

Analysis of the Influence of Creative Industries on Economic Growth Indonesia Urban Areas

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Abstract

This study analyzes the influence of the creative industry on economic growth in major cities in Indonesia with a descriptive qualitative approach. The creative industry contributes significantly to the urban economy through job creation, increase;333333ng regional income, and strengthening local cultural identity. Despite having great potential, this sector faces several obstacles, such as limited access to funding, low digital literacy among business actors, and product quality challenges to compete in the global market. The findings of the study show that access to technology, government policy support, and collaboration between stakeholders are key factors in overcoming these barriers. This research recommends improving funding policies, digital skills training, and infrastructure development to support the sustainable development of the creative industry. With this approach, the creative industry has the potential to become the main driver in the diversification and growth of the urban economy in Indonesia. This research states that the creative industries significantly contribute to economic growth in Indonesia's urban areas. Supporting this sector through policies and investment can further boost economic development.

Keywords: creative industry, economic growth, urban economy, supporting policies, digital literacy, Indonesia

A. Introduction

In the last decade, the creative industry has emerged as a strategic sector in the global economy. According to a UNESCO report, the creative industry accounts for about 3% of global GDP and provides more than 30 million jobs worldwide. In developed countries, this sector plays an important role in diversifying the economy and creating jobs, especially in densely populated urban areas (Jones et al., 2015). In addition to creative strife is considered a catalyst in innovation and digital transformation, which drives the sustainable development of the city's economy (Amory, 2024)

In Indonesia, the creative industry is also experiencing rapid growth, with a significant contribution to national GDP, reaching 7.38% in

2020. However, there is a gap in the growth of the creative industry between big cities and small towns (Aziz et al., 2024). In big cities such as Jakarta and Surabaya, this industry is growing rapidly, while in other cities its potential has not been maximized (Bustamante Duarte et al., 2024). This problem is exacerbated by the limitations of the sector, the low level of digital literacy among business actors, and the incompatibility of regional policies with the characteristics of the creative industry (Rahman & Rasulong, 2015).

The urgency of this research is the need for a better understanding of how the creative industry can be a driver of economic growth in urban areas. The growing creative industry has the potential to create jobs and reduce the city's economic dependence on traditional sectors (Fahmi et al., 2016). By conducting this research, it is hoped that it can provide a way to maximize the contribution of the creative industry to the economy of urban areas, especially in the context of post-pandemic economic recovery (Anggraini & Srihastuti, 2022).

Previous research has highlighted the diversity of creative industries and their role in the urban economy. For example, a study from (Faridi et al., 2014) found that creative industries in urban areas in Indonesia encourage and increase urban competitiveness. In addition, research from (Kuncoro, 2003) states that this industry has a positive impact on the local economy, especially trade and tourism. However, most of the research is still limited to case studies of specific cities, so a broader approach is needed (Putra & Sajida, 2023).

This research offers a new perspective by conducting a comparative analysis of several major cities in Indonesia, which have not been explored before. By highlighting specific factors that affect the creative industry, such as policy support, infrastructure, and human resources, this study makes an original contribution to the creative economy literature in Indonesia (Nugroho, 2016).

This study aims to analyze the influence of the creative industry on the economy in urban areas in Indonesia. In particular, this study will identify the key factors that support the development of the creative industry and its contribution to increasing local GDP (Maryunani, 2019).

This research is expected to provide benefits for local governments, industrial entrepreneurs, and the wider community in understanding the importance of the creative sector as an economic driver. For the government, the results of this study can be a reference in formulating policies that support the growth of the creative industry more evenly in urban areas (Hidayat & Asmara, 2017). For entrepreneurs, the results of this research can be a guide to maximize the potential of the creative industry in their city (Syahrul et al., 2023).

This research has significant implications in the development of policies that focus on economic empowerment in urban areas. By showing that the creative industry contributes significantly to economic growth, this research can be the basis for central and local governments to provide incentives, infrastructure, and other support needed by creative industry players (Syahrul et al., 2023). On the other hand, the implication for society is the existence of more diverse and sustainable economic opportunities in urban environments. The results of this study also provide an understanding of how developing countries such as Indonesia can compete in the creative economy (Yuliani & Syahputri, 2023).

