation

Despite Indonesia's notable progress, several enduring challenges obstruct the full realization of SDG 1. One of the most pressing issues is administrative fragmentation. As highlighted by Lewis (2010), the decentralization of governance has often resulted in policy inconsistency and poor coordination between national and local authorities. This has led to overlaps, inefficiencies, and in some cases, resource leakage in poverty reduction programs.

The effectiveness of decentralization hinges on the institutional capacity of sub-national governments, many of which lack the technical, financial, or managerial resources to implement policies effectively (World Bank, 2015). This mismatch between responsibilities and resources has created a patchwork of local outcomes, weakening the overall impact of national strategies.

Institutional weaknesses are exacerbated by inadequate monitoring and evaluation systems. Many programs, although well-intentioned, lack robust performance indicators, making it difficult to assess their real impact on poverty alleviation (Grindle, 2004). A key issue is the reliance on input- and output-based metrics, which often fail to capture outcome-level changes such as long-term behavioral shifts or enhanced capabilities (UNDP, 2016).

For instance, while PKH improves short-term welfare, its long-term transformative effect remains questionable due to limited support for economic independence (LPEM UI, 2012). Without integration with programs offering job training, credit access, or entrepreneurship support, these benefits may be short-lived. Moreover, the limited use of data analytics and real-time feedback systems hampers timely adjustments and undermines transparency (IMF, 2016).

Another persistent issue is urban-rural inequality. Rural regions in eastern Indonesia, particularly Papua and NTT, continue to lag behind in terms of infrastructure, education, and access to healthcare. These regions often experience logistical constraints and geographical isolation, making it difficult to deliver public services consistently. Structuralist theorists argue that such disparities are rooted in historical neglect and centralized policy design that fails to adapt to local conditions (Prebisch, 1950).

While the Village Fund (Dana Desa) program aims to address this by allocating resources directly to rural areas, its implementation has been uneven, with better outcomes in more organized communities and limited progress where local governance remains weak. The persistence of such inequalities illustrates the need for differentiated policy approaches tailored to regional characteristics.

Cultural and religious dimensions are also insufficiently incorporated in mainstream poverty strategies. Islamic economic instruments such as *zakat* and *waqf*—which have a long history in Indonesia—remain on the periphery of state-led initiatives. This gap represents a lost opportunity to leverage community-based, ethical financing methods that align with both religious and development goals (Antonio, 2016, p. 157).

Although Indonesia has regulatory bodies such as BAZNAS (National Zakat Board), integration with formal SDG implementation is minimal (Ascarya, 2014). Studies have shown that when properly institutionalized, these mechanisms can provide substantial complementary support for microfinance, health access, and education scholarships (Dar & Ahmad, 2016). The marginalization of these culturally embedded instruments limits the effectiveness of a holistic, values-based approach to poverty alleviation.

Finally, there is limited citizen participation in program design and evaluation. Although frameworks like the Sustainable Livelihoods Approach advocate for bottom-up development, most Indonesian policies are still top-down and technocratic (Chambers & Conway, 1992). Many communities remain passive recipients rather than active stakeholders in designing interventions that affect their lives.

This disconnect undermines local ownership and long-term sustainability. Evidence from participatory rural appraisal (PRA) methods suggests that involving communities leads to more contextually relevant and sustainable outcomes (Neuman, 2014, p. 244). However, institutional culture and bureaucratic inertia often prevent such participatory mechanisms from being scaled nationally.

In sum, the challenges to achieving SDG 1 in Indonesia are deeply institutional, cultural, and geographic. Addressing them requires a multi-level strategy that integrates local wisdom, participatory governance, and structural reform. This necessitates not only technical adjustments but also a paradigm shift toward inclusive development planning, where community agency, ethical finance, and regional diversity are embedded in the core of policy design and delivery (Sen, 1999, p. 142).

3. Leveraging Opportunities for Inclusive and Sustainable Poverty Eradication

Recognizing the challenges, Indonesia also has unique opportunities to enhance its poverty reduction strategies through inclusive and sustainable approaches. A major untapped potential lies in the institutionalization of Islamic economic instruments such as zakat, waqf, and Islamic microfinance. These tools are not only culturally resonant but also align with the goals of equity and social justice emphasized in SDG 1 (Ascarya, 2014).

