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## ANALYSIS OF THE CREATIVE ECONOMY IN DRIVING THE ECONOMY

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**ABSTRACT:** The purpose of this study is to examine the role of the creative economy in driving the regional economy. In addition, this study provides a conceptual contribution to strengthen regional strategies for creative economy development. The contribution of the creative economy subsector, the role of local governments, and their effects on GRDP and labor absorption are the variables studied. A qualitative-descriptive literature study was used. Secondary data were used from related agencies, journals, and creative economy reports. The results show that the creative economy is crucial for innovation, creating jobs, and increasing local competitiveness. The results indicate that to encourage regional economic growth, strengthening policies, digital ecosystems, and access to financing are crucial.

**Keywords:** Creative Economy, Regional Economic Growth, Innovation, GRDP,

### INTRODUCTION

Over the past twenty years, global economic growth has demonstrated a significant shift toward a knowledge-based economy, which prioritizes creative ideas, innovation, and the ability to generate value. Indonesia, which has historically relied on the primary sector and extractive industries, faces the consequences of this shift. According to Firdausy (2017), heavy reliance on commodities has proven unsustainable.

sufficient to address global price fluctuations and international economic uncertainty. Therefore, it is crucial for the economic sector to become more creative. By leveraging human creativity, digital technology, cultural heritage, and product and service innovation, the creative economy has emerged as a relevant answer.

The creative economy is based on Indonesia's cultural diversity, making it unique at the national level. This naturally provides a competitive advantage for various sectors, such as fashion, crafts, and culinary arts. All of these sectors have a creative foundation based on local wisdom and traditional aesthetics (Ginting, 2017). Strengthening these subsectors will strengthen local cultural identity and increase the appeal of creative tourism. According to Rahimi (2018), research has shown that the culinary and crafts subsectors are the most consistent in contributing to regional GRDP and creating new job opportunities for local communities. These facts indicate that the creative economy can provide alternatives and even become a major driver of community-based economic growth.

Howkins (2001) defines the creative economy as the process of creating capitalizable ideas that generate greater economic value. This distinguishes the creative economy from conventional industries that rely on physical resources. Howkins states that ideas are new economic assets with high added value, especially in the form of art, design, digital content, or technological innovation. Furthermore, Florida (2002) emphasizes the importance of the creative class, which is a group of people who work in creativity-based jobs, such as designers, artists, innovators, programmers, and writers. Because they encourage creativity, collaboration, and the creation of new businesses, the existence of this creative class has been shown to increase local economic dynamism.

However, the development of the creative economy in Indonesia is uneven across regions. Some regions are experiencing rapid growth in the creative subsector, while others remain stagnant or unable to maximize their local potential. Contributing factors include low digital literacy, limited technology, unequal access to financing, and weak protection of intellectual property rights (Firdausy, 2017). This problem is also influenced by the varying institutional capabilities of local governments in designing policies, providing technical facilities, and building creative ecosystems that support the sustainability of creative businesses.

Thus, the development of the creative economy does not only depend on the creativity of individuals or groups, but also on the readiness of the supporting system.

The industrial cluster theory proposed by Porter (1990) is closely related to the development of the creative economy. This theory explains that a group of business actors in one area can increase productivity, stimulate innovation, and enhance competitiveness. Creative clusters such

as craft centers, art villages, restaurants, and digital studios are important places for sharing ideas and collaborating in the creative economy. A study conducted by Sihombing et al. (2024) found that areas with Developing creative economy clusters has higher economic growth rates and greater sustainability. This is due to the multiplier effect of interactions between industry players, academics, creative communities, and the government. In addition, the endogenous growth theory, proposed by Romer (1986), provides important insights into how innovation and knowledge serve as key catalysts for long-term growth. In the creative economy, innovation is a business's ability to create new products, utilize digital platforms, and create innovative business models. Especially in the media, entertainment content, application platforms, and design subsectors, digitalization expands markets and improves efficiency. This advancement allows local products to enter the global market through social media, e-commerce, and digital marketing. Conversely, intellectual property protection remains a significant issue that has not been fully addressed. Creative products such as design, art, and digital content are highly vulnerable to plagiarism and illegal reproduction. This can stifle the creativity of creators. Therefore, education and policies that protect intellectual property rights are crucial for the sustainability of this sector (Purnomo, 2016).

