



# Indonesia's Creative Economy in the Digital Era: Opportunities and Challenges

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## Abstract

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The creative economy has become one of Indonesia's strategic drivers of growth, especially in the digital era where technological advances reshape how creative products are produced, distributed, and consumed. This study applies a qualitative literature review approach to explore the opportunities, challenges, and strategies for strengthening Indonesia's creative economy. The findings show that digitalization particularly through e-commerce and social media has democratized market access, accelerated innovation, and expanded the sector's contribution to GDP. Moreover, government initiatives, such as Presidential Regulation No. 142/2018, provide a regulatory foundation, yet gaps in implementation remain. Indonesia's demographic bonus, dominated by millennials and Gen Z, offers significant potential for advancing digital creative industries. Nevertheless, barriers such as limited digital literacy, weak intellectual property protection, and unequal technological access hinder progress. The study concludes that achieving sustainable development of Indonesia's creative economy requires integrated strategies that combine digital technology, inclusive policymaking, and youth empowerment. Academically, this research enriches the discourse on creative economy and digitalization, while practically offering insights for policymakers, industry stakeholders, and young innovators.

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## **1. Introduction**

The creative economy is increasingly one of the driving forces of global economic growth, especially in the digital era which is full of technological disruption. The sector not only contributes to job creation, but also encourages innovation of products and services based on creativity and local culture. In Indonesia, the creative economy plays a strategic role because in addition to having a rich cultural base, it is also supported by a productive young generation who are increasingly technologically literate. Digital transformation, especially through e-commerce, social media, and blockchain technology, is further accelerating the development of the creative ecosystem in the country. This shows the relevance of the creative economy as a sustainable economic development strategy in the midst of competitive global dynamics (Aminah & Saksono, 2021). Creative economy is a new economic theory that aims to create wealth and jobs by utilizing human creativity. In this theory, human resources (HR) are considered the main component in generating economic activity (Cerisola, 2019).

Globally, the growth trend of the creative economy shows a significant contribution to the Gross Domestic Product (GDP) of various countries, as well as becoming a crisis-resistant sector in the midst of socio-economic changes. Indonesia itself, according to the latest report, occupies an important position with an increasing contribution of the creative economy to national GDP, especially through the information technology-based digital subsector. E-commerce platforms have become the main channel for the distribution of creative products, allowing small and medium enterprises (MSMEs) to reach a wider market. This change in the

industrial landscape shows how digitalization is able to democratize economic opportunities, including for previously underserved community groups (Dewi & Lusikooy, 2023).

The role of digital technology in strengthening the creative economy ecosystem in Indonesia is increasingly real. Social media serves as a means of promotion and marketing, while marketplaces provide an efficient transaction infrastructure. Furthermore, blockchain-based innovations and NFTs (non-fungible tokens) are beginning to be explored as a new medium to protect the Intellectual Property Rights (IPR) of digital creators. The Indonesian government itself has provided a legal umbrella through policies such as Presidential Regulation No. 142 of 2018 concerning the Master Plan for Creative Economy Development. This regulation affirms the state's commitment to make the creative sector a pillar of long-term economic development (Santoso, 2022).

In addition to regulatory support, Indonesia's demographic potential is also a major strength. With a demographic bonus marked by the dominance of the productive age, Indonesia's young generation has a great opportunity to become the driving force of the digital-based creative industry. The increasing level of technology literacy among millennials and Gen Z opens up space for the exploration of application-based creative businesses, digital content, and the gaming industry. However, challenges remain, including low digital literacy in some communities, gaps in access to technology, and the still rampant practice of content piracy. Limited capital and global market access are also often obstacles in developing the potential of the creative economy optimally (Priambodo et al., 2021).

The great opportunities that Indonesia has can be seen from the contribution of the creative economy to job creation and product innovation. Digitalization has accelerated the creative process while expanding the global market, allowing products based on local culture to be accepted internationally. However, to be able to compete sustainably, a comprehensive strategy is needed that connects three main pillars: digital technology, government policy support, and the capacity of the creative young generation. The existing research gap shows that although many studies have discussed the creative economy in general, there are still limited studies that link digitalization aspects to government policy strategies and the role of young people simultaneously. This is where the importance of this research is to fill the void of the literature (Dellyana et al., 2023).

