

**Research Article**

# Digitalization in Indonesian Creative Economy Community

**Hamidah Rosidanti Susilatun, Arifiani Widjayanti, Agoes Inarto**

Polytechnic of STIA LAN Jakarta

**Abstract.**

The wave of the industrial revolution 4.0 has brought fundamental changes to various global life orders, marked by the growing development of creativity and innovation using information technology that disrupts various aspects of global life, including competition in the economy. This study aims to examine the empowerment of local creativity in supporting the implementation of the digital economy. The locus of study took place in the city of Yogyakarta. This study uses an exploratory qualitative approach with data collection techniques through in-depth interviews, observations, and document review. The results suggested that the Department of Industry, SME, and Cooperatives of Yogyakarta City are advised to provide more training, especially on how to expand the market for MSME players independently. Then the Yogyakarta City Trade Office is advised to increase the frequency of meetings (which contain education, direction, motivation, and socialization) with traders. Meanwhile, Yogyakarta City HIPMI (Young Entrepreneurs Association) is advised to expand its marketing network both throughout Indonesia and abroad so that in the future, the creativity and ideas of young Indonesians can be widely known.

**Keywords:** creativity, digital economy, MSMEs (small and medium enterprises), traditional market traders

Corresponding Author: Hamidah  
 Rosidanti Susilatun; email:  
 hamidahrs@stialan.ac.id

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## 1. INTRODUCTION

The natural resources and cultural resources of each tribe spread across the archipelago are extraordinary wealth and assets and can be developed through the creativity of the nation's children to welcome the global economy, namely the development of creative industries and the digital economy. Exploration of local wisdom through creativity and forms of creative industries aimed at supporting the era of the digital economy, which will bring about changes in the order of mindset.

The digital economy continues to develop in the country, even Indonesia is considered to have great potential because the penetration rate of internet users continues to increase. The digital economy is a sign of economic development and growth in the future, which is marked by the rapid development of business or trade transactions, which use internet services as a medium for communicating and collaborating between


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companies or individuals. The development of the digital economy in Indonesia has changed along with changes in people's behaviour where as many as 49.6% of consumers search for product information online before making a purchase (Alvara, 2019).

The creative economy has also had a positive influence on national exports. From 2010 to 2015 there has been an increase in exports originating from the creative economy with an average of 9.1% per year. In addition, the positive influence of the creative economy on labour absorption was also found. This is shown especially from the increasing number of workers working in the creative economy sector every year. Therefore, policies that can create situations and conditions that are more conducive to the growth and development of the creative economy in Indonesia are necessary. One of the ways to do this is by establishing friendly regulations for increasing the growth and development of the creative economy. Business actors who are very crucial to be empowered and develop their local creativity are Micro, Small and Medium Enterprises (MSMEs).

Micro, Small and Medium Enterprises, MSMEs are defined as small companies owned and managed by a person or owned by a small group of people with a certain amount of wealth and income. Furthermore, in Indonesian Government Regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small and Medium Enterprises; it is stated that the types of MSMEs are as follows:

1. Micro Enterprises

Have a business capital of up to a maximum of Rp. 1 billion, excluding land and buildings for business premises.

2. Small Business

Have a business capital of more than IDR 1 – 5 billion, excluding land and buildings for business premises.

3. Medium Enterprises

Have a business capital of IDR 5 – 10 billion, excluding land and buildings for business premises.

The Industrial Revolution 4.0 encourages various countries in the world to continue to innovate in the realm of the digital economy. Innovating and keeping abreast of existing developments is not always easy. There are various challenges faced related to the implementation of the digital economy, namely: cyber security, increasingly fierce competition, human resource development, the availability of qualified internet access, and regulations that have not kept up with the times. Seeing the breadth of these problems, this research is focused on analysing the government's efforts, especially

local governments in increasing and empowering the potential of local creativity, in this case MSME actors in the region to support the digital economy for the sake of improving the living standards of the people's economy.

## 2. THEORETICAL STUDY

### 2.1. CREATIVITY

Creativity is a potential possessed by every human being and is not accepted from outside the individual, who is born with the birth of humans. Creativity is an extra factor that exists within the individual, which sets him apart from others. It can be in the form of how to speak, how to dress, how to cook, or how to deal with situations in life (Alleem, 2020). Creativity is the result of the interaction between the individual and his environment, the ability to make new combinations, based on data, information or elements that already exist or are known before, namely all experiences and knowledge that a person has processed during his life. Creativity is the ability to create or bring something new. Something new could be a solution to a problem, it could be a new method, or it could be a new artistic form. Creativity is the process of producing something original and valuable. Creativity is also the process of bringing something new into existence. In this case, it takes passion, purpose, and commitment. So that we can realize about something that was previously hidden. Meanwhile, a local creativity (by the Indonesian entrepreneurs) is the development of creativity based on local potential or the area of origin or the original area. This of course needs to be supported by a creative environment, that is an environment that can trigger creativity, which can be built in several ways, including: (1) open-minded; (2) build a learning culture; (3) traveling or sightseeing; (4) stay connected, there is collaboration and networking; and (5) encouraging diversity and inclusivity.