This research makes a significant academic contribution by combining industrial clusters, endogenous growth, and creative economy strategies to explain regional economic dynamics. Furthermore, it offers a new perspective on the contextual components that influence the success of the creative economy in various regions in Indonesia. This research helps explain the important components that determine the success of the creative sector in increasing regional economic growth by analyzing various empirical examples from fast-growing and lagging regions. This research focuses on how the creative economy contributes to the regional economy, identifying factors that influence optimization, and creating creative economy development strategies that are relevant, sustainable, and appropriate to the characteristics of each region.

## **LITERATURE REVIEW**

### **1. Creative Economy Concept**

The creative economy is a new foundation for contemporary economic progress that places innovation, creativity, and the utilization of intellectual property as key components of production. According to Howkins (2001), the primary commodities that can generate economic value are ideas and creativity. This differs from conventional economic industries that rely on physical resources. Furthermore, the concept of a creative class was proposed in Florida (2002), which states that regional economic growth is primarily driven by creativity-based professional groups, such as designers, artists, innovators, and technologists. If a creative class exists somewhere, innovation emerges and a creative ecosystem emerges that supports sustainable growth

### **2. Economic Development Theory**

In classical economic growth theory, Adam Smith stated that Efficiency and specialization are the keys to economic growth and development (Smith, 1776). However, this classical idea has evolved with the emergence of a modern economic perspective that emphasizes innovation as the key to growth. According to endogenous growth theory, proposed by Romer (1986), creativity, technology, and knowledge are the main drivers of long-term growth. In this perspective, the creative economy is seen as a driver that enables innovation, product variety, and the formation of new markets.

The endogenous growth approach is relevant for explaining the creative economy phenomenon because this sector relies on creative human resources and the ability to generate new ideas. Suryana (2000) also emphasized that economic growth is strongly influenced by the quality of human resources, technology, and mastery of information—all key characteristics of the creative sector. This theory helps explain why regions with higher innovative capacity are able to generate greater economic value than regions that rely solely on traditional sectors.

### 3. Corporate Cluster Theory

Porter (1990) developed the theory of industrial clusters, which emphasizes that the geographic concentration of businesses within an industry can increase productivity, accelerate innovation, and enhance regional competitiveness. Clusters create ecosystems that enable intensive interaction between businesses, suppliers, educational institutions, and governments, resulting in greater collaboration and knowledge exchange.

Because creative sub-sectors usually develop faster in cluster environments such as craft centers, cultural villages, culinary centers, or design centers, this theory is relevant to explain the development of the creative economy.

According to Florida (2002), regions that have creative clusters have higher economic growth than regions that do not have them.

According to research conducted by Yuniarrachmi and Wahyunadi (2025), strengthening creative clusters in NTB, particularly in the culinary and craft sectors, significantly contributed to increasing GRDP and creating jobs. This demonstrates that cluster theory provides a strong foundation for explaining how the concentration of creative businesses can have a multiplier effect on the regional economy.

### 4. Theory of Competitive Regional Advantage

Porter (1990) stated the theory of regional competitive advantage that the superiority of a region depends on the utilization of local potential, natural resources, and differentiation and innovation strategies. Creative products that

Having cultural, aesthetic, or technological innovation values that cannot be imitated by competitors can build an advantage in the creative economy.

Capital policies, technology training, and protection of intellectual property rights must encourage the competitiveness of the creative economy (Firdausy 2017). Creative actors will struggle to maintain their product excellence without this support. Rahmi (2018) emphasized that the performance of the creative subsector is significantly influenced by local government interventions such as training, business incubation, and improvements to digital infrastructure. Therefore, the theory of competitive advantage provides a foundation for understanding how communities can gain strategic positions in the creative market by collaborating, innovating, and leveraging local cultural identities.

