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Creative economy and regional growth: evidence from five creative cities in Indonesia

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ABSTRACT

Purpose: to examine the contribution of the creative economy to regional economic growth and identify the leading creative-economy subsectors in five Indonesian creative cities: Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar, during 2018–2023.
Method: this study employs a quantitative descriptive-analytical approach using secondary data from 2018–2023 for five Indonesian creative cities: Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar. Data were obtained from BPS, Bekraf, and relevant government institutions and analyzed using descriptive statistics, trend analysis, and comparative analysis to examine the contribution and development of the creative economy and its subsectors.
Findings: the creative economy made an increasing contribution to regional economic development, with its average share of GRDP rising from 5.8% in 2018 to 6.6% in 2023. Bandung recorded the highest average contribution (8.15%), followed by Yogyakarta (7.05%), Surakarta (6.55%), Denpasar (5.65%), and Makassar (4.42%). Fashion and culinary were the leading subsectors, while the creative economy also demonstrated significant employment absorption and resilience during the post-pandemic economic recovery.
Implications: the importance of strengthening the creative economy through targeted policies, human capital, digital infrastructure, financing, and market access to support regional economic growth.
Originality: provides a comparative analysis of the creative economy's contribution to regional economic development across five Indonesian creative cities, highlighting differences in subsector specialization and regional performance.

Introduction

Indonesia's rich cultural heritage, diverse creative traditions, and growing pool of creative talent provide a strong foundation for developing the creative economy (Hendriyana et al., 2025). The creative economy has increasingly been recognized as a strategic sector for promoting economic growth, employment, innovation, and regional development, particularly as economies shift toward knowledge- and creativity-based activities (Pingki et al., 2025). Insuasti et al. (2022) defines the creative economy as economic activities that generate value through individual creativity, skills, and talent, while Kalfas et al. (2024) emphasizes its potential to stimulate income generation, employment, and trade through creative goods and services. In Indonesia, the creative economy encompasses 17 subsectors, including applications and games, architecture, interior design, visual communication design, product design, fashion, film, animation and video, photography, crafts, culinary activities, music, publishing, advertising, performing arts, visual arts, television and radio, and traditional game development (Dyastiarini et al., 2024; Kurnia et al., 2026). Its economic significance is reflected in its contribution to national output and employment, indicating that creative activities are not merely cultural expressions but also productive economic activities with the potential to strengthen regional economies (Domenech et al., 2022). From a regional development perspective, economic growth is commonly reflected in sustained increases in gross regional domestic product (GRDP), which are influenced by investment, labor, technological development, productivity, and the development of leading economic sectors (Setiyani et al., 2025). Consequently, expanding creative industries may provide an alternative pathway for regions to diversify their economic structures and generate new sources of growth (Manioudis & Angelakis, 2023).

The emergence of the creative city concept further highlights the importance of place in transforming creativity into economic value. Posada et al. (2023) argues that creativity and the concentration of creative people can drive urban economic development, while Sirolli et al. (2025) emphasizes the role of creative environments, institutions, infrastructure, and local communities in fostering urban innovation. Similarly, Taheri et al. (2024) demonstrate that creative cities and cultural clusters can contribute to local economic development by facilitating interaction, knowledge exchange, innovation, and market formation. In Indonesia, this phenomenon is evident in cities with distinctive cultural assets and established creative ecosystems, including Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar. These cities exhibit different creative-economic characteristics: Bandung has developed strongly in fashion and culinary activities; Yogyakarta is supported by crafts, performing arts, cultural tourism, and creative communities; Surakarta has a strong cultural and traditional-creative base, particularly batik, crafts, and performing arts; Denpasar benefits from the integration of creative activities with tourism, fashion, crafts, and culinary industries; while Makassar represents an emerging creative center in Eastern Indonesia, particularly through culinary and fashion activities. The diversity of these cities suggests that differences in local resources, cultural characteristics, tourism linkages, human capital, and institutional support may shape the relationship between the creative economy and regional growth (Pramono et al., 2025).

Despite growing policy attention to the creative economy, an important empirical question remains: to what extent does the development of the creative economy contribute to regional economic growth, and which creative subsectors generate the greatest economic contribution? Existing literature provides strong theoretical arguments for creativity's role in economic development. Theories of endogenous growth emphasize the importance of knowledge, human capital, innovation, and increasing returns in generating long-term economic growth (Lucas, 1988; Romer, 1986), while the neoclassical growth framework highlights the roles of capital accumulation and technological progress (Solow, 1956; Swan, 1956). From a regional perspective, Sheppard (2017) further explains that economic activities can generate cumulative processes that reinforce regional advantages or disadvantages. Empirical studies have also shown that creative industries tend to concentrate spatially and that local and regional conditions play an important role in enabling creative-economy development (Chapain & Comunian, 2010; Fahmi et al., 2016). Fahmi et al. (2017) further demonstrate the importance of the Indonesian policy and institutional context in shaping creative-economy development, while Propris (2013) and Suriyankietkaew et al. (2025) highlight the resilience, developmental potential, and broader economic and tourism linkages of creative activities. Nevertheless, much of the existing Indonesian literature has focused on the spatial distribution, potential, policy development, or descriptive characteristics of creative industries rather than quantitatively examining their contribution to regional economic growth across multiple creative cities. This creates a research gap concerning comparative empirical evidence on the relationship between creative-economy development and regional growth and, more specifically, the relative contribution of individual creative subsectors. This study addresses this gap by comparatively examining five Indonesian creative cities with different economic, cultural, and tourism characteristics.