In this case, four domains (dimensions) can be identified that construct a creative environment. This 'creativity realm' model, can be used to analyse the degree of creativity of a particular creative group, class or community, Florida (2003: 68):

1. Expression (field of expression) as a realm in which new ideas or innovations are generated.
2. Production (field of production) as a realm in which there is the realization of new ideas through various production methods.
3. Dissemination (field of dissemination) as the domain in which the 'creative products' are disseminated and distributed.

4. Appreciation (field of appreciation) as the realm of 'discourse' (discourse), in which creative works are appreciated and given value through assessment standards and certain values (Piliang, 2011).

The development of the right creativity of local Indonesian people will have a double impact on the local government and the central government in political, economic, social, and cultural conspiracies. This encourages processes of adjustment to global influences while still adhering to local wisdom. Creative people have a central role in the development of various creative economic activities as the main production factor in the creative economy. Therefore, to support the development of the creative economy, it is necessary to develop skilled human resources to increase knowledge and creativity.

Creative industry products emphasize the aspects of creativity, innovation, and invention while still paying attention to cultural principles, as a means of economic improvement and transformation with identity and character. The scope of creative industries includes: (1) advertising, (2) architecture, (3) art market, (4) crafts, (5) design, (6) fashion, (7) video, film, photography, (8) games interactive, (9) music, (10) performing arts, (11) publishing and printing, (12) computer and software services (13) television and radio, (14) research and development.

## 2.2. DIGITAL ECONOMY

The digital economy is a sign of future economic development and growth, marked by the rapid development of business or trade transactions that use internet services as a medium for communicating and collaborating between companies or individuals. The concept of the digital economy was first introduced by Don Tapscott, which is a socio-political and economic system that has characteristics as an intelligence space, including information, various access to instruments, capacity, and information processing. The components of the digital economy that were identified for the first time were the technology, information, and communication (ICT) industry, e-commerce activities, and the distribution of digital goods and services (Sayekti, 2018).

The development of the digital economy can be analysed through several dimensions proposed by Don Tapscott (1995), which include:

1. Knowledge (superior innovations through the latest opportunities to create a competitive advantage for SMEs).

2. Digitization (business transactions using digital technology and digital information, between digital consumers, who use digital services in transacting with digital enterprises).

3. Virtualization (turning physical goods into virtual goods, converting intellectual capital into digital capital).
4. Molecularization (change, heavy/traditional organization into a flexible light organization).
5. Internetworking (using the internet network to build interconnections to form an economic network).
6. Disintermediation (no intermediaries are needed; transactions can be carried out directly peer-to-peer).
7. Convergence (the establishment of interactive multimedia as an important platform).
8. Innovation (human imagination and creativity).
9. Presumption (change from mass production to mass customization).
10. Immediacy (the difference in time between ordering goods and when they are produced and shipped has decreased drastically due to the speed of digital technology processing).
11. Globalization (no limit for global transactions).
12. Discordance (the emergence of a gap between those who understand technology and those who do not understand technology).

The concept of digital economy becomes a view of the interaction between the development of innovation and technological progress that has an impact on macro and microeconomics. Sectors that are affected include goods and services during development, production, sale, or supply depending on the extent to which digital technology can reach (Setiawan, 2018). In the digital economy, companies offer their services according to certain services according to certain specific requests or special offers, offerings have been characterized as personal and individual or private offers.

Business in the digital era is no longer a question of what products are sold, but how to sell and promote them. The business potential in the digital era is very wide, especially for the creative industry. Various electronic trading platforms that continue to grow are a breath of fresh air for Small and Medium Enterprises (SMEs) in Indonesia to market their products. However, on the other hand, the digital economy can exacerbate inequality because there are some groups who are quick to follow digital developments and are successful, and some cannot. In addition, the telecommunications infrastructure in Indonesia has not been developed evenly. Infrastructure development is more visible in Java and Sumatra, while in eastern Indonesia the existing telecommunications infrastructure is still far from adequate. The result is clear, the digital divide is very real in Indonesia (Sayekti, 2018).

The digital economy is still a challenge for some entrepreneurs, because for those who can adapt, the benefits will be doubled. On the other hand, entrepreneurs who cannot keep up with the sophistication of the times are not impossible to be far behind. Young people are a group who are very enthusiastic about getting into digital-based business. Many successful young entrepreneurs take advantage of technology. Their business also experienced significant growth (Sayekti, 2018).