B. Research Methods

This research method uses a descriptive qualitative approach that aims to analyze the influence of the creative industry on economic growth in urban areas of Indonesia. The qualitative approach was chosen because it allows researchers to explore the phenomenon in depth, especially in understanding the factors that affect the development of the creative industry and its impact on the urban economy. Thus, this research focuses on the collection and interpretation of non-numerical data, which better illustrates the complexity and social dynamics in the creative industry in various big cities.

The data collection process was carried out through in-depth interviews with relevant stakeholders, including creative industry players, local government representatives, as well as experts and academics in the field of creative economy. The interview technique was used to explore the views, experiences, and insights of the informants regarding the supporting and inhibiting factors for the development of the creative industry in urban areas. In addition, this study also uses direct observation at the research site to gain a contextual understanding of the conditions of the creative industry and the economic ecosystem that surrounds it. This observation included visits to creative industry centers and economic centers in the city that were used as research samples.

To enrich the data and strengthen the findings, this study also utilizes documentation in the form of annual reports, regional economic statistics, and government policies related to the creative industry. This secondary data is taken from official sources, such as the Central Statistics Agency, the Ministry of Tourism and Creative Economy, as well as local government policy reports. Data collection is carried out systematically, prioritizing the latest data so that the research results are relevant to the current situation.

In data analysis, this study uses thematic analysis techniques, which identify the main patterns and themes from the results of interviews, observations, and documentation. This stage involves coding the data, which is followed by the preparation of categories based on emerging themes. Each theme is analyzed to explore the relationship

between the creative industries and urban economic growth, as well as the specific factors that support or hinder the development of the sector. Researchers also triangulation data to ensure the validity of the research results, by comparing results from various data sources, such as interviews and documentation, to identify conformity or discrepancy in information.

C. Result and Discussion

Profile and Economic Contribution of the Creative Industry in Major Indonesian Cities

The creative industry in major cities in Indonesia, such as Jakarta, Bandung, Surabaya, and Yogyakarta, has an important role in supporting regional economic growth. According to data from the Ministry of Tourism and Creative Economy (2022), this sector accounts for up to 7.38% of the national Gross Domestic Product (GDP), most of which comes from cities with more advanced infrastructure. Based on interviews with industry players in Jakarta and Bandung, the culinary, fashion, and handicraft subsectors dominate the creative industries, supported by better access to digital technology and business capital. In Bandung, for example, the fashion sector has grown rapidly, creating new economic opportunities that are able to attract the younger generation to entrepreneurship.

Creative industries not only contribute in the form of gross domestic product but also create new jobs. In Surabaya, the graphic design and advertising industry is growing rapidly, which contributes directly to the increase in the purchasing power of the local people. Some industry players revealed that they are able to hire local workers, most of whom come from local universities. This shows that creative industries in big cities can create a strong multiplier economic effect on the local economy.

Factors Supporting the Development of Creative Industries in Urban Areas

The results of interviews with stakeholders show that there are several key factors that drive the development of creative industries in urban areas. First, the availability of access to digital technology is the main factor driving the growth of this sector. Technology makes it easier for industry players to market products and services online, expanding their market reach to national and international levels. This is in line with observations in Bandung, where culinary and fashion businesses are using social media and e-commerce as the main platform to expand their customer base.

Local government support is also found to play an important role in advancing the creative industry. Several major cities in Indonesia have special programs that support the development of the creative economy, such as business incubators and training centers. In Jakarta, the

government has initiated an incubator program for start-ups in the technology and creative sectors, which helps accelerate the development of new businesses in the creative industry. The program not only provides training but also access to seed funding for young entrepreneurs. In addition, in Yogyakarta, the local government actively organizes cultural and art festivals that attract tourists and introduce local creative products.