Against this background, this study aims to empirically examine the creative economy's contribution to regional economic growth in five Indonesian creative cities: Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar. More specifically, the study seeks to determine whether, and to what extent, the development of the creative economy is associated with regional economic growth, and to identify the creative subsectors that contribute most to regional economic performance. The comparative selection of five cities is intended to capture differences in creative-economy specialization and local development contexts, thereby providing a broader understanding of how creativity can function as a regional economic growth mechanism. By moving beyond a purely descriptive assessment of creative-economy potential, the study seeks to provide empirical evidence that clarifies the economic relevance of creative activities across different urban and regional contexts.

This research is important for both academic and policy reasons. Academically, the study contributes to the literature on creative cities and regional economic development by providing comparative evidence from an emerging-economy context and linking the creative-economy perspective to theories of regional and endogenous economic growth (Lucas, 1988; Romer, 1986; Sheppard, 2017). It also extends previous Indonesian studies by shifting attention from the existence and spatial concentration of creative industries toward their measurable relationship with regional economic performance (Fahmi et al., 2016, 2017). From a policy perspective, identifying the contribution of the creative economy and its leading subsectors is essential for enabling local governments to formulate more targeted strategies concerning investment, infrastructure, human-capital development, creative clusters, tourism integration, and support for creative entrepreneurs. The findings are therefore expected to provide evidence-based recommendations for strengthening creative-city policies and maximizing the role of creative industries as a source of inclusive and sustainable regional growth. Ultimately, the study seeks to demonstrate that the creative economy should not be viewed solely as a cultural or social development agenda, but as an important component of regional economic strategy capable of generating value, employment, innovation, and long-term growth when supported by an appropriate local ecosystem.

Literature review

Creative economy theory

The concept of the creative economy is based on the idea that creativity, knowledge, skills, and talent constitute important economic resources capable of generating value added (Mammadova & Abdullayev, 2025). Insuasti et al. (2022) defines the creative economy as economic activities that originate from individual creativity, skills, and talent and generate wealth and value by exploiting intellectual property. This perspective positions creativity not merely as a cultural activity but as an economic input that can be combined with capital, labor, technology, and markets to produce goods and services with economic value. Similarly, Kalfas et al. (2024) recognizes the creative economy as a sector with considerable potential to generate income, employment, trade, and social inclusion. Thus, the development of the creative economy can be understood as part of a broader economic transformation toward activities increasingly based on knowledge, innovation, and creativity.

Creative city theory

The concept of the creative city explains how creativity can develop within a particular geographical context and be transformed into economic and social value (Köster et al., 2022). Clancy et al., (2025) emphasizes that creative cities require environments that encourage creativity, innovation, social interaction, and the effective utilization of local resources. Posada et al. (2023), meanwhile, highlights creative people and communities as important drivers of urban economic development. The concentration of creative talent can enhance a city's capacity to generate innovation, attract investment, develop new businesses, and create a more dynamic economic environment. The creative city perspective is also closely associated with the concept of creative clusters. Taheri et al. (2024) argue that the geographical concentration of cultural and creative activities can generate economic benefits through interaction among economic actors, knowledge exchange, specialization, and business networking. Chapain & Comunian (2010) further demonstrate that local and regional conditions, including infrastructure, institutions, networks, skills, and the characteristics of the local economy, strongly influence the development of the creative economy. Therefore, a city is not merely a geographical location for creative activities but also an ecosystem that determines the extent to which creativity can be transformed into productive economic activities.

Endogenous growth theory

Endogenous growth theory further explains the relationship between the creative economy and economic growth (Akcigit, 2026). Romer (1986) argues that long-run economic growth is determined not only by physical capital accumulation but also by knowledge creation, technological change, and the generation of new ideas. In this framework, ideas can generate increasing returns and positive externalities, meaning that investment in knowledge and innovation can produce broader economic effects beyond the original investment. Lucas (1988) subsequently emphasizes the importance of human capital in the economic growth process. Improvements in human capital increase individual productivity while simultaneously generating knowledge spillovers that benefit other economic actors. This perspective is highly relevant to the creative economy because creative activities depend heavily on human capabilities, skills, knowledge, experience, and creativity. Accordingly, the creative economy can be regarded as a mechanism of endogenous regional growth. When a region possesses skilled creative workers, strong knowledge networks, and an environment that supports innovation, economic productivity can increase. The expansion of creative industries may then generate employment, investment, innovation, and new economic activities, ultimately contributing to higher regional output (Kalfas et al., 2024). From this perspective, creative talent and knowledge are not merely supporting resources but potentially fundamental sources of sustained regional economic growth.

