
Cultural Innovation in Indonesia as a Development of the Creative Economy

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ABSTRACT

Culture is a part of life that regulates the norms and habits of society. Culture takes two forms: material culture and non-material culture. Through the Creative Economy Agency, the creative economy has been promoted as one of the new pillars of the Indonesian economy. This study aims to analyze the culture-based creative industry as an option for advancing the creative economy in Indonesia. This study applies the theory of economic development by Joseph Alois Schumpeter to emphasize the creativity of entrepreneurs in using existing production factors to support economic activity. Data was collected from secondary data related to the cultural and creative economy. The results show that the creative industry in Indonesia has emerged as the answer to the creative economy system and has also shown rapid development. Practically, in Indonesia, abundant opportunities exist for a culture-based creative economy, spanning various sectors such as arts and tourism, awaiting innovation by industry actors. Government facilitation and increasing engagement from individuals further support this burgeoning creative landscape, aligning with the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency's mission to bolster Indonesia's economy by 2030 through successful synergy between government and industry

Keywords: Bekraf; Indonesian culture, Creative Economy, Cultural innovation.

INTRODUCTION

The world today is in crisis as a result of the Covid-19 pandemic. In addition to causing casualties, this virus also attacks other sectors, such as the financial sector (Hardiyanto, Rafdinal, Wibisono, Juniarti, & Septiany, 2023), the tourism sector (Wibisono, Rafdinal, Setiawati, & Senalasari, 2023), and the creative industry (Astor, Wibisono, Novianti, & Rafdinal, 2021). The policies issued related to the spread of this virus have a direct impact on the country's economy. The social distancing that is being promoted by the government to break the chain of spreading this virus has to be responded to by closing many sectors of the economy, especially in Indonesia. This has an impact on the decline of the Indonesian economy. The Indonesian Economy Minister, Sri Mulyani, said that the decline occurred in almost all economic sectors, from trade, manufacturing, mining, and transportation. This was confirmed by the Senior Economic Researcher at the Institute for Strategic Studies (IKS), University of the Republic of Indonesia, Eric Alexander Sugandi, who also predicted that Indonesia's economic growth at the end of the year would decline by 2.2 percent (Elena, 2020).

Apart from the negative impacts that emerged after this pandemic, many Indonesians had previously struggled with great difficulty to meet their needs. This is due to many factors such as employment opportunities that do not match their criteria, as well as the level of formal education that makes it difficult for many people to find jobs (Boyle, 2022). In other words, this pandemic has only made the situation worse for those who are already deteriorating. This has become a long issue that has led to criticism and skepticism between the government as the party that is claimed to be responsible for the prosperity of a country and the people who feel they are victims of policies that are not in their favor. In this case, finding out who is right and wrong is not the right action to solve the problem. In response to this, innovation and cooperation between all parties who are actors in economic activity are very important in improving the economy of a country. Previous studies show that innovation is an important factor in improving economic conditions (Balci, 2019; Diebolt & Hippe, 2019; Lei, Zhang, & Qi, 2020). In creating innovation, support from various parties is needed, including government support (Balci, 2019; Lei et al., 2020; Pradhan, Arvin, Nair, & Bennett, 2020). Thus, people who take the role of driving economic growth and the government are the supporters of this movement. This collaboration will open up opportunities for innovation in support of economic growth, such as China (Lei et al., 2020) and Eurozone countries (Pradhan et al., 2020) have done in their efforts to improve the

economy of their country. Including Indonesia, the relationship between society and government in increasing innovation needs to be studied better to promote better economic development.

Reflecting on Indonesia's condition today, creativity and utilization of existing resources are the best options for innovation in economic activities. Indonesia has enough production factors to start a reform movement. Culture is a resource with enormous potential currently owned by Indonesia. This cultural economy movement has begun to be carried out by several parties but has not been widely used by the Indonesian people. This paper will discuss how the synergy between culture and innovation in economic growth through the creative economy industry.

