

The Role of the Creative Economy in Driving Local Economic Growth in the Digital Era

Hasirah ^{*1} Siti Aisyah ² Nurjanna Ladjin ³ Rudy Irwansyah ⁴ M Alit Suryawan ⁵

^{*1} Universitas Papua Madani Jayapura, Papua, Indonesia

² Universitas Muhammadiyah Makassar, Sulawesi Selatan, Indonesia

³ Universitas Muhammadiyah Luwuk, Sulawesi Tengah, Indonesia

⁴ Universitas Muhammadiyah Asahan, Sumatera Utara, Indonesia

⁵ Politeknik Negeri Ambon, Maluku, Indonesia

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Email Correspondence:

hasirahdgpuji@gmail.com

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ABSTRACT

The creative economy has become a key foundation for sustainable economic development worldwide, combining culture, creativity, and technology to drive innovation and growth. In Indonesia, this sector has gained significant momentum, contributing substantially to the country's Gross Domestic Product (GDP), creating job opportunities, and enhancing cultural preservation. This study employed a library research method, a data collection approach that involved reviewing various written sources, including scientific journals, books, official reports, and online articles, all of which were relevant to the topic discussed. This method was used to gain a deep understanding of the creative economy's role in driving local economic growth in the digital era. The study found that the creative economy plays a strategic role in driving local economic growth, particularly in the digital era, which opens up various opportunities through the use of technology. Digital transformation enables creative entrepreneurs to reach broader markets, enhance competitiveness, and promote local cultural identity through products rooted in creativity and innovation. This sector's contribution to the national economy is becoming increasingly significant, particularly for MSMEs that can effectively adapt to digital platforms. However, its development still faces challenges, including limited internet access, low digital literacy, and capital constraints. Therefore, a collaborative strategy is needed between the government, the private sector, and the community through digital skills training, infrastructure improvements, and providing access to financing.

INTRODUCTION

The creative economy has become a key foundation for sustainable economic development worldwide, combining culture, creativity, and technology to drive innovation and growth (Azizah et al., 2025). In Indonesia, this sector has gained significant momentum, contributing substantially to the country's Gross Domestic Product (GDP), creating job opportunities, and enhancing cultural preservation. With its rich cultural heritage and rapidly developing digital infrastructure, Indonesia stands at the intersection of traditional creativity and modern technological advancements, creating a fertile environment for empowering local communities (Mas'ud & Susilo, 2023). Indonesia's creative economy has emerged as a key element in sustainable development by harnessing these strengths and driving a shift from traditional physical production to innovation-driven industries, enabling the country to compete more

effectively on the global stage. This transition is supported by government initiatives and the active participation of local communities, which together create a dynamic environment for economic growth and empowerment. The sector's economic contribution is significant, increasing from IDR 525.96 trillion in 2019 to IDR 922.59 trillion by 2025, reflecting an average annual growth rate of 10.14%. By 2025, the sector is expected to contribute 7.44% to Indonesia's total economy. In terms of job creation, the creative economy has created opportunities through 8.2 million businesses spread across various regions, contributing to poverty reduction and local economic resilience (Qodriyah et al., 2022). Furthermore, community empowerment is facilitated through awareness, understanding, and utilization stages, enabling residents to capitalize on opportunities in the creative sector (Sari, 2024). The synergy between Indonesia's rich cultural heritage and technological advancements is evident in sectors such as arts and tourism, which are ripe for innovation and expansion (Irianto et al., 2025). This integration is supported by government facilitation and individual participation, in line with national economic goals (Latifah et al., 2025).

The development of the creative economy is not only a national focus but also a global trend, indicating a shift in the economic paradigm from being based on natural resources to being based on knowledge and innovation. According to the UNCTAD Creative Economy Outlook (2022), the global export value of creative industry products reached over USD 1 trillion and continues to show an increasing trend annually. Countries such as South Korea, the United Kingdom, and the United States have made the creative economy a key driver of their economic growth. The success of these countries serves as an important example for Indonesia to develop a similar strategy based on cultural potential, local talent, and the use of digital technology. (Jannah et al., 2025).