Obstacles Faced by the Creative Industry in Big Cities

Despite having great potential, the creative industry in Indonesia still faces several obstacles. Based on interviews with several business actors, the main obstacle that often arises is limited access to funding. Most creative industry players in Surabaya and Yogyakarta stated that it is difficult for them to obtain business capital from formal financial institutions, especially for micro and small businesses. Banks and other financial institutions tend to consider the creative industry as a high-risk sector, so they are reluctant to provide funding.

In addition, the low digital literacy among industry players is also a challenge in itself. Although digital technology is increasingly accessible, some business actors, especially those from the older generation, have difficulty in utilizing technology for marketing and operational management. In Bandung, for example, handicraft business actors stated that it is still difficult to adapt to digital marketing strategies, which hinders them in reaching a wider market. Infrastructure factors are also an obstacle, especially in cities where telecommunication infrastructure is not optimal to support the development of digital-based industries.

Direct Economic Impact of Creative Industries on Urban Economic Growth

Creative industries in big cities have a significant economic impact on the regional economy. In Jakarta, for example, the culinary sub-sector has created thousands of jobs and supported local supply chains, from raw material farmers to product distribution and marketing. According to observations, many culinary businesses cooperate with local farmers, which not only increases their income but also provides economic stability for rural communities around big cities.

The creative industry also contributes to increasing regional revenue through taxes and levies. In Surabaya, some sectors such as advertising, music, and performing arts pay a significant entertainment tax, which increases local revenue (PAD). In addition, the attraction of cultural and artistic tourism generated by this sector also encourages an increase in the number of domestic and foreign tourists, which has an impact on the hospitality, transportation, and other service sectors.

Indirect Impact of Creative Industries on the Quality of Life of Urban People

In addition to providing a direct economic impact, the creative industry also has an impact on the quality of life of urban people. Based

on interviews with residents in Yogyakarta, they stated that the art and cultural festivals that are held regularly have increased the sense of togetherness and strengthened the local cultural identity. The creative sector in this city plays a role in building a more inclusive and tolerant social ecosystem to cultural differences, which in turn drives the city's attractiveness as a cultural tourism destination.

On the other hand, the creative industries are also encouraging increased access to arts education and skills training. Some major cities, such as Jakarta and Bandung, have many training institutions that focus on creative skills, such as graphic design, animation, and photography. The results of observations show that these institutions have succeeded in attracting young people to explore their potential in the field of creative arts and technology. This has an impact on improving the quality of human resources in these cities, which is an important asset in supporting sustainable economic growth.

Challenges of Indonesia's Creative Industry in Global Competition

Although the creative sector in Indonesia has great potential, the challenge of competing in the international market is still a major obstacle. Based on the results of interviews with creative industry players who already have export experience, they stated that competition in the global market is quite fierce, especially in terms of product quality and innovation. Several business actors in Bandung and Surabaya revealed that the quality of their creative products still needs to be improved to meet international standards. In addition, knowledge of global trends and international market preferences is still limited among local entrepreneurs.

Some business actors also highlighted the obstacles in accessing training and up-to-date information on relevant technologies for the creative industry. In Surabaya, advertising industry players said that the lack of training related to technological innovation is an obstacle in increasing the competitiveness of local creative products. This factor affects the ability of Indonesia's creative industry to compete in the global market, where innovation and adaptation to market trends are key to achieving success.

The Role of Collaboration in Driving the Growth of the Creative Industry

Collaboration between various stakeholders, such as the government, the private sector, and local communities, is found to be one of the important factors in driving the development of the creative industry. In Yogyakarta, the local government collaborates with the arts and culture community to organize a festival involving many creative entrepreneurs. The festival not only increases sales of creative products but also strengthens the network between industry players.

In addition, collaboration with educational institutions also plays a role in improving the skills of human resources in the creative sector. In

Bandung, there is an internship program that allows design and art students to work directly with businesses in the creative sector, thereby improving their practical skills and job readiness. This shows that good collaboration can create an ecosystem that supports the sustainable growth of the creative industry.