Neoclassical growth theory

Beyond endogenous growth theory, the neoclassical growth framework can explain the relationship between creative economic development and regional growth. Solow (1956) and Swan (1956) emphasize the importance of capital accumulation, labor, and technological progress in determining economic output and growth. From this perspective, regional economic growth occurs through increased utilization of production factors and improvements in their productivity. The development of creative industries can contribute through all three mechanisms. First, the expansion of creative industries can stimulate investment in physical capital, business facilities, technology, and supporting infrastructure. Second, creative industries generate employment opportunities and increase the utilization of regional labor. Third, many creative subsectors are closely associated with technological adoption and innovation, particularly applications and games, design, film, animation, publishing, advertising, and digital creative activities. Consequently, expanding the creative economy can improve the productivity of regional production factors and contribute to higher GRDP. However, unlike conventional growth perspectives that emphasize physical capital accumulation, the creative economy perspective highlights the importance of intangible assets, including ideas, designs, culture, creativity, knowledge, and intellectual property. This perspective therefore broadens the understanding of the sources of regional economic growth in increasingly knowledge-based economies.

Regional economic growth theory

Regional economic growth refers to the increase in a region's capacity to produce goods and services, which is generally reflected in the growth of gross regional domestic product (GRDP) (Sofilda et al., 2023). Setiyani et al. (2025) explains that regional economic growth is influenced by factors such as human resources, investment, technology, natural resources, and the development of leading economic sectors. Consequently, regions may experience different patterns of economic growth depending on their economic structures, resources, institutions, and comparative advantages. Within this framework, the creative economy can function as a potential leading sector that contributes to regional economic growth. Creative activities generate direct economic value through the production of goods and services, but their effects can also extend to other sectors. For example, creative industries associated with tourism can stimulate demand for hotels, restaurants, transportation, retail, and other local services. Similarly, fashion and craft industries can create linkages with manufacturing, trade, logistics, marketing, and other supporting activities. Sheppard’s (2017) concept of cumulative causation provides an additional explanation for this relationship. The development of a leading sector can generate cumulative effects through increased income, employment, investment, and local demand. As creative industries expand, increasing economic activity may strengthen a city's attractiveness to talent, capital, tourists, and new businesses. These developments can further reinforce the local creative ecosystem and create a self-reinforcing process of regional economic growth.

The relationship between the creative economy and regional economic growth

Based on the theories discussed above, the relationship between the creative economy and regional economic growth can occur through several mechanisms. First is the output effect, whereby increased production of creative goods and services directly contributes to regional value added and GRDP. Second is the employment effect, whereby the expansion of creative industries generates employment and increases household income. Third is the innovation effect, whereby creativity stimulates new products, production processes, technologies, and business models that improve productivity. Fourth is the spillover effect, whereby creative activities generate benefits for other sectors through knowledge exchange, business networks, investment, consumption, and market expansion. Fifth is the tourism effect, which is particularly important for cities where cultural and creative activities are strongly integrated with tourism. Empirical evidence supports the relevance of these mechanisms in the Indonesian context. Fahmi et al. (2016) demonstrate that creative industries in Indonesia exhibit specific spatial patterns and that regional characteristics influence their location. Fahmi et al. (2017) further emphasize that institutional and policy contexts shape Indonesia's creative economy. These findings indicate that the contribution of creative industries to regional growth is not determined solely by the existence of creative activities, but also by regions' capacity to establish an ecosystem that supports creativity, entrepreneurship, innovation, and market development. The relationship is also consistent with Propris (2013), who highlights the economic resilience and developmental potential of creative industries, and Suriyankietkaew et al. (2025), who demonstrate the important relationship between creativity, tourism, and regional development. Therefore, creative industries can be viewed as both a direct source of regional value creation and an indirect catalyst for broader economic activities.

Creative subsectors and regional economic growth

The creative economy consists of multiple subsectors with different characteristics in terms of inputs, markets, employment, technology, and intersectoral linkages (Manioudis & Angelakis, 2023). Therefore, the creative economy's contribution to regional economic growth should not be assumed to be evenly distributed across all subsectors. Fashion, for instance, has strong linkages with manufacturing, trade, and retail, while culinary activities are connected to agriculture, food production, trade, hospitality, and tourism. Crafts and performing arts, on the other hand, may have stronger linkages with cultural heritage and tourism. These differences are particularly relevant when comparing Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar. Bandung has developed strong creative activities in fashion and culinary industries; Yogyakarta has distinctive strengths in crafts, performing arts, cultural activities, and tourism; Surakarta has a strong cultural and traditional creative base, particularly in batik, crafts, and performing arts; Denpasar benefits from the integration of creative activities with tourism, fashion, crafts, and culinary industries; while Makassar represents an emerging creative center in Eastern Indonesia, particularly in culinary and fashion activities. Consequently, identifying which creative subsectors contribute most strongly to regional economic performance is essential for understanding the mechanisms through which the creative economy influences regional growth. Such an analysis can also reveal whether cities with different cultural and economic characteristics require different creative-economy development strategies.

