

Empowering young palm oil smallholders: A local wisdom module to support Sustainable Development Goals

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Received: 15 May 2025; Accepted: 4 August 2025; Published: 20 November 2025

Abstract

This study investigates the socio-economic implications of declining palm oil fruit prices on the livelihoods of Felda settlers, while proposing a strategic framework to empower young smallholders through the application of local wisdom. Anchored in the theories of community resilience and sustainable agriculture, the research aims to develop a culturally grounded local wisdom module that addresses the vulnerabilities of smallholder communities and supports the achievement of SDG 1 (No Poverty) and SDG 8 (Decent Work and Economic Growth). Using a quantitative design, data were collected from 234 settlers in Felda Palong 6, Gemas, Negeri Sembilan through structured surveys and supported by field observations. Findings reveal that 82 percent of respondents experienced income reductions exceeding 30 percent, and 67 percent reported a substantial decrease in purchasing power. Despite these challenges, 54 percent adopted adaptive financial behaviors such as increased savings and frugal expenditure. The study highlights the potential of local knowledge, rooted in collective values and traditional practices, as a community-based resilience mechanism. The development of a youth-oriented empowerment module grounded in local wisdom addresses a critical gap in rural development discourse that often sidelines culturally embedded knowledge systems. These findings provide theoretical and practical contributions towards integrating indigenous knowledge into sustainable development strategies for the palm oil sector.

Keywords: Economic resilience, local wisdom, motivation, palm oil smallholders, SDGs, SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth)

Introduction

The oil palm industry serves as a cornerstone of Malaysia's economic development, with smallholders playing a pivotal role in sustaining the sector's growth and productivity (Koh, 2016). Through institutional frameworks such as the Federal Land Development Authority (FELDA), oil

palm cultivation has enabled many rural communities to elevate their socioeconomic status and gain access to stable livelihoods (Noordeyana et al., 2021). However, this stability is increasingly threatened by fluctuating global palm oil prices, intensified environmental scrutiny and rising anti-palm oil sentiments worldwide (Soh, 2018). These vulnerabilities have exposed smallholders, especially the younger generation, to greater risks of income insecurity, thereby undermining long-term rural development goals.

Considering these challenges, this study critically explores how local wisdom, the body of indigenous knowledge, traditional practices and community-based strategies can serve as a sustainable response mechanism to strengthen smallholders' resilience. Practices such as sustainable land management, crop diversification and cooperative resource use represent valuable, time-tested adaptations that may support smallholders in navigating socio-economic and environmental uncertainties (Jamil, 2020; Naidu et al., 2024).

Accordingly, this study aims to examine the extent to which the integration of local wisdom can empower young palm oil smallholders, particularly in coping with declining fruit prices and uncertain market conditions. Anchored in the theoretical lens of community resilience and sustainable agriculture, the study also seeks to develop a local wisdom module tailored for youth engagement. This directly contributes to Sustainable Development Goals, including SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production), by linking traditional knowledge to income security, job creation and sustainable land use (Tan, 2017; Lim, 2021; Junaidi et al., 2020; Aziz, 2022). Therefore, this paper examines the impact of the decline in palm oil fruit prices on the income of Felda settlers, its effect on the local economy and proposes strategies to address the issue through community-based solutions. Additionally, it focuses on developing a local wisdom module to motivate young palm oil smallholders, aligning with the Sustainable Development Goals (SDGs).

Theoretical framework

This study is rooted in three key theories that offer a comprehensive understanding of how local wisdom can contribute to the resilience and sustainability of oil palm smallholders, while also supporting the achievement of Sustainable Development Goals (SDGs). These theories are community resilience theory, sustainable development theory and local knowledge systems. Each of these theoretical frameworks contributes to understanding the role of traditional knowledge and practices in fostering adaptive, sustainable and economically resilient agricultural systems within the context of oil palm cultivation.

1. Community resilience theory

Community resilience theory emphasizes the ability of communities to absorb shocks, adapt to changes and recover from economic, environmental or social stressors (Adger, 2000; Norris et al., 2008). In the context of smallholder oil palm farming, resilience is crucial in the face of fluctuating palm oil prices, climate change and global market volatility. The integration of local wisdom comprising sustainable farming practices and community-based management enhances resilience by enabling smallholders to adapt more effectively to these challenges. Berkes (2008) and Folke (2006) argue that local knowledge plays a critical role in community adaptation, allowing smallholders to apply traditional ecological practices, such as agroforestry, crop rotation and

integrated pest management, which improve soil fertility, enhance biodiversity and increase long-term productivity. Research has shown that communities leveraging local knowledge systems exhibit higher resilience to market fluctuations and environmental disruptions (Isaac, 2019; Pretty, 2011).

2. Sustainable development theory

The concept of sustainable development emphasizes the need for a balanced approach that integrates economic growth with environmental sustainability and social equity (Brundtland, 1987). In the context of oil palm smallholders, this theory advocates for practices that not only improve the economic viability of farmers but also ensure the long-term health of the ecosystem. Sustainable development aligns closely with SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production), which emphasize poverty reduction, decent work and sustainable agricultural practices. By incorporating local wisdom, smallholders can adopt environmentally sustainable farming methods, such as soil conservation techniques, integrated pest management and organic farming, which reduce the ecological footprint of palm oil production (Haug et al., 2019; Tee et al., 2020). This integration supports both economic stability and environmental sustainability, which are fundamental components of the SDGs. Furthermore, local knowledge systems help diversify income sources, reducing dependence on volatile palm oil prices and promoting economic resilience (Shrestha et al., 2020).

3. Local knowledge systems

Local knowledge systems refer to the Traditional Ecological Knowledge (TEK) developed over generations by local communities through their interaction with the environment (Nazarea, 2006). In smallholder farming, local wisdom provides valuable insights into sustainable land use, water management, pest control and biodiversity preservation. Research by Alcorn (2019) and Parsons et al. (2017) highlights the effectiveness of integrating traditional knowledge with modern scientific techniques to enhance farming practices and promote sustainability. In the context of palm oil cultivation, local wisdom facilitates the adoption of agroecological practices that enhance the resilience of smallholders to climate change and market volatility (Sundari et al., 2021). The application of local knowledge not only improves agricultural productivity but also helps conserve natural resources, contributing to SDG 15 (Life on Land), which focuses on the preservation and restoration of terrestrial ecosystems (James et al., 2021). By combining local practices such as mixed cropping and agroforestry with modern technology, smallholders can reduce the environmental impacts of palm oil production while improving their livelihoods (Weller et al., 2020).