In Indonesia, the government has identified the creative economy as a strategic sector in the 2021–2025 National Medium Term Development Plan (RPJMN). Seventeen officially recognized creative economy subsectors include application and game development, music, film, animation, fine arts, culinary arts, fashion, and crafts. Of these subsectors, the three most dominant in terms of GDP contribution are culinary arts, fashion, and crafts, collectively accounting for more than 75% of the total contribution to the national creative economy. However, digital subsectors such as gaming, applications, and animation are projected to experience the fastest growth over the next five years, as internet penetration and digital content consumption continue to increase. Despite the significant opportunities, Indonesia's creative economy still faces various structural challenges. One key issue is the digital divide in rural areas and outside Java, which hinders the participation of regional creative actors in the national digital ecosystem. A 2021 report by Statistics Indonesia (BPS) shows that only around 51% of households in eastern Indonesia have internet access, compared to more than 80% in Java and Bali. Furthermore, low financial and digital literacy are significant barriers to business scale and attracting investment. Many creative economy players still operate informally and lack access to financing institutions, business incubation, or entrepreneurship training. (Nobility, 2023).

Empowering local communities in Indonesia through the creative economy in the digital age is a multifaceted process that leverages cultural assets, creativity, and digital tools to improve socio-economic conditions. This transformation is particularly significant in Indonesia's diverse cultural landscape, where the creative economy acts as a bridge between traditional practices and digital innovation, fostering inclusion and sustainability. The integration of digital technology with local wisdom enables communities to generate income, strengthen social cohesion, and preserve their unique identities (Masitoh et al., 2025). Digital transformation plays a critical role in this process, with technologies such as social media, online marketing, and tour guide apps expanding market reach and increasing the competitiveness of local tourist villages (Sugito et al., 2025). E-commerce platforms and digital applications further facilitate direct interaction with consumers, making creative product promotion more effective (Wulansari et al., 2022). Collaborative initiatives involving local governments and stakeholders have empowered the local economy through the development of tourism villages and the implementation of inclusive education programs (Junaedi & Rojali, 2024). Meanwhile, community empowerment efforts emphasize increasing

knowledge and skills to improve economic conditions through the creative economy (Firnanda et al., 2025). However, this progress is not without challenges, including limited internet infrastructure and low digital literacy among small and medium-sized business owners (Judijanto et al., 2025). To address this issue, policies that accelerate digital transformation and improve the quality of human resources are crucial (Gurnayati et al., 2025). In addition, the Digital Social Innovation framework emphasizes the importance of leveraging technology to solve social problems, thereby driving innovation and creating broader social impact in the creative economy (Lubis et al., 2025).

Although Indonesia's creative economy is experiencing rapid growth and has recognized potential to drive local economic empowerment, challenges remain in realizing the full impact of this sector. (Asyiffa et al., 2025). Many local economies, particularly in rural and semi-urban areas, struggle to access the benefits of this economic sector due to low digital literacy, inadequate infrastructure, and a lack of entrepreneurial knowledge. The integration of traditional cultural practices with modern digital tools is often underdeveloped, preventing communities from fully capitalizing on the opportunities offered by the digital age. Furthermore, the absence of robust empirical studies analyzing the specific contribution of the creative economy to local economic empowerment in Indonesia creates a knowledge gap, limiting the formulation of effective strategies to address these challenges. This study aims to investigate the role of the creative economy in fostering local economic empowerment in Indonesia during the digital era. (Habeahan et al., 2021).

Specifically, this study aims to identify key factors in the creative economy that influence local economic empowerment, evaluate the role of digital literacy and technology integration in enhancing the impact of the creative economy, and provide implementable recommendations for policymakers, entrepreneurs, and stakeholders to strengthen the synergy between the creative economy and local economic development.