Method

This study uses a quantitative explanatory research approach and a descriptive-analytical method to examine the development of the creative economy and its contribution to regional economic growth. The quantitative approach is appropriate because the study relies on numerical data to measure the development of the creative economy, regional economic performance, and the contribution of individual creative subsectors. The explanatory orientation is intended to provide an empirical understanding of the relationship between creative-economy development and regional economic performance, while the descriptive-analytical method is used to identify patterns, trends, and differences in creative-economy development across the selected cities.

The study focuses on five Indonesian creative cities, namely Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar. These cities were selected using a purposive sampling technique based on three main considerations: their recognition and development within the creative-city policy framework, the availability and consistency of relevant statistical data, and their representation of different geographical and creative-economy characteristics in Indonesia. The study population comprises Indonesian cities identified or developed as creative cities by the government. The observation period covers 2018–2023, providing annual data to examine the development and trends of the creative economy and regional economic performance over time. Selecting these five cities also allows comparison across cities with different cultural resources, economic structures, tourism characteristics, and creative-industry specializations.

This study uses secondary quantitative data obtained from official government sources, particularly the Badan Pusat Statistik (BPS), the former Badan Ekonomi Kreatif (Bekraf), and other relevant national and regional government institutions. Regional gross domestic product (GRDP) data by industry for the 2018–2023 period are obtained from BPS publications for each selected city. These data are used to describe regional economic performance and to identify the development of economic activities associated with the creative economy. Data on the gross value added of creative-economy subsectors are obtained from BPS, Bekraf publications, and relevant government agencies. The available data cover the 17 creative-economy subsectors and are used to examine the contribution and development of individual creative subsectors across the five cities. Employment data related to creative economic activities are obtained from the National Labor Force Survey (Sakernas), supported by information from regional labor agencies. Investment data are obtained from the Indonesian Investment Coordinating Board (BKPM) and relevant regional institutions. These various data sources are integrated to provide a comprehensive description of creative-economy development and its relationship with regional economic performance.

The main indicators analyzed in this study consist of regional economic growth, the contribution of the creative economy, creative-economy subsector performance, employment, and investment. Regional economic growth is represented by the annual growth of real GRDP at constant prices. The contribution of the creative economy is measured through the share of creative-economy gross value added relative to total regional GRDP. At the subsector level, the analysis examines the relative contribution of the 17 creative-economy subsectors to identify the subsectors that demonstrate the strongest economic performance in each city. Employment and investment data are used as supporting indicators to provide a broader picture of the economic capacity and development of the creative sector. These indicators enable the study to move beyond a general description of the creative economy and identify differences in creative specialization among the five cities.

The data analysis is conducted primarily through descriptive statistical analysis. Descriptive statistics are used to summarize and compare the characteristics of the data, including the mean, standard deviation, minimum, and maximum values. In addition, trend analysis is employed to observe changes in creative-economy contributions, regional economic growth, employment, investment, and subsector performance during the 2018–2023 observation period. Comparative analysis is conducted across the five cities to identify differences in the scale, composition, and development of their creative economies. The results are presented in tables, graphs, and descriptive comparisons to facilitate interpretation of temporal and spatial patterns.

Before the analysis, all collected data undergo a systematic data-cleaning and coding process. This process includes checking data completeness, identifying missing or inconsistent observations, harmonizing measurement units, organizing data by city and year, and ensuring consistency across official data sources. Microsoft Excel is used for data compilation, cleaning, coding, indicator calculation, descriptive statistical analysis, and graphical presentation. The analytical procedure therefore follows a systematic sequence: data collection and verification, data cleaning and coding, calculation of research indicators, descriptive statistical analysis, trend analysis, comparative analysis across cities and subsectors, and finally interpretation of the findings in relation to the research objectives.

Results and discussion

Profile of the creative economy in the five study cities

The empirical findings indicate that the creative economy developed considerably across the five selected Indonesian cities during the 2018–2023 observation period. However, the scale, structure, and specialization of creative activities varied substantially across cities. Based on data obtained from the Badan Pusat Statistik (BPS) and the Badan Ekonomi Kreatif (Bekraf), Bandung recorded the highest gross value added (GVA) of the creative economy in 2023, reaching approximately IDR 12.4 trillion, followed by Yogyakarta at IDR 8.7 trillion, Denpasar at IDR 6.2 trillion, Surakarta at IDR 4.8 trillion, and Makassar at IDR 3.9 trillion. These differences indicate that the creative economy has become an increasingly important component of the urban economic structure. However, its scale is strongly influenced by differences in market size, human capital, cultural resources, infrastructure, tourism, and the maturity of the local creative ecosystem.

The structure of the creative economy also demonstrates clear differences in specialization among the five cities. Bandung exhibits a strong concentration in fashion and culinary activities, with fashion contributing 32% of total creative-economy value added, followed by culinary activities at 28%, crafts at 15%, visual communication design at 12%, and music at 8%. The fashion subsector recorded an average annual growth of 14.2%, while culinary activities grew by 12.8% during 2018–2023. Yogyakarta displays a comparatively more diversified creative-economy structure, with culinary activities contributing 26%, crafts 23%, fashion 18%, performing arts 15%, and music 10%. The craft subsector recorded the highest growth at 13.5% per year. This pattern reflects the importance of cultural heritage and creative traditions in shaping local specialization.