This study applies Community Resilience Theory, Sustainable Development Theory and Local Knowledge Systems to explore the role of local wisdom in enhancing the sustainability and resilience of oil palm smallholders. These frameworks highlight the importance of integrating traditional ecological knowledge with modern agricultural practices to increase productivity, promote environmental sustainability and achieve the SDGs. By fostering resilience through local knowledge and supporting sustainable farming practices, smallholders can mitigate the challenges posed by market volatility, climate change and environmental degradation, ultimately contributing to a more sustainable and equitable palm oil industry.

To strengthen the theoretical foundation of this study, Amartya Sen's Capability Approach is employed as a complementary lens that addresses key limitations in the application of Community Resilience Theory, Sustainable Development Theory and Local Knowledge Systems (LKS). While Community Resilience Theory emphasizes the capacity of social systems to absorb shocks and maintain function, it tends to overlook individual agency and well-being as central components of resilience. Similarly, Sustainable Development Theory offers a macro-level framework focused on balancing economic, social, and environmental goals, yet often underrepresents the nuanced, lived realities of marginalized groups. Local Knowledge Systems contribute context-specific insight into adaptive practices, but they may lack the analytical scope to evaluate broader questions of justice and human development. In this context, the Capability Approach fills a critical gap by centering the analysis on what individuals are able to be and do their real freedoms to pursue lives they value. It provides a normative basis for assessing not just survival or coping mechanisms, but the expansion of genuine opportunities for well-being. When integrated, these frameworks allow for a multidimensional understanding of rural livelihoods: structural resilience, cultural continuity and individual capability. This holistic approach is especially relevant for evaluating the impacts of economic shocks such as declining palm oil prices on the freedoms, choices and dignity of affected smallholders.

Concentration and local knowledge in oil palm smallholding

Concentration and Local Knowledge in Oil Palm Smallholding are critical factors in understanding the dynamics of oil palm smallholder farming and its sustainability (Suraiya et al., 2024). These concepts help in identifying the areas most impacted by fluctuations in commodity prices and provide insight into the spatial distribution of smallholder farming activities. Oil palm cultivation is concentrated in specific regions due to environmental, economic and historical factors, shaping both local economies and landscapes.

In Malaysia, for example, oil palm cultivation has been a major economic driver, with significant concentrations in states such as Sabah, Sarawak and Peninsular Malaysia, especially in regions like Johor, Pahang and Negeri Sembilan (MPOB, 2020). These areas are characterized by favorable climatic conditions, such as high rainfall and warm temperatures, which support oil palm growth. Historically, the government's establishment of the FELDA (Federal Land Development Authority) scheme has further concentrated oil palm farming in specific areas, providing land to smallholders and contributing to the development of oil palm as a cash crop (Shamsudin, 2015).

Smallholder oil palm farming often follows patterns shaped by accessibility to land, markets and infrastructure. The development of large-scale plantations and government-backed schemes in rural regions has led to a high concentration of oil palm smallholders in specific geographic areas. As these smallholders often depend on the price of Crude Palm Oil (CPO) and the costs of production, price fluctuations significantly affect the viability of smallholder farms in these concentrated regions (Sundari et al., 2021). Geographic patterns of production also influence environmental concerns, as large monoculture plantations lead to deforestation, biodiversity loss and soil degradation (Sayers, 2019).

Research on the geographic concentration of oil palm smallholders also shows that these patterns can influence local wisdom and knowledge systems. For example, smallholders in specific regions may have developed unique techniques for managing pests, conserving water and maintaining soil health, which vary based on local conditions. These knowledge systems are often

tailored to the environmental characteristics of specific areas, reflecting the adaptive strategies of communities that have worked within these geographic constraints for generations (Berkes, 2008). The concentration of oil palm farming in specific regions also interacts with global trends, such as international market demand for sustainable palm oil. The concentration of oil palm plantations in Southeast Asia, coupled with the increasing global focus on sustainable production practices, has led to the implementation of certifications such as the Roundtable on Sustainable Palm Oil (RSPO). These certification schemes aim to address concerns over the environmental impact of palm oil production and encourage best practices in the industry (Smith et al., 2020).

In conclusion, geographic concentration and patterns in oil palm farming are shaped by multiple factors, including climatic conditions, government policies, market forces and local knowledge systems. These patterns have significant implications for sustainability, the resilience of smallholders and the broader environmental impact of palm oil production. Understanding these patterns is essential for fostering sustainable farming practices, especially in light of SDG 12 (Responsible Consumption and Production) and SDG 15 (Life on Land), which call for sustainable agricultural practices and the preservation of ecosystems.

Economic and social factors

Economic and Social Factors play a critical role in shaping the oil palm smallholder sector, influencing both its viability and sustainability. These factors include market dynamics, access to resources, government policies and social structures, all of which affect smallholder income, livelihood strategies and their capacity to adapt to changing conditions.

From an economic standpoint, the oil palm industry is highly influenced by the global demand for palm oil, which drives price fluctuations that directly impact smallholder incomes. As a major agricultural commodity, palm oil is subject to global market trends, which can be volatile due to factors such as changes in consumer preferences, international trade policies and environmental concerns (Sayers, 2019). Smallholders, who rely on palm oil as their primary income source, are particularly vulnerable to these price swings. When prices drop, smallholders may face financial hardships, forcing many to take up additional work, such as rubber tapping or agriculture, to supplement their income (Sundari et al., 2021). This economic dependency often results in a lack of financial resilience and limited opportunities for long-term economic planning (Smith et al., 2020).