This research aims to analyze the opportunities and challenges of the creative economy in the digital era by emphasizing the role of digital technology in driving the growth of this sector in Indonesia. In addition, this research also seeks to provide recommendations for the development of a sustainable creative economy, both from an academic and practical perspective. Academically, this research is expected to enrich literature related to the creative economy, digitalization, and innovation. From a practical perspective, the results of the study can provide input for the government in formulating policies, assist creative industry players in designing business strategies, and inspire the younger generation to utilize digital technology productively. Thus, this research is expected to be able to make a real contribution to strengthening the position of Indonesia's creative economy in the global arena,

while supporting inclusive and sustainable economic development (Margiansyah, 2020).

## **2. Literature Review**

### **2.1. Creative Economy and Digital Transformation**

The creative economy is one of the sectors that is receiving increasing attention because of its contribution to economic growth, both globally and nationally. In Indonesia, the development of this sector is greatly influenced by the acceleration of digitalization which has changed the pattern of production, distribution, and consumption of creative products. Digital transformation has allowed for major changes in the creative industry's business model, especially with the advent of e-commerce, social media, and application-based platforms. E-commerce, for example, not only functions as a means of transactions, but also as a space for promotion, distribution, and branding of creative products. This makes creative economy actors have the opportunity to reach a wider market, even to the international level (Dewi & Lusikooy, 2023). The contribution of the creative economy to Indonesia's Gross Domestic Product (GDP) has continued to increase in the past decade. Based on data from the Ministry of Tourism and Creative Economy, digital subsectors such as applications, games, and digital content are the largest contributors.

With digitalization, creative product innovation is growing faster because of the synergy between technology and creativity. These changes show that the creative economy is not only a cultural-based sector, but also a sector that is increasingly

reliant on modern technology to strengthen global competitiveness. In addition to creating jobs, the creative economy also encourages the creation of innovations that are relevant to the needs of the global market (Aminah & Saksono, 2021). However, digital transformation also presents challenges. Not all creative actors are able to adapt quickly to new technologies, so there is a gap in the use of digital opportunities. Some small and medium business actors are still constrained by digital literacy and limited access to technological infrastructure. Therefore, digital transformation must be accompanied by policy support, training, and technological literacy so as not to create new gaps in the creative economy sector. Thus, digitalization can be a positive catalyst for inclusive creative economy growth.

## **2.2. Government Policy and Regulatory Support**

The role of the government is very important in strengthening the creative economy ecosystem in Indonesia, especially in the digital era. The government has prepared a number of strategic policies, including Presidential Regulation No. 142 of 2018 concerning the Creative Economy Development Master Plan, which serves as a reference in the development of this sector. This regulation covers various aspects ranging from infrastructure support, protection of Intellectual Property Rights (IPR), to strengthening the capacity of human resources. The existence of this regulation provides a clear legal basis and policy direction for creative actors to be able to develop sustainably (Santoso, 2022). In addition to the regulatory aspect, digital governance is also an important concern. The government seeks to create innovative governance through the development of technological infrastructure, the development of digital platforms, and the empowerment of creative communities in

various regions. This is done so that the creative economy ecosystem is not only concentrated in big cities, but also able to reach areas that have great local cultural potential.

Thus, the development of the creative economy can be carried out more evenly and inclusively. This approach is in line with innovative governance practices that emphasize cross-sectoral collaboration, including government, academia, and creative industry players (Dellyana et al., 2023). However, policy implementation still faces challenges, such as low legal literacy among creative actors, limited budgets, and weak supervision of IPR violations. These challenges point to the need for continuous improvement in terms of law enforcement and the provision of more comprehensive support. With strong regulatory support and adaptive governance, Indonesia has the opportunity to strengthen the competitiveness of the creative industry in facing global competition.