The Islamic concept of *maal* and *tamwil*, when supported by formal governance structures, can generate financial inclusion for groups typically marginalized by conventional banking systems, including informal workers, rural women, and microentrepreneurs (Antonio, 2016, p. 154). Moreover, the widespread acceptance of Islamic philanthropy in Indonesian society provides a solid foundation for scaling these mechanisms through national policy frameworks (Dar & Ahmad, 2016).

Several case studies reveal the efficacy of Islamic finance in addressing poverty. For instance, Baitul Maal wat Tamwil (BMT) institutions in Central Java have successfully provided interest-free loans to small entrepreneurs, particularly women (Antonio, 2016, p. 160). These institutions have also facilitated savings groups, education support, and health-related financial assistance, thereby functioning as holistic welfare entities.

Scaling such models through public-private partnerships can provide ethical and inclusive alternatives to mainstream banking, especially in underserved rural areas. However, a significant limitation has been the lack of integration with national microfinance strategies and insufficient regulatory recognition (Ascarya, 2014). Addressing this would require harmonizing sharia-compliant finance regulations with the broader financial inclusion framework endorsed by Bank Indonesia and the Financial Services Authority (OJK) (Bappenas, 2015).

Another opportunity is the expansion of the Village Fund initiative. With stronger oversight and capacity-building measures, this program could evolve into a platform for local innovation and empowerment (World Bank, 2015).

Since its rollout, the Dana Desa scheme has been praised for injecting substantial resources into rural communities, encouraging self-determined development plans.

The Sustainable Livelihoods Framework supports such decentralization by emphasizing the role of local assets, including social capital, skills, and traditional knowledge (Chambers & Conway, 1992). This theoretical model emphasizes that empowering communities to define and lead development interventions increases sustainability and enhances the social return on investment. A 2016 World Bank review found that villages with high community engagement reported better alignment between fund usage and local priorities, especially in infrastructure and job creation (World Bank, 2016).

Digital technology also offers transformative potential. E-governance platforms can improve targeting accuracy, reduce leakages, and enhance transparency in aid distribution. The Ministry of Social Affairs' Unified Database (BDT), developed with World Bank support, exemplifies how centralized digital records can refine beneficiary selection (World Bank, 2016).

For instance, the integration of biometric data into social registries has streamlined beneficiary identification and minimized duplication. Moreover, mobile banking and digital *zakat* payment apps are beginning to emerge, offering new channels for ethical finance and direct cash transfers (UNDP, 2016). This digital shift could strengthen accountability and improve citizen trust, provided that data privacy and digital literacy are adequately addressed (IMF, 2016).

Finally, academic and policy communities are increasingly advocating for the integration of SDGs into local development plans. Aligning village-level planning with SDG indicators ensures coherence, monitoring, and stakeholder engagement. The National Development Planning Agency (Bappenas) has emphasized the need to localize SDGs through technical guidelines and institutional support at the district and village levels (Bappenas, 2016). This strategy bridges the gap between global ambitions and local realities, reinforcing policy ownership and contextual relevance. Studies have shown that localized SDG monitoring increases implementation efficacy by aligning national reporting with actual community needs (UNDP, 2016).

By capitalizing on these opportunities, Indonesia can move beyond reactive welfare approaches to build a proactive, inclusive, and culturally rooted poverty alleviation system. These pathways not only address current shortcomings but also provide models for other nations navigating similar development challenges. A hybrid model that integrates Islamic finance, community participation, digital innovation, and localized planning offers a promising future for sustainable poverty eradication—not just in Indonesia, but across the Global South.

This study has explored Indonesia's progress, challenges, and opportunities in achieving SDG 1. The first research question revealed that Indonesia has made commendable strides, notably through PKH and Village Fund programs, which have improved basic health, education, and infrastructure metrics. Conditional cash transfers under PKH have led to measurable increases in school attendance and maternal health service uptake (LPEM UI, 2012; World Bank, 2015). The Dana Desa initiative has supported thousands of infrastructure projects, from irrigation canals to village roads, that directly benefit rural livelihoods (World Bank, 2016).