Government policies, particularly those relating to land tenure, subsidies and support for smallholders, also have significant economic impacts. In countries like Malaysia and Indonesia, the development of land schemes such as FELDA (Federal Land Development Authority) has provided oil palm smallholders with land for cultivation. However, the profitability of these smallholders is often influenced by the level of government support, including subsidies for fertilizers, credits and access to extension services (Shamsudin, 2015; Liu et al., 2024). Inadequate or inconsistent government support can exacerbate the economic challenges faced by smallholders and limit their ability to invest in better farming practices or diversify their crops (Tee et al., 2020). Social factors, such as community networks and local knowledge, also play an essential role in smallholder success. Strong social networks can help smallholders access information, credit and resources, while fostering collective action and shared strategies for coping with economic challenges. In many rural areas, local wisdom and traditional knowledge systems provide valuable insights into sustainable farming practices, pest management and resource conservation, which

contribute to improved productivity and environmental stewardship (Berkes, 2008; Sundari et al., 2021). Moreover, social factors such as education, gender roles and access to healthcare can affect the ability of smallholders to innovate and improve their livelihoods. Research has shown that female smallholders, for example, often face challenges in accessing resources or decision-making opportunities compared to their male counterparts (Sundari et al., 2021). These disparities can limit the economic mobility and productivity of women in palm oil farming communities, thus highlighting the need for inclusive policies that promote gender equity in agriculture (Sharma et al., 2017).

The social dimension also influences the level of community resilience in the face of environmental and economic shocks. Communities with strong social capital defined by trust, cooperation and shared goals are more likely to adapt effectively to challenges such as climate change, fluctuating commodity prices and land-use conflicts (Adger, 2000). Social capital fosters collaboration among smallholders, enabling them to share resources, knowledge and coping strategies. This can be particularly important when smallholders face challenges such as climate-related disasters, market disruptions or shifts in governmental support (Norris et al., 2008).

Furthermore, local knowledge systems can enhance the sustainability of oil palm farming by enabling smallholders to implement agroecological practices, such as crop diversification, organic farming and intercropping. These practices reduce environmental impacts, improve soil health and increase long-term productivity (Pretty, 2011). Incorporating local wisdom into farming practices can also contribute to the achievement of Sustainable Development Goals (SDG 12: Responsible Consumption and Production, SDG 8: Decent Work and Economic Growth) by promoting sustainable agricultural practices and enhancing the livelihoods of smallholder farmers. In conclusion, economic and social factors are deeply interconnected and influence the overall sustainability of oil palm smallholder farming. Market dynamics, government policies, community networks and access to resources all contribute to the economic stability and social well-being of smallholders. Addressing these factors through inclusive policies, improved support systems and the integration of local knowledge can foster more resilient and sustainable farming practices, ultimately support smallholders' livelihoods and contribute to broader environmental and social goals.

Study area

Negeri Sembilan is in the central region of Peninsular Malaysia, bordered by Selangor to the east and Pahang and Johor to the south. The state's capital is Seremban, which is situated only 60 kilometers from the national capital, Kuala Lumpur and 40 kilometers from Kuala Lumpur International Airport (KLIA) in Sepang. The state covers an area of 665,647.44 hectares, divided into seven districts: Jelebu (135,354.27 hectares), Jempol (148,458.42 hectares), Kuala Pilah (102,666.99 hectares), Port Dickson (58,053.1 hectares), Rembau (40,592.79 hectares), Seremban (95,360.71 hectares) and Tampin (85,161.10 hectares). From an administrative standpoint, the state is divided into eight local government authorities, which include four Municipal Councils and four District Councils. The Municipal Councils are Seremban, Nilai, Port Dickson and Jempol, while the District Councils include Jelebu, Kuala Pilah, Rembau and Tampin (Portal Rasmi Kerajaan Negeri Sembilan, 2020).

Scenario of oil palm planting and its impact on the local community

The cultivation of oil palm has become an essential economic activity for smallholders in various parts of Malaysia, including the FELDA settlements. This section explores the planting of oil palm, its significance to the local population and the consequences it brings, particularly in FELDA Palong 6. As a cash crop, oil palm plays a central role in shaping the livelihood of smallholders, but its challenges such as fluctuating prices have a profound effect on the local community.

According to Gledhill and David (2008), oil palm (*Elaeis Guineensis*) is a highly productive crop that thrives under specific environmental conditions. The fruit of the oil palm tree is processed to produce several valuable products, including palm kernel oil, crude palm oil and palm fruit flesh (Majalah Sains, 2013). These products are vital to both domestic and international markets, contributing significantly to Malaysia's economy. However, oil palm cultivation's reliance on factors such as rainfall and soil quality can lead to uneven production levels, which directly affect smallholders' incomes.

In the context of FELDA Palong 6, local knowledge and traditional agricultural wisdom have played a crucial role in adapting to these challenges. The local community has developed a range of practices based on the region's ecological and climatic conditions, including crop rotation, soil fertility management, and rainwater harvesting. These practices are essential for sustaining oil palm yields, particularly as the area experiences annual variations in rainfall patterns (Kiswanto, 2008). The ability of local smallholders to adapt these traditional agricultural methods highlights the importance of local wisdom in managing the pressures of modern agricultural challenges.

Furthermore, the impact of fluctuating palm oil prices on the local community has led to both economic opportunities and social challenges. On one hand, successful oil palm farming can lead to increased income and better access to education, healthcare and infrastructure. On the other hand, price drops in Crude Palm Oil (CPO) have strained smallholders, many of whom struggle to make ends meet during periods of low commodity prices. This economic vulnerability has encouraged some smallholders to diversify their income sources, incorporating traditional knowledge such as intercropping or small-scale livestock farming to buffer against economic uncertainty.

The local wisdom embedded in farming practices also intersects with the Sustainable Agricultural Goals (SAG), particularly in terms of environmental conservation and sustainable production. Traditional knowledge systems often emphasize biodiversity conservation, efficient water use and soil preservation values that align with global sustainability goals such as SDG 12 (Responsible Consumption and Production) and SDG 15 (Life on Land). By incorporating these practices, smallholders can help mitigate the environmental impact of palm oil production, fostering sustainability in the long term.

The scenario of oil palm cultivation in FELDA Palong 6 reflects a complex interplay between economic dependence on oil palm, the challenges posed by fluctuating market prices, and the role of local wisdom in sustaining the community's agricultural practices. Leveraging this local knowledge, while also addressing the economic and environmental challenges of oil palm farming, will be crucial for ensuring the future viability of smallholder farming and contributing to the achievement of the Sustainable Development Goals (SDGs).