LITERATURE REVIEW

Culture

Culture is a part of life that regulates the norms and habits of society. In this sense, culture is the result of human thought which is then agreed upon as a value in a group. Zimmermann said that culture is the characteristics and knowledge of a particular group of people, encompassing language, religion, cuisine, social habits, music, and art (Richardson, 2019). Culture is 'the collective programming of the mind, which distinguishes the members of one group or category of people from others' (Minkov, 2020). Recent research from Hofstede, Hofstede's framework has six major cultural dimensions (These cultural dimensions are Power Distance (PDI), Individualism (IDV), Masculinity (MAS), Uncertainty Avoidance (UAI), and Long-term Orientation (LTO) and Indulgence versus Restraint) that have been developed to diminish the complexity of understanding culture by interpreting cultural values and behavioral patterns for a wide range of countries while facilitating their comparison (Minkov, 2021)). Several other experts have also provided definitions of culture. From these opinions, a common thread can be drawn where culture is based on ideas, products, and agreements. Culture is used by groups of people who agree on an idea so that one culture will be different from another. Specifically, in this study, the culture that is analyzed is specifically on the culture of innovation in creative economy development that has never been analyzed before. Thus, it is important to analyze it to complement the literature on culture, especially innovation culture.

Innovation and Creative Economy

Schumpeter & Nichol, 1934; (Weisman, 2023) explained the creativity of entrepreneurs in utilizing existing production factors to support economic activity. They also stated that economic progress could occur if entrepreneurs continued to innovate to increase the total output of society. This innovation will be responded to at the community level, in the form of 1) Introduction of new economic factors of production; 2) Product efficiency and expansion; 3) The emergence of monopolistic profits becomes capital accumulation; 4) The emergence of imitation processes carried out by other economic actors. The response to this innovation will lead to mature economic growth. At this level, the imitation process is an important part of ensuring this innovation will not be monopolized by one party alone. With the imitation process of the new economy introduced earlier, it will spread in the community, and at one point the monopoly that occurs at the beginning of the introduction of the new economy will be covered up.

The innovation mentioned by Schumpeter was indirectly answered by the government by supporting the growth of the Creative Economy in Indonesia. Creative economy is not a term we will only know in 2020. This term became popular nationally after the 7th President of Indonesia, Joko Widodo inaugurated the Creative Economy Agency (Bekraf) through Presidential Regulation No. 6/2015 on Creative Economy Agency (Setkab, 2020). Since then, the creative economy has been promoted as one of the new pillars of the Indonesian economy (kemenparekraf, 2024). states that the term creative economy was first introduced by John Hawkins in his book *The Creative Economy: Make Money from Ideas*, where Hawkins defines the creative economy as value creation as a result of ideas. Hawkins narrowed down the creative economy aspects of the arts and culture (Delanova, 2019). The idea of narrowing down the creative economy to the arts and culture is also supported by Parrish (2019) who mentioned the term creative industries refers to a range of economic activities that are concerned with the generation and commercialization of creativity, ideas, knowledge, and information.

The creative economy itself has characteristics that emphasize innovation and creativity in providing products and services as a result. Based on City, Culture, and society (Towse, 2020)) there are some of the characteristics of the creative economy that can be defined as having the main elements in the form of creativity, expertise, and talents that have the potential to increase welfare through offering intellectual creations; consists of providing creative products directly to customers and supporting creative value creation in other sectors that are not directly related to customers; short life cycle, high margin, high

diversity, high competition and easy to imitate; collaboration is needed between various actors who play a role in the creative industry, namely intellectuals (intellectuals), the business world, and the government, which is a fundamental prerequisite; based on an idea or ideas; unlimited development in various business fields; and the concept is relative

Based on its characteristics, the creative economy emphasizes economic development through the creativity of the actors in utilizing the resources they already have to provide products in the form of goods or services. The industry, which departs from the concept of the creative economy, is also an innovation where it requires the support and cooperation of all parties involved in the economic process. It is in line with the definition of the creative industry mentioned by Brooks (2019): the creative economy encompasses careers in photography, graphic design, fashion design, filmmaking, architecture, publishing, video games, and more.