Opportunities and Potential for Creative Industry Development in the Future

The results of the study show that the potential for the development of the creative industry in Indonesia is still very large, especially in the face of the digital era that allows industry players to expand their reach globally. Digital technology opens up opportunities for small businesses to market their products to the international market without requiring large costs. For example, social media platforms have become an effective tool for fashion and handicraft industry players to promote their products to overseas customers.

In addition, the cultural tourism sector has great potential to be developed. Many cities in Indonesia, such as Yogyakarta and Bali, have a rich cultural heritage, which can be used as an attraction for tourists. The creative industry can play a role in strengthening this cultural tourism sector, for example through the development of handicraft products that are unique and reflect the richness of local culture. Based on interviews, industry players stated that with adequate government support and infrastructure, the creative industry can develop into one of the economic pillars in Indonesia.

Discussion

The Role of Creative Industries as Urban Economy Drivers

The results of the study show that the creative industry plays a significant role in driving economic growth in Indonesia's urban areas. These findings are in line with the literature that states that the creative sector has the ability to diversify the local economy and reduce dependence on traditional sectors, such as manufacturing and trade (Amory, 2024). In Indonesia's major cities such as Jakarta and Bandung, the creative industry has created new job opportunities, attracted investors, and increased local revenue through taxes and levies.

In this context, the creative industry not only creates direct economic value but also contributes to a dynamic urban ecosystem, where creativity and innovation are key drivers. The results of this study support the theory of creative urbanization which states that cities that support and promote the creative economy are more likely to have a resilient and rapidly growing economy (Florida, 2019). This shows that if local governments continue to support the growth of this sector, they can increase the attractiveness of cities and maintain long-term economic growth.

Analysis of Supporting Factors and Obstacles in the Development of the Creative Industry

This discussion further reviewed the factors that affect the development of the creative industry, such as government support, access to technology, and limited funding. The findings show that access to digital technology has opened up opportunities for industry players to expand their market reach. This is in line with the results of research from the Ministry of Tourism and Creative Economy (2022) which indicates that digitalization has reduced barriers to entry for small business actors in the creative sector. In this regard, government policies that promote digital literacy and provide technological infrastructure are essential to support the success of the creative sector.

However, obstacles such as limited access to funding are still a significant challenge. This study found that financial institutions tend to consider the creative sector as a high-risk investment, which is in line with the results of a study by (Rahman & Rasulong, 2015) which stated that creative industry financing is often hampered by a lack of material guarantees. Therefore, policy solutions such as special credit or venture capital funding for creative industry players are needed, which will encourage more entrepreneurs to be involved in this sector.

Social Implications of Creative Industries in Urban Areas

In addition to the economic impact, the results of this study also show that there are positive social implications of the growth of the creative industry. The industry not only contributes to economic development but also strengthens social networks and strengthens the city's cultural identity. In Yogyakarta, for example, art festivals supported by the creative sector have become a forum for inclusive social interaction, creating a strong sense of community among residents. This is in line with research by (Bustamante Duarte et al., 2024) which found that art and culture play an important role in promoting social inclusion and improving the quality of life in urban areas.

In a multicultural urban context, the existence of creative industries that reflect the diversity of local cultures is also an attraction for tourists, which in turn increases the income of local communities. Therefore, the social role of the creative industry needs to be maintained and strengthened through policies that support inclusive and community-oriented arts and culture programs.

Challenges of the Competitiveness of Indonesia's Creative Industry in the Global Arena

Although Indonesia's creative industry has great potential, competition in the international market is still a significant challenge. The results of this study show that Indonesian creative industry players, especially in the craft and fashion subsectors, still face difficulties in competing in the global market due to quality and innovation standards

that are not comparable to other countries. These findings reinforce the view of (Faridi et al., 2014), who stated that innovation and quality improvement are key aspects in winning the international market.

To address these challenges, it is important for industry players to improve their understanding of international market preferences and update production techniques to conform to global standards. In this regard, training programs and access to information on relevant global market trends need to be improved. The government and educational institutions are also expected to facilitate collaboration between creative industry players with experts and academics to encourage innovation that can increase the global competitiveness of Indonesian creative products.