Methodology

For data analysis, quantitative data derived from surveys were analysed using descriptive and inferential statistical techniques, including frequency distribution, cross-tabulation and correlation analysis to identify patterns and relationships among key variables. Meanwhile, qualitative data gathered through interviews, field observations and photographic documentation were examined thematically. Thematic analysis enabled the identification of recurring concepts, local narratives, and community-based knowledge that support the study's exploration of local wisdom and sustainability practices. The integration of both statistical and thematic approaches provides a more holistic understanding of the socio-environmental dynamics affecting smallholders.

1. Data collection process

Data collection involves the process of gathering and measuring information on selected variables. The collection process begins with determining the type of data required, followed by sample selection from a specific population. Afterward, appropriate instruments are used to collect data from the chosen sample. Quantitative data collection methods rely on random sampling and structured data collection instruments, which categorize responses into predetermined categories. The data collected in this study allows for easy summarization, comparison and generalization of results. This research follows quantitative design using surveys, supplemented by observation techniques in the study area.

2. Primary and secondary data

Primary data refers to data obtained directly from reliable sources during the research process. Examples of primary data used in this study include surveys, interviews, observations and photographs. These methods were carried out by the researcher on-site with the cooperation of the Felda Palong 6 settlers involved. Secondary data, on the other hand, refers to data that has been previously collected by other researchers. Secondary data is easily accessible, saving time, cost and effort in acquiring information. However, relying solely on primary data can be insufficient as it may be limited in scope and depth. Therefore, secondary data serves as an important complement to primary data, offering additional insights that may not be immediately available through direct observation. Secondary data sources include published studies and online resources that provide background information and broader context for the research. By combining primary and secondary data, the research ensures comprehensive analysis and validation of findings, strengthening the overall credibility and relevance of the study.

Results and discussions

The results of this study on oil palm cultivation in Felda Palong 6 reveal significant insights into the local community's adaptation to economic and environmental challenges, driven largely by the fluctuating prices of palm oil. These findings are not just a reflection of economic shifts but also a testament to the resilience of the local population, whose traditional knowledge and practices are crucial in maintaining sustainable agricultural practices amidst global market uncertainties.

One key result of the study was the community's reliance on local wisdom to manage farming practices. This included using indigenous knowledge related to soil health, crop rotation, and natural pest control methods. For example, many smallholders in Felda Palong 6 continue to rely on traditional techniques such as mulching, organic fertilization and rainwater harvesting, which have been passed down through generations. These practices have allowed them to adapt to environmental challenges such as changing rainfall patterns and soil degradation, which are critical factors in oil palm productivity (Kiswanto, 2008).

This local wisdom aligns closely with SDG 2 (Zero Hunger) and SDG 15 (Life on Land). Sustainable farming practices, including the conservation of biodiversity, improving soil fertility, and maintaining natural water sources, are central to achieving these goals. By applying local knowledge to agricultural practices, smallholders can maintain a balance between their economic needs and environmental stewardship. Moreover, in response to price fluctuations in palm oil, the study found that many oil palm smallholders diversified their income sources by incorporating other crops or engaging in small-scale livestock farming. This diversification is an essential strategy for maintaining food security (SDG 2) and promoting economic resilience (SDG 8, Decent Work and Economic Growth). By integrating traditional practices with modern knowledge, the community demonstrates how local wisdom can help mitigate the impacts of market volatility, while still supporting economic stability and growth.

In addition, these practices contribute to SDG 12 (Responsible Consumption and Production) by promoting sustainable agricultural practices that reduce waste and improve resource efficiency. The community's ability to adapt to the challenges of oil palm farming without relying solely on external inputs shows how local wisdom can play a role in reducing the ecological footprint of agriculture. This reflects a growing recognition that local knowledge, when combined with modern techniques, can lead to more sustainable farming practices that support both the economy and the environment.

The results of this study underscore the importance of integrating local wisdom into modern agricultural practices. This not only helps improve the livelihoods of oil palm smallholders in Felda Palong 6 but also contributes to broader Sustainable Development Goals, particularly in the areas of sustainable farming, economic resilience and environmental conservation. By empowering local communities and respecting traditional knowledge, Malaysia can achieve more sustainable agricultural practices that support both human well-being and ecological balance.

Table 1. Socioeconomic profile of smallholders in relation to income, employment and migration

Item	Mean	Standard deviation
Income		
The monthly income from selling palm oil fresh fruit bunches is sufficient to support family living expenses.	3.08	1.193
The household depends solely on the sale of palm oil fresh fruit bunches as its main source of monthly income.	3.81	1.698
Additional income is needed to cover monthly expenditures.	4.65	1.004

There are other sources of income besides palm oil production.	1.62	1.282
The current situation encourages the community to spend more prudently.	4.49	0.503
Employment		
Having a secondary job helps sustain household wellbeing.	1.94	1.523
Secondary employment significantly strengthens settlers' income.	0.90	1.863
The wages earned from secondary employment are higher than income from palm oil sales.	0.55	1.169
Migration		
Seeking employment opportunities in nearby towns or cities.	0.12	0.720
Migration occurs to achieve a better quality of life.	0.10	0.636
Income instability encourages outmigration among residents.	0.12	0.720

Source: Field study, 2020

The findings in Table 1 highlight critical socioeconomic challenges faced by smallholders in palm oil settlements, reflecting a fragile economic structure highly dependent on monocrop income. The mean score of 3.81 for dependence on palm oil income indicates that a large proportion of settlers rely exclusively on this commodity as their primary livelihood source. However, the high mean of 4.65 for the need for supplementary income and 1.62 for the presence of alternative income sources suggests an evident income vulnerability and a lack of diversification strategies among smallholders.

This condition underscores the necessity of *empowerment interventions* through the development of a local wisdom module that integrates traditional knowledge, community practices, and sustainable livelihood strategies. By embedding local cultural values and intergenerational knowledge into capacity-building programs, young palm oil smallholders can be guided towards adaptive economic practices that enhance financial resilience while aligning with the Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 12 (Responsible Consumption and Production).