Innovation in Indonesia

In Indonesia, Tourism and Creative Economy has become a mainstay sector that continues to grow in recent years. The Creative Economy sector, which continues to be predicted as a leading sector, contributed Rp1.153 trillion in revenue in 2019 (Kemenparekraf, 2020). However, in 2020, like other economic sectors, Tourism and Creative Economy are experiencing unprecedented challenges. The existential threat from the impact of the COVID-19 pandemic has hampered the Tourism and Creative Economy industries. Not only in Indonesia, this slump is felt globally throughout the world. This is the reason for this research to raise the issue. Although research in the creative economy is quite extensive, it is more difficult to find research that focuses on how to develop cultural innovation and its policies on the development of the creative economy in a country. In Indonesia, research is limited to the urban and provincial levels (Agustina, Winarno, Pratikno, Narmaditya, & Filianti, 2020). The main finding is that the creative economy is still clustered in major urban centers, which has been confirmed by research in other countries such as Lithuania (Černevičiūtė, J. 2019). The creative economy tends to cluster in large urban areas, which play an important role in the local economic base. The findings from Slovakia reaffirm these results (Vitálišová, K. 2021). This research complements the role of cultural innovation in the development of the creative economy in Indonesia from a general or state perspective, not from a regional or city perspective.

METHOD

In writing this article, the author uses qualitative methods, where this research departs from data collection through library research and is processed using several approaches. Carter, S.M. (2021) assume that qualitative research is concerned with meaning as they appear to, or are achieved by persons in lived social situations. Berends, H. (2021) also mentioned that qualitative research uses the researchers as the key to the research which is elaborated in the form of words or pictures rather than numbers, and the process is more priority than the result because literature establishes interpretations. Thus, this study uses a qualitative analysis method with literature review and observation as the technique used.

In writing this article, data were obtained from books and online articles as well as the author's observations and observations on the development of a culture-based creative economy in everyday life. The data obtained were then analyzed with the author's cultural and creative economy insights to achieve the goals of writing this article. In selecting indicators in qualitative analysis, According to the Organization for Economic Co-operation and Development (OECD), innovation is defined by OECD (2021) as the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations.

RESULTS AND DISCUSSION

Since the promotion of the creative economy by the 7th President of the Republic of Indonesia Joko Widodo at the beginning of his administration, the creative industry has grown rapidly and even surpassed national growth. The creative industry has shown an increasing contribution over the last three years. The contribution of the creative industry to gross domestic product is recorded to have contributed Rp. 852 trillion in 2015 and increased to 990 trillion in 2017 (Gewati, 2019). This creative industry has also provided jobs for more than 18 million people since its development. Fantastic numbers for an industrial sector that is just rising.

The growing creative industry is engaged in various fields and provides products in the form of goods and services for many sectors. One of the growing creative industry sectors is a culture-based creative economy. Indonesia is a country that is very rich in culture, both material and non-material culture. There are many things related to culture that can be

explored further and deeper to become commodities. Not only Indonesian people, but Indonesian cultural products also attracted international attention. Batik is one of Indonesia's cultural products which is now well-known almost all over the world. The batik industry is experiencing rapid development both in its contribution to GDP and in providing employment. Evidence of international interest in batik can be seen based on a report from The Central Statistics Agency (BPS) recorded that the export value of batik in January-July 2020 reached US \$ 21.54 million, while in January-June 2019 this figure was in position of US \$ 17.99 million (Arief, 2020). The interest was not only seen from the value of its exports but also from the claims of other countries against the previous ownership of batik, UNESCO finally recognized it as a world cultural heritage on October 2, 2009, and the government set this date as National Batik Day. This is the right step taken by the Indonesian government in preserving culture.

Not only batik, but many Indonesian cultural products have also received attention from the international community, one of which is the original Indonesian music and traditional dance. Indonesia's music and traditional dance culture is one of the oldest in the world. Many foreign artists come to Indonesia to study the original music and traditional dance of Indonesian tribes. Music and traditional dance, which are like several tribes in Indonesia, are a hereditary cultural heritage, now they have become a separate trend in society, and having music and traditional dance has become its selling power. This is proof that Indonesian cultural products are extraordinary commodities that can be used to support economic growth in Indonesia.