The analysis showed that this progress, while significant, is not evenly distributed across regions or demographic groups, requiring a nuanced understanding rooted in capability and structuralist theories. Structural inequalities rooted in governance asymmetry and institutional fragmentation persist, particularly in remote and under-resourced provinces such as Papua and East Nusa Tenggara (Bappenas, 2016; Grindle, 2004). These disparities align with the structuralist critique that poverty is not merely a result of individual deficiencies, but of systemic imbalances embedded in policy and power structures (Prebisch, 1950).

The second research question highlighted persistent obstacles—chief among them administrative fragmentation, weak monitoring systems, and socio-cultural disconnects in mainstream poverty policy. Indonesia's decentralized governance structure, though intended to promote local autonomy, has resulted in inconsistent program delivery, variable budget execution, and frequent misalignment between national priorities and local implementation (Lewis, 2010; UNDP, 2016).

Monitoring and evaluation remain limited in scope and sophistication, relying largely on periodic surveys rather than real-time data analytics (IMF, 2016). Furthermore, mainstream poverty reduction programs often neglect the socio-religious fabric of Indonesian society, sidelining Islamic economic principles that have historically played a role in welfare provision (Ascarya, 2014). These findings confirm the need to address poverty not merely as a lack of income, but as a manifestation of deeper systemic and institutional deficiencies—an argument consistent with the Capability Approach that views poverty as the deprivation of freedoms and functionings (Sen, 1999, p. 119).

The third question identified promising opportunities, including the formal integration of Islamic economic principles, the enhancement of local governance, and the deployment of digital technology for efficient service delivery. Institutions such as BAZNAS and BMTs illustrate the practical feasibility of religiously grounded, community-based poverty interventions (Antonio, 2016, p. 160). These models, when supported by appropriate policy and legal frameworks, can fill gaps in conventional financial inclusion mechanisms.

In parallel, digital platforms such as the Unified Database (BDT) have shown potential to enhance targeting accuracy and minimize leakages in social assistance programs (World Bank, 2016). E-governance initiatives and mobile banking tools also offer scalable solutions to extend services to previously unbanked and undocumented populations (UNDP, 2016). These insights demonstrate Indonesia's potential to localize SDG 1 in culturally relevant, sustainable ways that blend global standards with indigenous and faith-based practices, resulting in policies that are both technically sound and socially legitimate.

Theoretically, this study extends the application of the Capability Approach by incorporating religious-economic ethics and structuralist critiques into a more integrated poverty framework. By synthesizing Sen's emphasis on human dignity and choice with Islamic perspectives on justice and redistribution, a more holistic model of welfare emerges—one that accounts for both material well-being and moral accountability (Dar & Ahmad, 2016; Sen, 1999, p. 87).

The use of structuralist analysis further allows for a critical interrogation of institutional power, regional inequalities, and policy inertia (Grindle, 2004; Lewis, 2010). Practically, it suggests new models for implementing poverty strategies, emphasizing empowerment, local participation, and digital innovation.

These models are particularly relevant for decentralized and diverse societies like Indonesia, where one-size-fits-all approaches have repeatedly fallen short. These contributions offer valuable insights for both Indonesian policymakers and international development practitioners seeking to design context-sensitive, inclusive, and sustainable poverty alleviation strategies that align with the multidimensional ethos of SDG 1.

CONCLUSION

In conclusion, Indonesia's efforts to achieve Sustainable Development Goal 1 illustrate both progress and complexity. The nation has reduced its official poverty rate through targeted social assistance and infrastructure investment. However, multidimensional poverty, institutional fragmentation, and spatial inequality continue to challenge sustainable development. Theoretical integration of Sen's Capability Approach, structuralist critique, and Islamic economic theory reveals the need for inclusive, ethical, and context-sensitive strategies.

This study has highlighted not only the gaps in current approaches but also the untapped opportunities—particularly in community-based finance, village-level planning, and digital governance. By moving beyond income-focused measures and embracing empowerment, Indonesia can create a poverty reduction paradigm that is both sustainable and replicable.

The findings offer actionable recommendations for governments, NGOs, and academic institutions. These include fostering public-private collaboration, enhancing local governance capacity, integrating Islamic finance into national policy, and investing in data systems for transparency and accountability. Future research should explore longitudinal outcomes of these interventions and investigate how localized SDG implementation can be scaled across diverse sociocultural settings.

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