RESEARCH METHOD

This research employed a library research method, a data collection approach that involved reviewing various written sources, including scientific journals, books, official reports, and online articles, all of which were relevant to the topic. This method was employed to gain a deeper understanding of the creative economy's role in driving local economic growth in the digital era.

The data collection process involved searching for articles and journals from several trusted sources, including Google Scholar, university journal portals, and official government websites and institutions specializing in the creative economy in Indonesia. The focus of this literature review was directed at three main aspects, namely: (1) the definition and scope of the creative economy; (2) the influence of digitalization on creative economy actors; and (3) the contribution of the creative economy to local economic growth.

The analysis was conducted descriptively and qualitatively, involving the identification of patterns of findings from the literature, grouping them based on themes, and drawing conclusions that support the theoretical and practical arguments presented in the introduction. By employing this approach, it is hoped that a comprehensive understanding can be gained regarding the dynamics of the creative economy in the context of digitalization and its impact on societal economic welfare.

RESULTS AND DISCUSSION

Creative Economy Transformation in the Digital Era

The creative economy has undergone a significant transformation with the development of digital technology. Digitalization enables creative economy players to utilize online platforms to market their products and services, thereby reaching a broader market without geographical limitations. According to Sari and Widodo (2022), digitalization opens broader market access, strengthens branding, and increases the competitiveness of local creative economy players.

The Ministry of Tourism and Creative Economy (2025) also emphasized the crucial role of digitalization in developing the creative economy sector by facilitating businesses in promoting and distributing products through digital platforms. This ultimately strengthens their market position in the face of global competition.

This transformation has also sparked the emergence of new economic ecosystems, including marketplaces dedicated to creative products, crowdfunding platforms for business funding, and digital communities that foster collaboration among players in the creative economy. Digitalization serves not only as a distribution tool but also as a space for incubating ideas and innovation. Thus, the creative economy in the digital era is becoming more adaptive and dynamic in responding to market needs. (Wulandari & Pradikto, 2025).

This application illustrates how digitalization leads to structural changes in the way actors in the creative economy operate. Technology has become a primary tool for building brands, reaching global consumers, and enhancing product value. According to a 2023 McKinsey report, the use of digital media can increase creative MSME business growth by up to 25% in the first two years of digitalization. Therefore, digitalization serves not only as a marketing tool but also as a catalyst for innovation.

Contribution of the Creative Economy to Local Economic Growth

The creative economy plays a crucial role in driving local economic growth, particularly for Micro, Small, and Medium Enterprises (MSMEs). Research indicates that the creative economy sector makes a significant contribution to increased product innovation, expanded market access through digital platforms, and enhanced operational efficiency for MSMEs. As noted in an article by Pustaka (2024), the creative economy presents significant opportunities for MSMEs to access global markets, enhance product quality, and optimize technology for greater efficiency.

Furthermore, the creative economy sector also opens up opportunities for communities to create new jobs and improve local economic well-being. This was expressed by Rachmawati (2023), who wrote, "Individuals can develop creative businesses based on ideas and innovation, such as graphic design, digital content, and handicrafts, which are increasingly in demand in the digital marketplace."

The creative economy also serves as a means of empowerment for vulnerable groups such as women and youth. Many creative economy players come from these backgrounds because the sector offers flexibility in time, affordable access to capital, and a space for creative expression. Furthermore, the adoption of digital technologies such as e-commerce and financial applications has made it easier for businesses to manage sales and financial reports more effectively. This not only increases revenue but also fosters a culture of entrepreneurship among the wider community. (Irawati et al., 2024).

This application illustrates the direct impact of the creative economy on local economic growth for individuals and communities. Data from the Central Statistics Agency (BPS) (2024) indicate that the creative economy sector is expected to employ more than 17 million people in 2024, with MSMEs dominating the sector. Empowering vulnerable groups, such as women, through digital platforms has also been shown to expand economic participation, as noted by UN Women (2022). This is evident in the increased involvement of women in home-based businesses in creative sectors, including fashion and crafts.