### **2.3. Demographic Potential, Opportunities, and Challenges**

Indonesia's demographic bonus is one of the main factors that strengthens the prospects of the creative economy in the digital era. The younger generation, especially millennials and Gen Z, have a high level of technological adaptation, so they have great potential to become the driving force of the digital creative industry. This generation actively utilizes social media, digital applications, and e-commerce platforms as a means of creative expression as well as a business space. Their presence accelerates the transformation of the creative industry as it is able to integrate creativity with technology, resulting in products that are relevant to global market trends (Priambodo et al., 2021). However, even though great opportunities

are open, challenges remain. The low level of digital literacy in some societies causes not everyone to be able to access the opportunities offered by the digital creative economy.

In addition, digital content piracy and weak IPR protection are serious obstacles that reduce incentives for creative actors to innovate. On the other hand, limited capital and international market access are still problems faced by creative MSME actors. These challenges require more comprehensive support from the government, the private sector, and educational institutions to develop the capacity of the younger generation. However, if this challenge can be overcome, Indonesia has a great opportunity to make the creative economy a pillar of sustainable development. Digitalization not only expands market access, but also strengthens the position of Indonesian creative products at the global level. This confirms that the demographic bonus, if managed properly, will be a strategic force in strengthening national competitiveness in the digital era (Margiansyah, 2020).

### **3. Methods**

This research uses a qualitative approach with literature study methods or literature research. This method was chosen because it is in accordance with the research objectives that focus on conceptual and comparative analysis related to the development of the creative economy in the digital era in Indonesia. The literature study allows researchers to examine the main theories that are relevant, the results of previous research, and the government policies that have been implemented. This approach also provides space to comprehensively understand the context of creative



economy development, both from a global and national perspective. Thus, this research is not only descriptive, but also analytical by comparing various concepts and scientific findings to formulate strategic recommendations.

The data collection process in this study is carried out by tracing indexed scientific sources, such as journal articles, proceedings, academic books, and official government policy documents. The literature selection criteria are focused on publications published in the last 5 years to ensure relevance to the current dynamics. In addition, the selected literature covers key themes such as digitalization of the creative economy, e-commerce, government policies, challenges and opportunities in the creative industry, and the role of the younger generation. The use of literature with the latest period also aims to capture contemporary trends and issues that affect the development of the creative economy in Indonesia.

The data analysis in this study was carried out through content analysis techniques. Researchers review each literature to identify relevant concepts, theories, and findings, then group them into major themes of the study. The stages of analysis include: (1) collecting literature according to criteria, (2) data reduction by sorting out relevant information, (3) presenting data in the form of themes or categories of analysis, and (4) drawing conclusions by comparing the suitability of theory and practice. This process allows researchers to understand the relationship between creative economy theory, digitalization implementation, and government policy, as well as identify research gaps that still exist.

The qualitative approach in the study of literature also provides an advantage because it allows for an in-depth interpretation of the phenomenon of the creative

economy. Instead of measuring variables quantitatively, this study emphasizes more on understanding the meaning, relevance, and practical implications of each literature studied. In this context, the research seeks to find the pattern of the relationship between digital technology and the dynamics of the creative industry in Indonesia, as well as how regulations and demographic potential can affect the sustainability of the sector. Thus, this research is expected to be able to provide a sharper analytical perspective than just descriptive exposure.

In addition, this study uses a literature triangulation technique to increase the validity of the findings. Triangulation is carried out by comparing the results of studies from various sources, both from academic research, government agency reports, and analysis of industry practitioners. In this way, researchers can minimize bias and ensure that the findings obtained have a strong academic basis while also being relevant to practice in the field. This triangulation approach also helps in identifying the gap between ideal theory and real implementation in Indonesia's creative economy sector. Finally, the limitations in this method of literature study also need to be noted. Since this study did not collect primary data, the analysis was entirely dependent on the quality and availability of the existing literature. Therefore, the researcher seeks to overcome these limitations by selecting credible and up-to-date sources, as well as conducting an in-depth comparative analysis. Thus, this research can still make a significant contribution in explaining the opportunities, challenges, and directions of development of Indonesia's creative economy in the digital era.