The employment indicators further reveal limited engagement in secondary economic activities (mean values below 2.0), implying a lack of diversified income portfolios among settlers. This suggests that existing empowerment programs have yet to effectively instill entrepreneurial mindsets or facilitate access to alternative livelihoods such as eco-agro entrepreneurship, small-scale processing, or rural tourism. A *local wisdom-based empowerment module* could thus play a pivotal role in strengthening adaptive capacity and promoting *value-added activities* that utilize local resources sustainably.

In terms of migration, the very low mean scores (ranging between 0.10–0.12) reflect minimal outmigration among residents, possibly due to cultural attachment to land, limited mobility, or lack of viable urban opportunities. While this indicates community stability, it also implies a potential stagnation in socioeconomic mobility among younger settlers. Therefore, the empowerment of young smallholders should emphasize *innovation within locality* encouraging

technological adoption, sustainable land practices, and cooperative-based models that enhance productivity without necessitating migration.

Overall, the data emphasize that *economic dependency, limited livelihood diversification, and low adaptive capacity* are core constraints to achieving sustainable livelihoods among palm oil smallholders. Empowering the younger generation through an education-based local wisdom module can instill values of sustainability, financial literacy, and innovation aligning smallholder development with Malaysia's commitment to inclusive and sustainable growth within the SDG framework.

Income before and after the drop in palm oil fruit prices

Based on Table 2, it can be clearly shown that all the respondents who were surveyed experienced a stable economic position before the drop in palm oil fruit prices. At that time, settlers earned monthly incomes ranging from RM981 to RM3000. At first glance, Table 1 may appear contradictory as it shows identical percentages of respondents in each income category before and after the price drop (74.36% earning below RM980 and 25.64% earning between RM980–RM3000). However, this similarity in percentages reflects a limitation in the data aggregation rather than the actual income dynamics. Many respondents who earned close to RM3000 experienced a sharp decline, dropping just above or slightly below the RM980 threshold. As the data is grouped into only two broad categories, these intra-category fluctuations are not visible. This explains why respondents still reported a significant decline in monthly earnings despite the unchanged category proportions. A more nuanced breakdown such as additional income brackets or descriptive statistics would better capture the depth of income reduction and the economic stress experienced by the settlers following the drop in palm oil prices.

Table 2. Percentage of monthly income before and after the drop in palm oil fruit prices

Category	Percentage (%)
Before and after	
Less than RM980	74.36
RM980 - RM3,000	25.64

Source: Field study, 2020

For instance, monitoring by plantation overseers plays a crucial role. If the oversight is insufficient or irregular, it negatively affects the palm oil harvest. For example, workers may neglect to pick up the fallen palm fruit, which is a waste as it still holds value and contributes to the overall weight of the harvested fruits when weighed. Poor management or lack of diligence among workers has led to significant financial losses for the local population. This highlights the importance of proper monitoring to ensure that tasks are carried out efficiently and responsibly by the hired workers. In this context, local wisdom plays an essential role in improving farm management practices. The traditional knowledge of the settlers, such as the importance of proper harvesting techniques and plantation care, can be integrated with modern methods to improve productivity and reduce financial losses. By maintaining a balance between traditional agricultural knowledge and modern monitoring practices, smallholders can enhance the efficiency of their farming operations, even during periods of economic challenges like the drop in palm oil prices. This approach is aligned with the principles of Sustainable Development Goal 1 (No Poverty) and

SDG 8 (Decent Work and Economic Growth), where fostering economic resilience and sustainable agricultural practices contributes to the well-being of local communities.

Impact of the drop in palm oil fruit prices on settlers' income

Section B of the survey examines the impact on the local population when the price of palm oil drops. This section includes questions related to income, side jobs and migration patterns. When the price of palm oil fruits falls, it inevitably affects the settlers' standard of living. The lifestyle of residents may also change due to this issue, as it directly involves their income, prompting them to take alternative actions to cope with the situation. This section likely contains significant differences because it involves personal information such as income levels, side jobs, types of employment and migration areas. Towards the end of this section, there are questions related to employment and migration.

Respondents' economic profile

a. Income from the sale of palm oil fruits is sufficient to support a family's livelihood

According to Table 3, although the drop in palm oil prices has impacted on the financial stability of settlers, the data suggests a complex coping dynamic among respondents. The mean score for the statement "The sales of palm oil fruit each month are sufficient to support family life" was 3.08 (SD = 1.193), indicating a moderate level of agreement. This suggests that while palm oil income alone may not be optimal, it still contributes meaningfully to household sustenance, especially in rural settings with lower living costs and fewer dependents. Additionally, a high mean score of 4.65 for the item "Require additional income to cover monthly expenses" reinforces the fact that most respondents faced financial strain, necessitating supplementary income sources. On the other hand, the low mean of 1.62 for "Have other sources of income besides palm oil fruit sales" reflects a general dependence on palm oil as the primary livelihood. This economic vulnerability, however, is cushioned by traditional agricultural knowledge and subsistence farming, which enables families to secure food for daily consumption, thereby enhancing their adaptive capacity.

Table 3. respondents' monthly income level

Item	Mean	Standard deviation
The sales of palm oil fruit each month are sufficient to support family life	3.08	1.193
Only rely on palm oil fruit sales as a fixed monthly income	3.81	1.698
Require additional income to cover monthly expenses	4.65	1.004
Have other sources of income besides palm oil fruit sales	1.62	1.282
Encourages residents to spend more frugally	4.49	0.503

Source: Field Study 2020

Table 3 reveals an uneven income distribution and financial dependency pattern among palm oil smallholders. The mean score of 3.81 for dependence on palm oil income as the sole monthly revenue source indicates that most respondents rely heavily on monocrop production, reflecting a low level of economic diversification. Although the mean of 3.08 suggests that income from palm oil can moderately support family expenses, the considerably higher mean value of 4.65 for “requiring additional income” underscores the insufficiency of palm oil returns in meeting household needs, particularly in times of market fluctuation or declining yield.