### 3. METHODS

This study uses an exploratory qualitative approach, which aims to examine topics that are still rarely discussed so that it is difficult to predict what will be found in the field. By using this method, researchers seek to explore further the empowerment of local creativity in the community to support the implementation of the digital economy in Indonesia. Researchers will conduct in-depth interviews with key informants from the Tourism Office, Dekranasda (Regional National Crafts Council), and community representatives who participate in the local creativity empowerment program. In addition, document review techniques are also used in this study. This research will be centred in the city of Yogyakarta as one of the most historic cities in Indonesia and is one of the centres of micro, small and medium enterprises in the central part of Java Island. Researchers will investigate how local creativity in the Special Region of Yogyakarta (DIY) is empowered. As we know that DIY Province is famous for cultural tourism and as one of the centres of MSME activity that puts forward local wisdom and creativity.

### 4. RESULTS AND DISCUSSION

This research focuses on the efforts made by 3 agencies in empowering the local creativity of the community to support the application of the digital economy as an innovation effort towards the sustainability of the existence of MSMEs in supporting the community's economy. The three agencies are: the Department of Industry, the Cooperative of SMEs in the City of Yogyakarta, the Trade Office in the City of Yogyakarta, and the Indonesian Young Entrepreneurs Association (HIPMI) in the City of Yogyakarta.

#### 4.1. FIRST AGENCY

The Yogyakarta City Cooperatives Industry Office covers 3 fields, namely the industrial sector (including in the production process), the cooperative sector, and the micro

and small sector (post-production). To increase the potential of SMEs in the City of Yogyakarta, there are several flagship programs that have been implemented by the Department of Industry and SMEs of the City of Yogyakarta, among others, by developing SMEs through the MSME Forum Assistance in each Kemantren, HBC and KaMU as well as assisting SMEs to be able to offer their products through the Digital Market and introduce them to non-cash payments to facilitate transactions with customers/buyers, as well as ways to protect yourself from work accidents by taking insurance that is cheap and easy to follow. Overall, the Yogyakarta City SME Cooperative Industry Service has several programs such as LOKSTOP (workshop), HBC (Home Business Camp), FORKOM (MSME communication forum), Samijo the Series (promotion via YouTube), Gandeng Gendong (a pentaholic application and several programs others under construction).

The name of the event "The LoksTOP" is an abbreviation which means "Typical souvenirs of Jogja indeed TOP". This exhibition is a form of facilitation from the Yogyakarta City Government for SMEs in the city of Yogyakarta. The promotion programs include a) MPP Promotion; b) Promotion at KaMU outlets, HBC at Galleria Mall; c) Promotion through social media in the form of videos; d) Promotion in partnership with network stores; and e) Promotion through independent exhibitions or participating in certain exhibition events.

## 4.2. SECOND AGENCY

The Yogyakarta City Trade Office has an office at Beringharjo Market, Malioboro, Yogyakarta. This service is a separation from the previous industry and trade offices, which later became independent industry offices at Yogyakarta City Hall and trade offices at Beringharjo Market, Malioboro. If the industry office fosters MSME activists whose category is just beginners, then the trade office fosters MSME activists whose categories are quite well established. The Yogyakarta City Trade Office operates primarily as a marketing media facilitator for market traders and MSME activists in the city of Yogyakarta. The trade office provides facilities especially for small entrepreneurs who have a Yogyakarta City resident card, although according to information from the service, 80% of traders in Yogyakarta City have ID cards outside the city of Yogyakarta.

In relation to digitalization, the trade office encourages and fosters these small entrepreneurs by gathering 150 market traders and MSME activists per year, for them to foster and train in 3 fostered periods, each of which involves 50 market traders and MSME activists. In addition, Gojek Tokopedia also provides online stalls for all market traders in Yogyakarta City, where there are 29 markets in total in Yogyakarta City. The

goods that can be ordered through the gojek-tokopedia online shop are very diverse, ranging from vegetables to batik fashion. Annually it can reach 4000 transactions and has been running for 3 years. Some of the obstacles in fostering digitalization for market traders include the merchants' lack of understanding of online payments that must be made.

### 4.3. THIRD AGENCY

Youth is the biggest hope of the Indonesian people to continue to create creativity in economic activities in this equatorial country. Likewise, especially in the second tourism destination city in Indonesia, Yogyakarta. The members of the Yogyakarta City HIPMI are young entrepreneurs who do their business in the city of Yogyakarta and are a maximum of 40 years old. So, for those entrepreneurs who are over 40 years old, they are no longer members of HIPMI, but are established entrepreneurs who are the backbone of the Indonesian economy.