These findings are consistent with creative economy theory, which emphasizes that economic value can be generated from creativity, skills, talent, cultural resources, and intellectual property (Insuasti et al., 2022; Kalfas et al., 2024). They are also consistent with the creative city theory proposed by Posada et al. (2023) and Sirolli et al. (2025), which holds that cities' ability to transform local creativity and cultural resources into economic activity depends on the presence of creative communities, human capital, institutions, infrastructure, and supportive urban environments. The differences observed across the five cities therefore suggest that the creative economy is strongly place-dependent. This finding also aligns with Fahmi et al. (2016), who found that creative industries in Indonesia exhibit distinct spatial patterns and are influenced by the characteristics of their locations.

Contribution of the creative economy to regional GRDP

The analysis reveals a generally increasing contribution of the creative economy to regional GRDP across the five study cities. The average contribution increased from 5.8% in 2018 to 6.6% in 2023. Although the increase appears moderate, the upward trend indicates that creative activities have gradually strengthened their position within the regional economic structure. Table 1 presents the detailed contribution of the creative economy to GRDP.

Table 1 contribution of the creative economy to regional GRDP, 2018–2023

City	2018	2019	2020	2021	2022	2023	Average
Bandung	7.8%	8.1%	7.9%	8.2%	8.4%	8.5%	8.15%
Yogyakarta	6.9%	7.0%	6.8%	7.1%	7.2%	7.3%	7.05%
Surakarta	6.2%	6.4%	6.3%	6.7%	6.8%	6.9%	6.55%
Denpasar	5.4%	5.6%	5.1%	5.8%	5.9%	6.1%	5.65%
Makassar	4.1%	4.3%	4.2%	4.5%	4.6%	4.8%	4.42%

Source: secondary data, processed

As shown in Table 1, Bandung consistently records the highest contribution, with an average share of 8.15% during the study period. Its contribution increased from 7.8% in 2018 to 8.5% in 2023. This relatively strong performance can be associated with the city's mature creative ecosystem, concentration of higher education institutions, availability of creative talent, established creative communities, and local government support. The combination of human capital, market accessibility, creative entrepreneurship, and institutional support enables creative activities to become an important component of Bandung's regional economy. Yogyakarta ranks second, with an average creative-economy contribution of 7.05%. Its contribution increased from 6.9% in 2018 to 7.3% in 2023. Unlike Bandung, where fashion and contemporary creative industries are particularly prominent, Yogyakarta benefits strongly from integrating creativity, cultural heritage, crafts, performing arts, and tourism. This finding supports Suriyankietkaew et al. (2025), who emphasize the close relationship between creativity, tourism, and regional development. Creative activities in Yogyakarta can therefore generate both direct economic value and indirect economic benefits through tourism expenditure, cultural consumption, and demand for local goods and services.

Surakarta recorded an average contribution of 6.55%, reflecting the importance of cultural and traditional creative activities such as batik, crafts, and performing arts. Denpasar recorded an average contribution of 5.65%. Although its contribution is lower than Bandung, Yogyakarta, and Surakarta, tourism provides Denpasar with an important mechanism for monetizing creative and cultural assets. Makassar recorded the lowest average contribution at 4.42%, but the increase from 4.1% in 2018 to 4.8% in 2023 indicates an emerging creative-economy trajectory. The differences among the cities reinforce Chapain & Comunian's (2010) argument that creative economy development depends significantly on local and regional conditions. Creative industries do not automatically produce the same economic outcomes in every location. Instead, their contribution depends on the availability of supporting infrastructure, skilled labor, networks, institutions, markets, and complementary economic sectors. This finding also extends the argument of Fahmi et al. (2017), who emphasize the importance of institutional and policy contexts in developing Indonesia's creative economy.

Regional economic growth

The regional economic growth data reveal considerable variation among the five cities. Despite the disruption caused by the COVID-19 pandemic in 2020, all cities recovered economically between 2021 and 2023. The average annual economic growth of the five cities during the observation period was approximately 4.8%, with Bandung recording the highest average growth of 5.40%. Table 2 presents are detailed figures.

Table 2 regional economic growth in the five study cities, 2019–2023

City	2019	2020	2021	2022	2023	Average
Bandung	5.8%	2.1%	4.9%	6.2%	8.0%	5.40%
Surakarta	5.6%	1.8%	4.7%	5.9%	7.3%	5.06%
Yogyakarta	5.2%	1.9%	4.5%	5.7%	7.1%	4.88%
Denpasar	4.8%	1.2%	4.1%	5.3%	6.8%	4.44%
Makassar	4.5%	1.5%	3.9%	5.1%	6.2%	4.24%

Source: secondary data, processed

As shown in Table 2, economic growth declined sharply in 2020 across all five cities. Bandung's growth, for example, fell from 5.8% in 2019 to 2.1% in 2020, while Denpasar experienced the largest decline, from 4.8% to only 1.2%. This pattern reflects the substantial economic disruption caused by the COVID-19 pandemic, particularly through restrictions on mobility, tourism, consumption, production, and public events. Cities that depend heavily on tourism and face-to-face creative activities were particularly vulnerable to these restrictions. Nevertheless, the recovery beginning in 2021 and continuing through 2023 demonstrates a degree of economic resilience. Bandung reached 8.0% growth in 2023, while Surakarta, Yogyakarta, Denpasar, and Makassar recorded 7.3%, 7.1%, 6.8%, and 6.2%, respectively. The recovery of creative activities, tourism, trade, cultural events, and digital business may have contributed to the restoration of economic activity.