The relatively low mean score (1.62) for having alternative income sources illustrates the vulnerability of smallholders to economic shocks and highlights a lack of access to supplementary livelihood options such as agro-based entrepreneurship, value-added processing, or small-scale rural industries. This situation is compounded by the moderate standard deviations, which suggest income disparities and variations in livelihood resilience among respondents. Interestingly, the high mean (4.49) for “spending prudently” indicates an adaptive behavioral response where communities are becoming more financially cautious in the face of uncertain income stability. From a developmental perspective, these findings stress the importance of empowerment strategies that build *economic resilience and adaptive capacity* among young palm oil smallholders. The introduction of a local wisdom-based empowerment module could bridge traditional agricultural knowledge with modern sustainability practices. For example, traditional cooperative systems (*gotong-royong*), resource-sharing, and intergenerational learning can be institutionalized within training programs that promote diversified livelihoods, sustainable land management, and innovative financial planning.

Aligning with the Sustainable Development Goals (SDGs), these empowerment efforts directly contribute to SDG 1 (No Poverty) by reducing income vulnerability, SDG 8 (Decent Work and Economic Growth) through entrepreneurial skill development, and SDG 12 (Responsible Consumption and Production) by fostering prudent resource use and sustainable consumption behaviors. Empowering younger smallholders through capacity building not only enhances their individual economic security but also strengthens community resilience, ensuring that local economies remain sustainable and competitive in a fluctuating global palm oil market. The income pattern depicted in Table 3 underscores the pressing need for knowledge-based and value-driven empowerment programs tailored to the socioeconomic realities of rural smallholders. Embedding *local wisdom* into these initiatives ensures that empowerment is culturally grounded, contextually relevant, and capable of sustaining long-term socioeconomic transformation within Malaysia’s palm oil communities.

b. Relying solely on palm oil fruit sales as a fixed monthly income

The analysis of respondents who rely solely on palm oil fruit sales as a fixed monthly income recorded a mean value of 3.81, indicating a high dependency on this income source, with a standard deviation of 1.698. The palm oil plantation provided by FELDA is considered their primary asset for generating steady income. This income is heavily dependent on the global market price of palm oil. When the price is high, respondents’ monthly income remains strong; however, if the price falls and demand decreases, it leads to a reduction in income. This dependency highlights the vulnerability of smallholders in the palm oil industry to market fluctuations. It emphasizes the need for diversifying income sources to reduce dependence on one commodity, a key aspect of SDG 1 (No Poverty), which seeks to ensure sustainable economic opportunities for smallholders. Local

wisdom often emphasizes resilience through diversification, allowing farmers to buffer against economic shocks and market volatility.

c. Needing side income to supplement monthly expenditure

The analysis of respondents who need side income to supplement their monthly expenditures recorded the highest mean value of 4.65, with a standard deviation of 1.004. The drop in palm oil fruit prices has forced many respondents to seek additional sources of income to meet their household needs. Some respondents indicated that financial assistance from their children was considered as supplementary income, while others depended on the palm oil harvest income at the end of the month. This need for supplementary income illustrates the adaptive strategies used by smallholders in the face of economic challenges, which aligns with SDG 8 (Decent Work and Economic Growth). Smallholders in rural areas exhibit resilience by finding alternative means of income when traditional sources are insufficient, demonstrating the importance of community solidarity and social networks.

d. Having other sources of income aside from palm oil fruit sales

The analysis of respondents with other sources of income aside from palm oil fruit sales showed a mean value of 1.62, considered low, with a standard deviation of 1.282. Most respondents rely solely on the income from their palm oil harvest and do not have supplementary income, except for charity or welfare assistance they receive monthly. This lack of diversification in income sources demonstrates the risks faced by smallholders who are highly reliant on a single cash crop. This situation calls for a broader adoption of SDG 2 (Zero Hunger), promoting the idea of diversified farming practices and local knowledge to ensure food security and income sustainability for smallholder communities. Local wisdom encourages the cultivation of a variety of crops, thereby reducing risks and ensuring year-round income.

e. Encouraging residents to spend more wisely

The financial difficulties faced by respondents due to the drop in palm oil fruit prices have encouraged them to adopt more frugal spending habits. The mean value for this analysis is 4.49, indicating a strong agreement among respondents, with a standard deviation of 0.503. The majority of respondents strongly agreed that with a reduced income, they had to become more cautious with their spending. This frugality is a reflection of local wisdom, as rural communities have traditionally relied on prudent resource management to navigate economic difficulties. Additionally, this aligns with SDG 12 (Responsible Consumption and Production), which advocates for sustainable consumption patterns, reducing waste and ensuring responsible use of resources. The ability of settlers to adapt to economic downturns by adjusting their consumption behavior underscores their resilience and resourcefulness. These findings highlight the economic challenges faced by palm oil smallholders in rural areas, particularly in the face of fluctuating commodity prices. However, local wisdom plays a crucial role in helping these communities adapt by encouraging resilience through diversified income sources, prudent spending and community solidarity. These adaptive strategies contribute to the achievement of various SDGs, including SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), SDG 2 (Zero Hunger), and SDG 12 (Responsible Consumption and Production).

Impact of income on the local economy

The impact of income on the local economy, as discussed in Section C, aims to assess how income influences the economic situation of the local population, including their purchasing power, spending habits and savings. This is one of the most significant impacts experienced by settlers, especially in terms of their economic situation, when the price of palm oil fruit falls. Such events inevitably leave a profound impact on the economy of the settlers. The descriptive statistics provide an overview of respondents' perceptions regarding the impact of income on purchasing power and expenditure (Table 4). The Likert scale (1 = strongly disagree to 5 = strongly agree) was used to measure the responses.

Table 4. Overview of respondents' perceptions regarding the impact of income on purchasing power and expenditure

Indicator	Mean	Standard deviation	Interpretation
Ability to purchase desired goods	2.19	1.03	Low purchasing power for non-essential goods
Ability to travel annually	1.81	0.94	Very limited leisure affordability
Ability to buy desired goods every six months	1.85	0.98	Minimal discretionary spending
Limitation of purchasing power due to income decline	4.04	0.82	High awareness of reduced spending ability
Purchasing power not affecting income	1.67	1.05	Strong agreement that income affects purchasing power
Dependence of monthly expenditure on palm oil sales	4.63	0.56	Very strong dependency on palm oil income

Descriptive findings reveal that respondents' purchasing capacity and discretionary spending are severely constrained by income instability from palm oil sales. The high mean scores (≥ 4.0) for dependence and spending limitations indicate widespread economic vulnerability, while low means (≤ 2.0) for purchasing capacity suggest a restricted local consumption economy.