## 4. Results

The results of this study show that the development of Indonesia's creative economy in the digital era is marked by fundamental changes in the pattern of production, distribution, and consumption of creative products. E-commerce is one of the main pillars in this transformation. The rapid growth of e-commerce platforms has encouraged the creation of new business models that are more adaptive to digital globalization. Creatives can now break through geographical boundaries to reach a wider market, while reducing reliance on conventional distribution channels. This phenomenon reflects what is called "creative destruction", namely the emergence of digital innovations that disrupt old business patterns but at the same time open up new opportunities that are more inclusive (Dewi & Lusikooy, 2023).

From a governance perspective, this study found that the role of government in encouraging a creative digital ecosystem is very significant. The government strives to provide innovative governance through regulations and policies that facilitate the adaptation of creative economy actors to digitalization. This initiative includes strengthening digital infrastructure, legal protection for creative works, and providing access to financing. However, challenges remain, especially in the implementation of policies that are not always in line with practical needs on the ground. This shows that there is a gap between the regulatory framework that has been drafted and the reality faced by creative industry players (Dellyana et al., 2023).

Digital transformation in Indonesia's creative economy sector also opens up great opportunities to increase its contribution to national GDP. Digitalization

encourages the diversification of creative products, ranging from digital content, applications, to products based on local culture that are marketed globally. The use of digital platforms provides space for creative actors to develop innovations without being limited by expensive physical infrastructure. This not only creates opportunities for economic growth, but also expands employment opportunities in various creative sectors. Thus, digitalization has proven to be an important acceleration factor in optimizing the contribution of the creative economy to national development (Prima Lita et al., 2020). This research also found that the young generation is the main motor in the growth of the digital creative economy. Millennials and Gen Z are not only the main consumers, but also producers and innovators in the creative industry. They use social media and digital platforms as a means to develop ideas, reach the market, and build business networks.

The involvement of young people in the creative economy also creates empowerment opportunities, especially for vulnerable groups such as women and rural communities, who can now access digital markets more easily (Snowball & Hadisi, 2020). However, even though the younger generation is the main driver, major challenges are still faced in the form of limited digital literacy, gaps in access to infrastructure, and problems in the protection of creative works. Many young creatives do not have the full capacity to make optimal use of digital technology, making them vulnerable to the risk of piracy, global competition, and difficulties in accessing capital. These results show that although opportunities are wide open, there are still structural barriers that need to be overcome so that the potential of the young generation can be maximized. Support in the form of digital training, inclusive

policies, and access to capital is an important key in overcoming these challenges (Susilatun et al., 2023).

In addition, the results of this study affirm the importance of a long-term national strategy in integrating the creative economy with the vision of the development of a Golden Indonesia 2045. The government has placed the creative sector as one of the priorities in digital-based economic transformation. The focus of this policy is not only on the aspect of economic growth, but also on the creation of new jobs, strengthening innovation, and environmental sustainability. This transformation shows that the creative economy is not only relevant in the context of the market, but also in the broader national development framework (Fazlagić & Skikiewicz, 2019). The role of social media in supporting creative e-commerce is also one of the important results. This study found that social media not only serves as a communication tool, but also as a very effective strategic marketing channel, especially among the younger generation. The use of social media in creative business strategies has been proven to increase the connection between producers and consumers, while strengthening the branding of local products to compete in the international market. However, in practice, challenges such as global competition and the flood of digital content require innovative marketing strategies to keep Indonesia's creative products unique (Kongying & Purisai, 2021).

Finally, this study also identifies that the creative economy sector has a real impact on local economic growth, especially in urban areas. Digital-based creative industries are able to encourage small business growth, increase job opportunities, and strengthen local cultural identity. This confirms that the creative economy not

only contributes macroly to GDP, but also provides direct benefits to society at the micro level. Thus, the creative economy has great potential to be the driving force for inclusive development that is able to answer the challenges of socio-economic inequality in the digital era (Abashidze et al., 2021). The results of this study show that Indonesia's creative economy in the digital era has great potential as well as complex challenges. On the one hand, digitalization opens up global market opportunities, creates innovation, and strengthens the competitiveness of creative products. But on the other hand, the limitations of digital literacy, legal protection, and the gap in access to technology are still obstacles. These findings underscore the need for a holistic strategy that integrates the role of the government, industry players, and the younger generation to ensure the sustainability and competitiveness of Indonesia's creative economy in the global arena.