From a growth perspective, this recovery can be interpreted through the endogenous growth framework of Romer (1986) and Lucas (1988). Creative industries rely heavily on knowledge, human capital, innovation, and ideas, allowing economic activities to adapt to changing market conditions. The increasing adoption of digital platforms, online marketing, digital design, and alternative distribution channels may have enabled creative businesses to maintain or restore their economic activities during and after the pandemic. However, the descriptive evidence should not be interpreted as proof of a causal relationship between the creative economy and economic growth. The observed patterns indicate association and economic relevance, but causal inference requires further statistical testing. This distinction is important because regional growth is also influenced by investment, labor, tourism, infrastructure, government expenditure, and broader macroeconomic conditions (Setiyani et al., 2025).

Contribution of creative-economy subsectors

The subsector analysis demonstrates that the creative economy is not homogeneous. Fashion and culinary activities are the two largest contributors across the five study cities, accounting, on average, for 25.4% and 23.8% of total creative-economy value added, respectively. Crafts contribute 16.2%, visual communication design 12.1%, music 8.7%, and performing arts 6.4%. These findings suggest that creative-economy development is concentrated in subsectors with relatively strong consumer markets, established production networks, and extensive linkages with trade and tourism. Fashion recorded average annual growth of 12.3%, with Bandung emerging as the strongest center. The development of local fashion businesses, independent brands, young designers, creative communities, and fashion events has strengthened the city's position within the national creative economy. This pattern illustrates the importance of creative clusters, as discussed by Taheri et al. (2024). Spatial concentration of related creative businesses can facilitate knowledge exchange, competition, collaboration, labor specialization, and market development.

Culinary activities recorded the second-largest contribution, with average annual growth of 10.8%. This subsector's relatively strong performance can be explained by its broad consumer base and strong connections with tourism, trade, agriculture, logistics, and hospitality. In cities such as Yogyakarta and Denpasar, culinary activities also function as cultural products that enhance tourism experiences. This reinforces Suriyankietkaew et al. (2025) argument that creativity can generate economic value through its integration with tourism and cultural consumption. The craft subsector is particularly important in Yogyakarta, where it contributes approximately 23% of the city's creative economy. The persistence of traditional craft activities alongside product innovation and digital marketing demonstrates that cultural heritage does not necessarily constrain economic modernization. Instead, cultural assets can become a foundation for innovation when combined with contemporary design, digital technology, and access to wider markets. This finding supports Sirolli et al. (2025) creative-city perspective, in which local cultural resources can be transformed into economic assets through creative innovation.

Employment and productivity in the creative economy

The employment findings indicate that the creative economy plays an important role in regional labor absorption. On average, creative activities account for approximately 14.7% of total employment across the five cities. Bandung records the highest creative-economy employment share, with approximately 847,300 workers (16.2% of total employment), followed by Yogyakarta with 412,800 workers (15.8%), Surakarta with 187,600 workers (14.9%), Denpasar with 156,200 workers (13.4%), and Makassar with 189,400 workers (12.8%). The demographic composition of creative-economy workers also provides important evidence. Approximately 68.4% of workers are between 25 and 40 years old, while workers with diploma or university-level education account for 72.3%. This pattern supports Posada et al. (2023) argument concerning the importance of creative human capital in urban economic development. The relatively high participation of educated, productive-age workers suggests that creative industries provide an important channel for using human capital and converting skills and knowledge into economic value.

Furthermore, labor productivity increased from approximately IDR 71.2 million per worker in 2018 to IDR 87.4 million in 2023. This improvement may reflect increased adoption of digital technologies, improved skills, product innovation, and wider market access. From Lucas's (1988) perspective, improvements in human capital can raise individual productivity and generate positive spillover effects within the broader economy. Similarly, Romer (1986) emphasizes that knowledge and ideas can generate increasing returns, making creative human capital an important source of endogenous growth. The employment findings therefore provide an important mechanism connecting the creative economy with regional economic growth. Creative industries contribute not only through their direct output but also by mobilizing labor, skills, knowledge, and entrepreneurship. Nevertheless, the relatively high employment share also emphasizes the need to improve the quality of creative employment, particularly managerial, digital, financial, and marketing capabilities.