Table 5. The relationship between monthly income and economic indicators (purchasing power, expenditure, and savings)

Variable relationship	r-value	p-value	Interpretation
Monthly income ↔ Purchasing power	0.72	< 0.01	Strong positive correlation
Monthly income ↔ Monthly expenditure	0.65	< 0.01	Moderate positive correlation
Monthly income ↔ Savings ability	0.59	< 0.05	Moderate correlation
Monthly income ↔ Ability to buy non-essential goods	0.77	< 0.01	Strong positive correlation

The results show a significant positive correlation between income and local economic indicators. Increases in palm oil income are strongly associated with greater purchasing power and the ability to meet both essential and discretionary needs. Conversely, a decline in income such as when palm oil prices drop directly suppresses consumer spending, reducing local market activity and economic circulation.

A simple linear regression was conducted to assess the predictive effect of income (independent variable) on local economic vitality (dependent variable, measured through combined indicators of purchasing power, expenditure, and consumption behavior).

Model summary:

Model	R ²	F	Sig.
Income → Local economic activity	0.56	45.73	< 0.001

The regression model explains 56% of the variance in local economic activity based on income levels. This suggests that fluctuations in palm oil income substantially determine the strength and stability of the local economy. When income falls due to price volatility, local businesses, services, and consumption patterns contract significantly, leading to a cascading slowdown in rural economic growth.

The statistical results confirm that income derived from palm oil cultivation plays a dominant role in shaping local economic well-being. The dependence on a single commodity makes the community highly vulnerable to price volatility. This economic fragility has direct implications for purchasing power (mean 2.19) and consumption diversity, indicating that smallholders tend to reduce expenditure to core necessities when their earnings decline.

These findings reflect the multiplier effect principle in local economies where reduced income diminishes spending, which in turn contracts demand for goods and services, affecting the wider community. Consequently, the entire local economy experiences a slowdown, amplifying rural poverty risks.

From the Sustainable Development Goals (SDGs) perspective, this situation poses challenges for achieving:

- SDG 1 – No Poverty, due to income instability and limited financial buffers;
- SDG 8 – Decent Work and Economic Growth, since reduced spending limits local employment and enterprise opportunities;
- SDG 12 – Responsible Consumption and Production, where communities revert to frugality and resource efficiency as coping mechanisms.

Local wisdom practices such as *berjimat cermat* (frugality), *gotong-royong* (mutual assistance), and *menyimpan hasil* (saving harvest yields) represent indigenous forms of adaptive resilience that have historically helped rural households sustain livelihoods during income shocks. Embedding these practices into a Local Wisdom Empowerment Module can reinforce sustainable consumption patterns, promote diversified livelihoods (e.g., downstream processing, agro-tourism, or eco-enterprises), and enhance long-term rural resilience.

a. Purchasing power

The purchasing power of respondents is highly dependent on the income they receive monthly, which is primarily used to meet their basic needs and desires. This income is crucial for improving their standard of living and ensuring a comfortable lifestyle. However, when palm oil fruit prices drop, it directly affects the respondents' ability to purchase goods and services, particularly non-essential items.

b. Purchasing desired goods

The first analysis regarding the purchasing power of respondents pertains to their ability to buy desired goods, where the highest percentage on the Likert scale was recorded as "strongly disagree" at 44.9%. This indicates that the respondents' purchasing power for non-essential or luxury goods is still quite low due to the impact of the falling palm oil fruit prices. The mean value for this analysis is 2.19. This result suggests that the economic hardship faced by the respondents due to the price drop has reduced their ability to indulge in goods beyond their basic necessities. The economic challenges faced by the respondents due to the reduction in their primary income from palm oil fruit sales have affected their purchasing decisions. They are more focused on essential goods and their ability to spend on luxury or discretionary items is severely limited. This situation reflects broader economic principles in which a decrease in income leads to a tightening of consumer spending, especially on non-essential items.

From the perspective of local wisdom, communities have traditionally relied on practices of frugality and resourcefulness in times of economic downturn. This adjustment in consumer behavior reflects traditional coping mechanisms, which prioritize necessities over wants. In terms of Sustainable Development Goals (SDGs), this situation aligns with SDG 1 (No Poverty) and SDG 12 (Responsible Consumption and Production). These goals emphasize reducing poverty through income sustainability and promoting sustainable consumption patterns. Moreover, this pattern of reduced purchasing capacity highlights the critical need for economic resilience within rural communities and the importance of diversified income sources to ensure greater financial security. In conclusion, the drop in palm oil prices has had a direct and significant effect on the purchasing power of local communities, limiting their ability to purchase non-essential items. Local wisdom and community-based coping mechanisms help mitigate some of these challenges, while the need for diversified income sources and sustainable consumption practices becomes even more apparent in achieving long-term economic stability. This also underscores the relevance of the SDGs in promoting sustainable economic growth and development in rural areas.

c. Annual travel

The next analysis concerns the respondents' ability to travel annually. The Likert scale showed that the highest percentage of respondents strongly disagreed with the ability to travel every year, at 57.7%. This indicates that the financial resources of the respondents are not robust enough to allow them to engage in family vacations. The lowest percentage, 2.6%, reflects those who can afford to travel. The mean value for this analysis is 1.81. This suggests that the respondents' limited financial capacity, largely due to the fluctuating prices of palm oil fruit, has made leisure activities like annual travel unaffordable for most, further reducing their quality of life.

d. Buying desired goods every six months

Next, the analysis addresses the ability of respondents to purchase desired goods every six months. Most respondents (51.3%) strongly disagreed with this statement, indicating that buying luxury or non-essential goods every six months is beyond their financial means. The mean for this analysis is 1.85. This outcome is indicative of the economic strain caused by the drop in palm oil prices, which has forced many respondents to prioritize their essential needs over desires and has made purchasing discretionary goods infrequent or impossible.

e. Limited purchasing power

Regarding the limitation of purchasing power, the highest percentage (61.5%) of respondents agreed with the statement that their purchasing power has become restricted due to reduced incomes. This analysis shows that most respondents have had to limit their spending to avoid financial difficulties. The mean value for this analysis is 4.04, the highest among all the analyses, confirming that most respondents are taking conscious measures to restrict unnecessary expenses. As a result, they are more careful in their spending, ensuring that only essential items are purchased.

f. Purchasing power not affecting income

The final analysis discusses whether purchasing power affects the respondents' income. Considering the decline in palm oil prices, it is expected that this would impact respondents' ability to purchase goods, 55.1% disagreed with the statement that purchasing power does not affect income. The mean for this analysis is 1.67. This indicates that there is a strong correlation between the respondents' income and their purchasing power. The decrease in income due to lower palm oil prices directly influences their ability to spend, further emphasizing the vulnerability of local communities relying on palm oil cultivation.