South Korea is one country that uses culture as an innovation in the growth and strengthening of its economy (Wibisono, Arrasy, & Rafdinal, 2022). South Korea succeeded in harnessing its culture to transform its country's economy from one of the poorest countries to one of the richest countries in just thirty years. A similar industry then emerged after the first film began to be known abroad and became bigger. The development of the entertainment industry then influenced other industries which then began to make innovations to strengthen their economies. There is a lot of economic potential in Indonesian cultural products, apart from batik, music, and traditional dance, Indonesia has many traditional arts, myths, legends, history, literature, and authentic Indonesian culinary delights that can be used as a ground for creativity and creative economy innovation.

The success of Batik in penetrating the international market is actually enough to make us realize that Indonesian cultural products have a great opportunity to compete in the world as a commodity. The government through the Creative Economy Agency (Bekraf) has accommodated these creative economy actors. Bekraf targets that by 2030 Indonesia will become one of the world's economic powers through the creative economy. One of its six major missions states that Bekraf will unite all of Indonesia's creative assets and potentials to achieve an independent creative economy. At this point, Bekraf shows a positive response to innovation and creativity carried out by creative economy actors in Indonesia. Bekraf has also prepared grant funds for eligible creative economy actors. This support can create a conducive climate for the development of the creative industry, which is also part of Bekraf's mission. Currently, Bekraf is merged with the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency, this ministry was formed based on Presidential Decree Number 96 of 2019 concerning the Ministry of Tourism and Creative Economy.

There have been many cultural preservation movements that have been carried out in Indonesia even before this creative economy was promoted. Cultural actors in various parts of Indonesia have made innovations related to cultural preservation. One example is the Ba Baliak Ka Surau or Back to Surau Movement which was proclaimed by the West Sumatra government (Rismadona, 2019). Through this movement, Minangkabau culture was reintroduced to its people in the hope of increasing the cultural awareness of the younger generation. Through this innovation, the government and cultural actors try to synergize in preserving and managing culture which in turn will boost the growth of a culture-based creative industry to make new innovations. This can be seen from the emergence of cultural groups (arts and literature) and the increasing frequency of cultural events in West Sumatra.

One of the factors causing the inefficient use of productive age labor in the conventional economic system is the level of formal education. Almost all established industries include a level of formal education as a condition so that someone can be recruited as an employee. On the other hand, formal education in the creative industry is not an obstacle to innovating in increasing their economic level. As long as they have the creativity, skills, and talents that have the potential to increase welfare through offering intellectual creations, there is always a place to compete in the creative industry.

CONCLUSION

Today, there are many opportunities for a culture-based creative economy in Indonesia. Many innovations can be done in the arts, tourism, and so on and they are waiting for creative industry actors to innovate. The government has also tried to facilitate its development and many people have started to do it too. If the synergy between the government and industry actors can run well, then Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency 's mission to bring Indonesia to become a country with a strong economy in 2030 is one step closer.

The creative economy presents an effective avenue for stimulating the participation of industrial players in Indonesia, offering a flexible and adaptable framework that aligns well with the nation's current circumstances. The burgeoning creative industry, a key component of this economic model, has demonstrated remarkable growth, particularly in leveraging Indonesia's culturally diverse landscape as a rich source of inspiration and innovation. With Indonesia boasting a wealth of cultural heritage, it serves as an ideal environment for individuals seeking to explore and unleash their creative potential, a sentiment echoed by both national and international interest in Indonesian culture.

By fostering collaboration and cooperation between the government and industry stakeholders, the full spectrum of production resources available in Indonesia can be effectively harnessed. Overcoming any lingering mistrust and skepticism is paramount in achieving collective goals of economic growth, which in turn promises to uplift living standards across the nation. Through concerted efforts and mutual support, Indonesia can realize its vision of a thriving creative economy, driving sustainable development and prosperity for all.

Every research must have limitations, also this research has many limitations. This article is of course incomplete and informative enough for the development of the creative economy in Indonesia. This article only focuses on the culture-based creative industry as an option in advancing the creative economy in Indonesia. Future research is expected to add other variables such as forms and ideas that might be used in utilizing culture as a creative industry sector. The available market and wider promotion channels for this culture-based creative industry can also be added as variables in further research. This research is only based on literature and observation. Future research is expected to be able to analyze with different research methods. This research is not in collaboration with any

government or organization. Future research can collaborate with the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency, and organizations engaged in the creative industry to gain more comprehensive insights.

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