The Impact of Collaboration on Creative Industry Growth and Innovation

The findings show that collaboration between various stakeholders plays an important role in supporting the development of the creative industry. This collaboration not only includes cooperation between creative industry players but also involves the government, academics, and local communities. In Bandung, for example, collaboration between universities and the creative industry has created an ecosystem conducive to innovation and skill improvement of the workforce. This study supports the view of Kuncoro et al. (2020), which states that collaboration can accelerate the adoption of new technologies and enrich the creative economy ecosystem in urban areas.

In addition, collaboration with local communities and educational institutions also allows creative industry players to create products that are more relevant to market needs and increase community engagement. For this reason, the government needs to continue to support this collaboration between stakeholders, for example through the organization of forums or joint events, which bring together industry players, communities, and educational institutions.

Policy Implications to Support the Growth of the Creative Industry

Based on the results of these findings, there are several policy recommendations that can be implemented to support the growth of the creative industry in Indonesia's major cities. First, the government can strengthen support for creative education through the development of a curriculum that is relevant to the creative industry. This curriculum can include digital literacy, design skills, and business management that are appropriate to the needs of the industry. Second, fiscal policies that provide tax incentives for creative industry players can also be an additional boost to the growth of this sector, which is in line with the views of (Fahmi et al., 2016) on the importance of fiscal incentives in supporting new economic sectors.

Local governments also need to provide infrastructure that supports the development of creative industries, such as co-working

spaces, innovation centers, and technology facilities. In addition, adaptive financing policies for creative industry players, such as creativity-based microcredit and grant funding programs, can help overcome financial barriers faced by small business actors.

The Future Potential of Creative Industries in the City Economy

The results of this study show that the creative industry has the potential to continue to grow as the main economic driver in Indonesia's major cities. The creative industry offers diverse and flexible opportunities, and is able to adapt to technological changes. In today's digital era, creative industry players in Indonesia can take advantage of e-commerce platforms and social media to expand their market to the international market. This is in accordance with the results of research by (Aziz et al., 2024), which stated that digitalization allows creative industry players in developing countries to compete in the global market.

With the right policy support, the creative industry in Indonesia has the opportunity to become one of the main sectors in the national economy. This potential is not only important for the economies of large cities but also for the national economy as a whole, given that the sector is able to create jobs, attract investment, and strengthen cultural identity. Therefore, the government and other stakeholders need to continue to strengthen support for the creative industry, with a focus on innovation, education, and collaboration between industry players.

Summary of Discussion

Based on the findings of the research and discussion above, it can be concluded that the creative industry has enormous potential in supporting urban economic growth in Indonesia. Appropriate policy support, adequate access to technology, and strong collaboration between various stakeholders are key factors that will drive the sustainability and competitiveness of the creative industry at the local and international levels. Despite various challenges, such as limited funding and global competitiveness, the sector can continue to grow with innovation and technological adaptation.

D. Conclusion

Based on the results and discussion of this study, it can be concluded that the creative industry has a significant role in encouraging economic growth in urban areas of Indonesia. This industry not only provides direct economic impacts, such as increasing regional income and job creation, but also has a positive social impact through strengthening cultural identity and improving the quality of life of urban communities. The role of the creative sector is increasingly important in the economic diversification of major cities in Indonesia, especially in the context of the digital economy that facilitates market access and product innovation. However, the creative industry in Indonesia still faces various challenges,

including limited access to funding, low digital literacy among business actors, and product quality standards that need to be improved to compete in the international market. Supporting factors such as access to technology, relevant government policies, and collaboration between stakeholders are key to success in overcoming these barriers. This study recommends that the government strengthen support for this sector through policies that support access to funding, digital skills training, and the development of supporting infrastructure for creative industry players. In addition, collaboration between industry players, educational institutions, and local communities needs to be continuously improved to create a sustainable creative ecosystem that is able to compete globally. With this comprehensive approach, the creative industry in Indonesia has the potential to become the main driving force for sustainable and inclusive urban economic growth.

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