In the Yogyakarta City HIPMI organization, the enthusiasm of young people, especially those from the late millennial generation and generation Z, to become entrepreneurs, is very high. This generation is very much in control of the digital world, which is incorporated in their business activities. For them, digitalization creates its own opportunity to develop business ideas related to the title of Yogyakarta City as a tourism city. There are ideas that highlight the culture and habits of local people, but there are also those that are really trying to fill the empty tourism market niche. The realization of business ideas in relation to the title of tourism city is mostly done by young entrepreneurs in the city of Yogyakarta, focusing on product differentiation and marketing. The process of developing new products and services does not take a short time, but with the perseverance of the young entrepreneurs of HIPMI Yogyakarta, it can be realized and developed. One example is by developing ideas from abroad combined with local conditions, in the world of tourism transportation. There is also something done by developing new designs, the result of merging traditional designs with current trends, which is happening in the fashion world.

The development of ideas by the young entrepreneurs above is in line with the program being run by HIPMI Yogyakarta, namely collaboration and digitalization. Digitalization is very important for entrepreneurs. With digitalization, entrepreneurs can reach a wider market, not only locally, but also abroad. The pandemic is not a barrier, but rather a challenge. So, in addition to the opportunities, the exploration of the potential of Yogyakarta Tourism City by young entrepreneurs is very large. In this case, the



Yogyakarta City branch of the Indonesian Young Entrepreneurs Association collaborates more with several other HIPMI branches and the Yogyakarta Special Region Province HIPMI, rather than with the government. However, it is possible that in the future there will be a lot of collaboration with the government. HIPMI Yogyakarta City also collaborates with foreign countries, especially Japan to carry out several promotional activities for products and services that are their mainstay in Yogyakarta City. Among the fields occupied by young entrepreneurs in the city of Yogyakarta, there are two areas that are quite prominent, namely culinary and fashion.

#### 4.3.1. CULINARY

Culinary business can be made more fancy by developing it into a coffee shop or co-working space that can be used as a place to gather and do various things. There are several types of culinary that are very popular, which are cultivated by entrepreneurs in the city of Yogyakarta in 2022, namely, letek mbah menes noodles, house of raminten, pecel beringharjo, bu tumini chicken noodles, gudeg mbah lindu, demangan remes rice, oseng-oseng bu narti firecrackers, and mbah katro's soto shell. While one example of the results of the efforts of HIPMI entrepreneurs in the culinary field today, is what is marketed through Instagram under the ig name "kedairotidotcom", owned by entrepreneur Ilham. This Kedairotidotcom provides a variety of foods that can be ordered online through Instagram social media. This is also one proof of business ideas in the culinary field, which are occupied by young Yogyakarta entrepreneurs by utilizing the digital world which has indeed dominated human life in the current era. This business has expanded outside of Jogja, and in fact, supports the owner to expand into another business that is quite promising, namely "jogjacampervan". This Jogja campervan is another proof of how young entrepreneurs collaborate with ideas from abroad and local to produce an innovative tourist transportation business, which is quite new and has never been developed on a large scale in Indonesia.

#### 4.3.2. FASHION

One of the other things that fashion entrepreneurs from HIPMI Yogyakarta City do, in creativity and business development in this digital era is to develop their own fashion designs, through creating trends or vice versa, namely following trends. In creating trends, they are required to have their own expertise in the world of design. The designers who are also entrepreneurs, usually sketch their products by combining local

culture and modern patterns. Although in terms of product differentiation, they are very creative, but to dominate this specific market, they are required to be very observant. Meanwhile, if what they do is follow the trend, then it is not too difficult for them to get the market. However, these young entrepreneurs are required to be better able to compete in the same category as their competitors.

The example of a fashion business owned by a young entrepreneur HIPMI Yogyakarta City is the ig address "Putriramadhanya". There are several things that are prioritized from the fashion business belonging to the Yogyakarta City HIPMI entrepreneur, among others, that the business prioritizes taking raw materials from the people around the city of Yogyakarta. So, in other words, these efforts also support the empowerment of local communities. Then, this effort prioritizes the special design of her creativity to create its own trend. In addition, which is no less important, this fashion business targets resellers who are just learning to do business and have not that large capital, by marketing it through social media. This last point really supports the empowerment of Indonesia's young generation to develop their business skills in today's digital era.

## 5. CONCLUSION

Indonesia is one of the countries that has entered the era of global competition, where there is no limit for everyone to develop a business, whether small, medium, or large. With the development of global competition that cannot be stopped, its development creates new challenges for small businesses in the trade sector, even though this trade sector has contributed greatly to the Gross Domestic Product.

The potential of small businesses can be increased through the MSME Forkom Mentoring in each Kemantren, HBC and KaMU as well as assisting SMEs to be able to offer their products through the Digital Market and introducing non-cash payments to make transactions with customers/buyers easier. Then also through collaboration with the private sector in the development of online applications to help people shop for people's market products from home. For young entrepreneurs can develop their creativity through key sectors such as culinary and fashion.

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