Creativity, innovation, creative industry concentration, and regional competitiveness are all factors that indicate a relationship between the creative economy and regional economic growth. This conclusion can be drawn based on the overall theories discussed. Various aspects of the dynamics of the creative economy can be understood through these theories. These include its relationship to innovation (Romer, 1986), the creative workforce (Florida, 2002), the strength of industrial clusters (Porter, 1990), and local cultural excellence (Ginting, 2017). Therefore, this theoretical foundation provides an important basis for studying the creative economy's contribution to the local economy and the components that influence its optimization.

## **METHODOLOGY**

The role of the creative economy in driving regional economic growth is analyzed in this study using a qualitative-descriptive approach and a systematic literature review methodology. Data were collected through desk research, which included analysis of official reports from the Ministry of Tourism and Creative Economy, academic journals, local government policies, and development reports on the creative economy subsector from 2010 to 2020.

Three main stages were used to analyze the data: content analysis to identify themes related to contributions to GRDP, employment, innovation, and policy support; descriptive analysis to explain development trends in the creative subsector; and source triangulation to ensure consistency of findings across regions and years. The Three-Box Scoring Method was used to assess subsector contributions. This method categorizes contribution levels into low, medium, and high. The creative economy plays a significant role in regional economies, as demonstrated by this analysis.

## **RESEARCH RESULT**

This research supports the idea that the creative economy is an important component in regional economic development in Indonesia. The results of the Tiga Kotak Metode assessment show that the contribution of the creative subsector especially crafts, culinary, and digital media is moving in the category is heading high. This aligns with Howkins' (2001) creative economy theory from an academic perspective, which emphasizes that innovation and creativity are the primary sources of added value. This finding also relates to Florida's (2002) creative class concept, which states that regions that can foster creativity and develop creative worker groups will experience faster and more sustainable economic growth.

At the local level, the increased economic value generated by the creative subsector demonstrates how local creativity has fostered the growth of small and medium-sized industries. This aligns with research conducted by Rahmi (2018) and Yuniarrachmi & Wahyunadi (2025), which found that subsectors such as crafts and culinary arts increase regional income, enhance local cultural identity, and create new jobs. Therefore, these research findings confirm the importance of the creative economy as a strategy to encourage economic diversification beyond the conventional sectors that currently drive regional economies.

Furthermore, research findings indicate that digitalization and innovation play a significant role in increasing the market for creative products. Romer (1986) stated, within the context of endogenous growth theory, that knowledge and technology play a crucial role in driving long-term growth. This is demonstrated by the increasing focus in the creative economy on the use of technology, particularly in digital media, visual communication design, and applications. Digitalization increases production efficiency and improves market access through digital platforms, indirectly contributing to increasing regional GRDP.

The results of this study, based on Porter's (1990) industrial cluster theory, indicate that the concentration of creative economy actors in specific centers, such as craft centers or culinary areas, can generate significant multiplier effects. These clusters increase local competitiveness through the exchange of ideas, business collaboration, and increased innovation. The results align with research conducted by Sihombing et al. (2024), which states that building a cluster-based creative ecosystem is an effective method for developing the character of a regional creative economy.

However, this study also shows that the contribution of the creative economy is not yet very high. Limiting factors include structural barriers such as limited access to capital, unequal digital literacy, and a lack of intellectual property rights protection. The results support Firdausy's (2017) assertion that the creative economy requires comprehensive policies that regulate intellectual property protection, training, business incubation, and digital facilities. The contribution of the creative economy can increase significantly when the government, business actors, communities, and academics work together to mitigate these challenges. Overall, this conversation confirmed that the creative economy is a field that is growing organically and can be accelerated by appropriate policies, ecosystem support, and the innovative capabilities of actors. The results of this study support the academic belief that industrial clusters, innovation, and creativity are the three main pillars of creative economy development in the region. The creative economy has social, cultural, and economic impacts by improving community well-being and strengthening local identity.