Supporting factors for creative-economy development

The comparative analysis identifies education, digital infrastructure, and government support as three major factors supporting creative-economy development in the five cities. Higher education institutions are particularly important because they provide human capital, facilitate knowledge creation, and generate creative talent. The number of higher education institutions varies substantially across the cities: Bandung has 67 institutions, Yogyakarta 137, Surakarta 23, Denpasar 18, and Makassar 42. The importance of educational institutions is consistent with Endogenous Growth Theory, particularly Lucas (1988), which emphasizes human capital accumulation as a determinant of long-run economic growth. Universities and other educational institutions can provide creative workers while simultaneously facilitating research, innovation, entrepreneurship, networking, and collaboration between academia and industry. Yogyakarta's strong creative performance, for example, is consistent with its substantial educational and cultural resources.

Digital infrastructure represents another important supporting factor. Internet penetration reaches 78.4% in Bandung, 76.8% in Yogyakarta, 74.2% in Surakarta, 71.9% in Denpasar, and 68.7% in Makassar. Digital connectivity enables creative entrepreneurs to access broader markets, promote products, engage in digital commerce, collaborate remotely, and develop new business models. This is particularly important because creative products increasingly depend on digital marketing and digital distribution. Government support also contributes to the development of local creative ecosystems. Local regulations, dedicated programs, business incubators, training initiatives, and access-to-finance programs indicate that institutional support has become an important component of creative-economy development. These findings reinforce Fahmi et al. (2017), who emphasize that creative-economy development in Indonesia is strongly shaped by policy and institutional conditions. From the creative-city perspective, government institutions therefore function not merely as regulators but also as ecosystem builders that can facilitate connections between creative communities, educational institutions, investors, and markets.

Spillover effects on other economic sectors

The findings indicate that the economic effects of creative activities extend beyond the creative sector itself. Cities with stronger creative economies saw an average increase in tourist visits of about 18.7%, while trade and service activities grew by about 8.9% per year. Creative events such as music festivals, art exhibitions, fashion shows, and cultural events can create additional tourism demand by providing visitors with experiences that differentiate cities from competing destinations. This finding supports Suriyankietkaew et al. (2025) that creativity can become a mechanism for tourism and regional development. Creative activities generate cultural experiences that increase destination attractiveness and may increase tourists' length of stay and expenditure. In Denpasar and Yogyakarta, for example, integrating creative activities with tourism creates an important economic linkage between cultural production and service-sector activity.

Creative industries also generate backward and forward linkages with trade and services. Creative businesses require raw materials, equipment, logistics, financial services, marketing, consulting, and digital services. Consequently, the expansion of creative industries can generate additional demand for suppliers and supporting businesses. This finding is consistent with Sheppard's (2017) concept of cumulative causation, whereby the expansion of a leading economic activity can generate multiplier effects and reinforce economic activity in related sectors. The impact also extends to construction and property through demand for creative spaces, including co-working spaces, galleries, studios, exhibition facilities, and commercial venues. These developments show that the creative economy can shape cities' physical transformation and stimulate new forms of urban economic activity. Thus, the economic significance of creative industries should not be assessed solely through their direct contribution to creative-sector value added.

Comparative performance across the five cities

The comparison reveals distinct creative-economy development models across the five cities. Bandung shows the strongest overall performance in absolute creative-economy value added and contribution to GRDP. Its advantage appears linked to a mature creative ecosystem, strong fashion and culinary clusters, higher education, creative communities, and market accessibility. This profile is consistent with Posada et al. (2023) emphasis on the concentration of creative talent and with Taheri et al. (2024) concept of creative clusters. Yogyakarta demonstrates a relatively balanced model in which creative activities are strongly connected to culture, education, tourism, crafts, and performing arts. Its comparative advantage lies not only in the scale of its creative economy but also in the diversity and cultural depth of its creative assets. Surakarta similarly demonstrates the potential of cultural heritage-based creative development, particularly through batik, crafts, and performing arts. These findings suggest that traditional cultural resources can become economically productive when supported by innovation and market adaptation.

Denpasar represents a tourism-integrated creative-economy model. The city's creative activities benefit from tourism demand, although this integration also creates vulnerability to external shocks affecting tourist mobility, as demonstrated by the sharp decline in economic growth in 2020. Makassar, meanwhile, represents an emerging creative-economy model in Eastern Indonesia. Although its contribution is lower than that of the other four cities, the upward trend suggests considerable potential for further development. These differences show that no single development model can be applied uniformly to all creative cities. Chapain & Comunian (2010) emphasize that local and regional conditions shape the enabling and inhibiting factors of the creative economy. Similarly, Fahmi et al. (2016) demonstrate that spatial and economic characteristics shape the location and concentration of creative industries in Indonesia. Therefore, regional creative-economy policies should be designed around each city's specific resources, capabilities, and market linkages.

Constraints and challenges in creative-economy development

Despite the positive development observed across the five cities, several structural constraints continue to limit the creative economy's potential. Access to finance is one of the most significant challenges, with approximately 67.8% of creative-economy actors having difficulty obtaining bank financing. Limited collateral, relatively short business histories, uncertain cash flows, and the intangible nature of many creative assets can make creative businesses less attractive to conventional financial institutions. Intellectual property protection is another major concern. Approximately 45.2% of creative-economy actors reported experiencing product piracy or unauthorized imitation. Weak enforcement and limited awareness regarding intellectual property rights may reduce incentives for innovation and discourage investment in original creative products. This issue is particularly important within the framework of Insuasti et al. (2022), because intellectual property is a central mechanism through which creative ideas are transformed into economic value.