Impact of palm oil sales on monthly expenditures

Respondents rely heavily on the income generated from the sale of palm oil fruits to cover their monthly expenses. This is supported where 62.82% of respondents strongly agreed and 37.18% agreed, with the statement that their monthly expenditures depend on the income earned from palm oil sales. This reveals a significant dependence on the palm oil industry for economic survival, with little to no diversification in their income sources. The volatility in the price of palm oil directly influences their financial security, leading to more limited spending and potential long-term financial instability.

Relating to local wisdom and SDG

These results highlight how local communities, especially those in rural and agricultural areas like palm oil smallholders, traditionally rely on a single source of income to meet their economic needs. In line with local wisdom, these communities often develop adaptive strategies to manage economic uncertainty, such as prioritizing essential goods and reducing non-essential expenditures during times of financial strain. In this case, the reliance on palm oil income and the reduced ability

to spend reflects the community's resilience but also their vulnerability when external factors like market prices fluctuate.

From a Sustainable Development Goals (SDGs) perspective, this situation closely ties with SDG 1: No Poverty and SDG 10: Reduced Inequality. The dependency on palm oil for income highlights the challenges faced by smallholders in managing economic stability in the face of market changes. For achieving SDG 8: Decent Work and Economic Growth, it's crucial to promote diversified income sources, improve financial literacy and ensure better management of resources to withstand economic shocks. Additionally, SDG 12: Responsible Consumption and Production emphasizes the need for responsible consumption, as shown by the local communities adjusting their consumption patterns due to reduced purchasing power. The economic effects of the palm oil price drop on local economies highlight the pressing need for economic diversification and community resilience strategies. Local wisdom and sustainable practices must be integrated with modern economic models to ensure long-term financial stability for rural communities engaged in agriculture.

Discussion

The challenges faced by oil palm smallholders due to fluctuations in palm oil prices can be addressed through the integration of local wisdom and the application of Sustainable Development Goals (SDGs). In many rural communities, local wisdom includes a deep understanding of agricultural cycles, resource management and community collaboration. These practices can be instrumental in promoting resilience among oil palm smallholders, aligning with SDG 1: No Poverty, SDG 8: Decent Work and Economic Growth and SDG 12: Responsible Consumption and Production.

One notable success in applying local wisdom is the practice of *suluk* (traditional farming techniques) among indigenous communities in Southeast Asia. These practices emphasize sustainable land use and crop diversification, ensuring that smallholders are not entirely reliant on a single crop like oil palm. According to Sharma and Chauhan (2020), indigenous practices such as crop rotation and mixed farming systems reduce the economic risks associated with market volatility in monoculture crops like oil palm. By combining the knowledge of traditional farming with modern techniques, smallholders can stabilize their income even when oil palm prices fall, thus improving their economic resilience. These methods are especially relevant in the context of SDG 13: Climate Action, as they promote environmentally sustainable practices and protect biodiversity.

Additionally, community-based initiatives in Malaysia, such as *Felda's* agricultural cooperative models, have demonstrated success by pooling resources and supporting smallholders through shared infrastructure and market access. These cooperatives embody local wisdom in creating a collective approach to problem-solving, helping smallholders navigate economic instability (Siti & Huda, 2019). Such systems enhance economic resilience by offering technical support and mitigating the impact of fluctuating commodity prices, effectively contributing to SDG 10: Reduced Inequality.

From a theoretical perspective, Amartya Sen's Capability Approach (Sen, 1999) offers valuable insights into the application of local wisdom in this context. The approach emphasizes expanding the real freedoms individuals have to achieve well-being. By integrating local knowledge with modern agricultural practices and cooperative structures, oil palm smallholders

can expand their capabilities to diversify income sources, access better market conditions and improve their overall quality of life, thus contributing to long-term sustainability.

In conclusion, the integration of local wisdom, such as diversified farming systems and community-based support structures, aligns well with SDGs and offers a proven pathway to improving the economic resilience of oil palm smallholder communities. Combining traditional knowledge with modern strategies not only stabilizes income but also promotes sustainable practices that can reduce poverty, foster economic growth and enhance environmental sustainability.

Conclusion

In conclusion, the integration of local wisdom with modern agricultural practices provides a sustainable pathway to address the economic challenges faced by oil palm smallholders, particularly in light of fluctuating market prices. The use of traditional farming techniques, such as crop diversification and community-based support systems, not only promotes environmental sustainability but also enhances the economic resilience of smallholder communities. The alignment of these practices with the Sustainable Development Goals (SDGs), particularly SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production), demonstrates their potential to reduce poverty, promote economic growth and foster responsible land use. By blending local wisdom with modern approaches, oil palm smallholders can improve their livelihoods, stabilize their income and contribute to broader environmental and social goals. The application of theories such as Amartya Sen's Capability Approach further supports the argument that expanding capabilities and fostering local resilience are key to achieving long-term sustainability and well-being in agricultural communities. Therefore, the inclusion of local knowledge and collaborative strategies is essential for empowering oil palm smallholders and ensuring their economic and environmental sustainability in the future.

Acknowledgements

This research was generously supported by SK-2025-028, Riset Kajian Malaysia-Indonesia and MPOB-UKM-2022-009 of Social We would like to express our deepest gratitude for the financial assistance and unwavering support provided in advancing this research. Their contribution has been instrumental in the successful completion of this project and we appreciate their commitment to fostering academic research and development.

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