## **DISCUSSION**

This research conducted analysis through several systematic stages. The goal of this process is to develop a comprehensive picture of the creative economy's role in driving regional economies. The first stage involved collecting secondary data. This data included creative economy statistics (GRDP), business field reports, regional publications, and relevant academic research from 2010 to 2014. The data was then reduced to identify key variables related to the creative economy's contribution, such as GRDP value, employment, innovation, and local government policy support. In the second stage, creative economy data was grouped into dominant subsectors. These subsectors include culinary arts, crafts, fashion, visual communication design, performing arts, and the digital industry.

This classification helps us understand the differences in dynamics between

subsectors and how each contributes to a region's economic growth. Currently, the culinary and crafts subsectors consistently contribute the highest economic value, particularly in West Nusa Tenggara (NTB) and North Sumatra. Meanwhile, the digital subsector, including film, animation, and applications, has shown a significant growth trend over the past five years.

Additionally, a thematic content analysis was conducted to determine how regional economic growth indicators relate to the contribution of the creative economy. The analysis showed that the absolute value of the creative economy's GRDP increased annually, indicating consistent economic growth. This occurred despite relative fluctuations in the percentage contribution. This finding suggests that despite the region's reliance on large conventional industries, the creative economy still has a positive impact and is increasingly important for regional growth.

Mapping was performed using the Three Box Method to assess contribution levels using a simple scoring approach. This method divides contribution scores into low, medium, and high categories, as shown below:

ScoreS	Criteria
50.00 – 100.00	Low
100.01 – 150.00	Currently
150.01 – 200.00	Tall

Table 1. Methods for Assessing Creative Economy Contributions

As a result of the score assessment for three main indicators: GRDP trend, labor absorption, and innovation intensity, most regions are in the medium to high category, with an average score between 130 and 160.

The results show that the creative economy has played an important role in driving local economic growth, but it is still not fully realized because there are still obstacles such as limited access to capital, low digital literacy, and lack of intellectual property protection.

According to an analysis of labor absorption trends, the creative processing industry subsector (culinary, crafts, and fashion) is the largest contributor to new job creation, particularly among MSMEs. Meanwhile, the digital subsector is growing faster than its predecessors, indicating a shift in the economic model toward the use of technology and creative innovation.

In the final stage of analysis, data was triangulated to ensure consistency of findings. This was done by comparing creative economy trends across regions and identifying common patterns. The triangulation results reinforce the conclusion that the creative economy provides both direct and indirect economic contributions, such as increasing regional competitiveness, establishing local cultural identity, and expanding markets through digitalization.

The increased performance of this subsector appears to be driven by regional government policy elements such as MSME training, the development of creative centers, and the revitalization of the digital ecosystem.

Overall, research shows that the creative economy has a strategic role in driving regional economic growth.

The increasing GRDP of the creative economy, employment absorption, and innovation shows that this sector must become a pillar of economic development.

However, it's important to note that this contribution could increase significantly if more integrated government policies address structural barriers such as access to financing, digital literacy, and intellectual property rights protection.

## CONCLUSION AND RECOMMENDATIONS

This study shows that the creative economy increases GRDP, employment, and local cultural identity. The contributions made by the culinary, crafts, fashion, and digital media subsectors are within

The category is moderate to high, indicating that innovation and creativity are crucial components in increasing regional competitiveness. Furthermore, research findings indicate that digitalization, creative industry clusters, and government policy support are key factors driving the industry's progress. However, the creative economy's contribution to its potential must be addressed, including obstacles such as limited access to capital, low digital literacy, and inadequate intellectual property rights protection.

Local governments must improve the creative economy ecosystem by increasing funding, establishing business incubators, and providing digital training for small and medium enterprises (MSMEs). Second, building and expanding creative industry clusters is very important to encourage more intensive collaboration between businesses, academia, communities, and the private sector. Third, intellectual property rights protection must be improved through better education, legal assistance, and a simplified intellectual property rights registration process. Fourth, digitalization must continue to be a key strategy for expanding the market for creative products, particularly through digital literacy training. Fifth, to encourage sustainable innovation and accelerate creativity-based economic growth at the regional level, cross-sector collaboration must be strengthened. It is hoped that the contribution of the creative economy and the improvement of community welfare more evenly will be increased by implementing these recommendations.

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