## **5. Discussion**

The results of this study confirm that the creative economy in the digital era Indonesia has a strategic position as a motor of national economic growth as well as an instrument of sustainable development. Digitalization, especially through e-commerce and social media, has proven to be a catalyst in expanding markets, accelerating innovation, and increasing the contribution of the creative economy to Gross Domestic Product (GDP). However, behind these great opportunities, there are still fundamental challenges that must be overcome. Low digital literacy, technological infrastructure gaps, and weak intellectual property rights (IPR) protection are obstacles that are repeatedly identified in the literature. This condition

is in line with the findings that although digital transformation has opened up wide opportunities, not all creative actors are able to adapt to this change evenly (Prima Lita et al., 2020).

From a policy perspective, the Indonesian government has made efforts to present innovative regulations and governance to support the creative sector, such as Presidential Regulation No. 142 of 2018 which is the basis for the development of the national creative economy. However, the implementation of these policies often faces obstacles on the ground, either due to budget constraints, slow bureaucracy, and lack of synergy between stakeholders. This reflects the gap between policy design and the practical needs of creative industry players. Previous research has confirmed that public policies in this sector must be able to integrate infrastructure support, financial incentives, and legal protection in order to be truly effective in encouraging the growth of the creative industry in the digital era (Dellyana et al., 2023). On the other hand, Indonesia's demographic bonus presents great opportunities as well as challenges. The younger generation, especially millennials and Gen Z, are the main driving force in the transformation of the digital creative economy. They have high technological adaptability as well as a tendency to explore digital-based innovations.

However, limited capital, low legal literacy, and weak access to international markets are still significant barriers for young creatives. These findings are consistent with research showing that although young generations have great potential, without adequate ecosystem support, their contributions will not be optimal. Therefore, the strategy of empowering the younger generation through increasing digital literacy,

providing access to capital, and creative entrepreneurship training is an important step to strengthen this sector in the future (Susilatun et al., 2023). Thus, this research discussion emphasizes that the development of the creative economy in Indonesia's digital era requires a holistic approach that integrates three main pillars: digital technology, government policy support, and the capacity of the younger generation. Digitalization has been proven to expand markets and accelerate innovation, but without strong policies and the empowerment of young generations, the potential cannot be maximized. Cross-sector collaboration between the government, academia, industry players, and the creative community is the main key to realizing an inclusive and sustainable creative ecosystem.

## **6. Conclusion**

This study concludes that the creative economy in the digital era has great potential as the main driver of Indonesia's economic growth as well as a sustainable development strategy. Digital transformation marked by the development of e-commerce, social media, and information technology has opened up wide opportunities for creative actors to expand the market, increase innovation, and strengthen the competitiveness of local products in the global arena. The sector's contribution to Gross Domestic Product (GDP) is increasingly significant, while creating new jobs that are relevant to the needs of modern society. On the other hand, this study also emphasizes that the success of creative economy development is highly dependent on adaptive government policy support and the empowerment of the younger generation. The government needs to ensure that existing regulations



are not only normative, but also applicable in supporting the creative ecosystem through legal protection, strengthening digital infrastructure, and inclusive access to capital.

The young generation as the main motor in this sector needs digital literacy support, skills training, and empowerment strategies so that their potential can be optimized to support the transformation of the national creative industry. Although the opportunities offered by digitalization are enormous, challenges remain. The limitations of digital literacy, the gap in access to technology, and the issue of protecting creative works are still significant obstacles that must be overcome immediately. Without comprehensive strategic steps, the great potential of the creative sector can be hampered by these structural obstacles. Therefore, the development of the creative economy in Indonesia must be carried out through a holistic approach that involves cross-sectoral collaboration between the government, academics, industry players, and the creative community. This research contributes to enriching the literature on the creative economy in the digital era while providing practical recommendations for strengthening policies, industry strategies, and empowering the younger generation. With the synergy between digital technology, public policy, and innovation of the younger generation, Indonesia has a great opportunity to make the creative economy a key pillar of sustainable development in the future.

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