Challenges in Developing the Creative Economy

Despite its enormous potential, developing the creative economy in the digital era faces several challenges. Among these are the lack of skills in creating highly competitive products or works, as well as limited internet access in some regions. According to Prasetyo and Sumaryo (2022), the biggest challenge to developing the creative economy is the low level of digital literacy in certain regions, which limits their access to technology that supports creative business development.

Furthermore, limited business capital is also a barrier for local communities to start businesses in the creative economy sector. More support is needed in the form of access to funding, training, and skills development. This was also emphasized by the Creative Economy Agency (Bekraf, 2024), which recommended special programs to support creative MSMEs in securing financing and expanding market access.

Furthermore, the lack of collaboration between creative industry players, the government, and educational institutions is also a barrier. Many creative economy players work independently and lack an adequate supporting ecosystem. This is exacerbated by the still low awareness of the importance of intellectual property rights (IPR). According to Widiastuti (2024), many MSMEs are not yet aware of the importance of legally registering their work, which increases the risk of plagiarism and results in a loss of economic value. (Qodriyah et al., 2022).

These challenges highlight the need for a holistic approach to developing the creative economy. In addition to digital infrastructure, technological and legal literacy, such as intellectual property rights (IPR), are crucial for ensuring that businesses are not only creative but also legally protected. The OECD (2024) also emphasizes the importance of cross-sector collaboration to create a sustainable and inclusive creative economy ecosystem.

Digital-Based Creative Economy Development Strategy

The digital-based creative economy development strategy involves utilizing information and communication technology to increase the competitiveness of creative products. Digitalization plays a crucial role in optimizing the potential of the creative economy, particularly in the tourism and cultural sectors, which can have a direct impact on economic growth and public welfare. Santoso (2023) stated, "Digitalization plays a crucial role in optimizing the potential of the creative economy, particularly in the tourism and cultural sectors, which can have a direct impact on economic growth and public welfare."

The Indonesian government is also promoting a village digitalization program to ensure that all levels of society can benefit from the creative economy. According to Kompasiana (2024), the village digitalization program aims to enhance technological infrastructure and provide training to village communities, enabling them to develop digital-based creative products and market them more widely.

As a follow-up, another strategy that can be implemented is establishing business incubators and community-based training centers. These incubators can provide a platform for idea development, mentoring, and market networking. Furthermore, strategic use of social media is also key to successfully expanding market reach. According to Nurdin (2023), platforms such as Instagram, TikTok, and Shopee are key for budding entrepreneurs in the creative economy to build brand awareness and effectively reach consumers.

Implementation: This strategy emphasizes the important role of government and communities in strengthening the digital creative economy ecosystem. The World Bank (2024) states that technological infrastructure must be accompanied by an increase in human resource capacity to ensure equitable digital transformation. Incubators and community training create more equal access to creative resources, while social media provides cost-effective distribution channels that significantly impact brand presence. (Asri, 2022).

CONCLUSION

The creative economy plays a strategic role in driving local economic growth, particularly in the digital era, which opens up numerous opportunities through the use of technology. Digital transformation enables creative businesses to reach a broader market, increase competitiveness, and strengthen their local cultural identity through products that are based on creativity and innovation. This sector's contribution to the national economy is becoming increasingly significant, particularly for MSMEs that can effectively adapt to digital platforms. However, its development still faces challenges, including limited internet

access, low digital literacy, and capital constraints. Therefore, a collaborative strategy is needed between the government, the private sector, and the community through digital skills training, infrastructure improvements, and providing access to financing.

With the proper regulatory and infrastructure support, the digital-based creative economy can become a driving force for inclusive and sustainable local economic growth, while also serving as a means of empowering communities across Indonesia.

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