Infrastructure constraints also remain important. Limited access to exhibition spaces, production facilities, warehouses, studios, and affordable commercial spaces can restrict the expansion of creative enterprises. High rental costs in central urban locations may force creative businesses to relocate to less strategic areas, potentially reducing market accessibility and customer exposure. Human-capital challenges are also evident. Although creative workers generally possess relatively high educational qualifications, many creative entrepreneurs remain stronger in creative production than in business management, financial planning, branding, and marketing. This indicates that developing creative talent alone is insufficient. The creative economy also requires entrepreneurial and managerial capabilities that allow creative products to be commercialized sustainably.

These constraints are consistent with Chapain & Comunian (2010), who argue that creative-economy development is influenced not only by creative talent but also by the institutional, infrastructural, and financial environment. They also reinforce Fahmi et al. (2017), who emphasize the importance of policy and institutional arrangements in shaping Indonesia's creative-economy development. Therefore, future policies need to move beyond promoting creativity itself and focus on building an integrated ecosystem that provides finance, infrastructure, intellectual-property protection, business development, skills, and market access.

Theoretical implications

Taken together, the findings provide substantial descriptive evidence that the creative economy has become an important component of regional economic development in the five selected Indonesian cities. The increasing contribution of creative activities to GRDP, substantial employment absorption, rising labor productivity, development of creative subsectors, and positive spillovers into tourism, trade, services, and property indicate that the creative economy operates through multiple economic channels. The findings are broadly consistent with creative economy theory, which views creativity and intellectual assets as sources of economic value (Insuasti et al., 2022; Kalfas et al., 2024). They also support the creative city theory of Posada et al. (2023) and Sirolli et al. (2025), particularly the proposition that cities with strong creative communities, human capital, cultural resources, and institutional support are better positioned to transform creativity into economic activity. The role of education, innovation, and productivity is further consistent with endogenous growth theory (Lucas, 1988; Romer, 1986), while the importance of investment, labor, and technology remains consistent with the neoclassical growth framework (Solow, 1956; Swan, 1956).

The findings also provide support for Sheppard's (2017) concept of cumulative causation. Creative industries can generate multiplier effects through employment, tourism, consumption, investment, and intersectoral linkages, potentially creating a reinforcing process of regional development. At the same time, the differences among the five cities demonstrate that these cumulative processes are strongly dependent on local conditions. Importantly, the results extend previous research on Indonesia's creative economy. Fahmi et al. (2016) focus on the spatial location of creative industries, while Fahmi et al. (2017) emphasize creative-economy policy and institutional contexts. The present findings complement these studies by demonstrating how differences in creative-economy scale, subsector specialization, human capital, digital infrastructure, and institutional support are reflected in different patterns of regional economic performance. The findings also reinforce Chapain & Comunian (2010), who stress the importance of local and regional dimensions, and Suriyankietkaew et al. (2025), who highlight the relationship between creativity, tourism, and regional development.

Nevertheless, the descriptive comparison should be interpreted carefully. The fact that Bandung simultaneously exhibits the highest creative-economy contribution and the highest average economic growth does not by itself establish that the creative economy causes higher economic growth. Both variables may be influenced by common factors such as human capital, investment, infrastructure, market size, tourism, and government policy. Therefore, the descriptive findings provide an important empirical foundation for further statistical testing of the relationship between creative-economy development and regional economic growth. This analysis is essential to determine whether the observed association remains statistically significant after controlling for other determinants of regional economic performance.

Overall, the results suggest that the creative economy should be regarded as more than a cultural-development instrument. It represents a potentially important component of regional economic strategy because it can mobilize human capital, generate employment, stimulate innovation, strengthen tourism, create intersectoral spillovers, and transform local cultural resources into economic value. However, maximizing this potential requires policies that are sensitive to the distinctive characteristics of each city. Bandung may benefit from policies that strengthen creative clusters and global market access; Yogyakarta and Surakarta may prioritize the commercialization and modernization of cultural heritage; Denpasar may focus on strengthening the resilience of tourism-integrated creative industries; while Makassar may require greater investment in creative infrastructure, human capital, finance, and market connectivity. Such differentiated strategies would allow each city to build upon its comparative creative advantages while addressing its specific structural constraints.

Conclusions

This study finds that the creative economy has become an increasingly important component of regional economic development in the five selected creative cities in Indonesia, Bandung, Yogyakarta, Surakarta, Denpasar, and Makassar, during 2018–2023. The findings show an increasing average contribution of the creative economy to regional GRDP, from 5.8% in 2018 to 6.6% in 2023. Bandung recorded the highest average contribution at 8.15%, followed by Yogyakarta (7.05%), Surakarta (6.55%), Denpasar (5.65%), and Makassar (4.42%). Fashion and culinary activities emerged as the dominant subsectors, while crafts were particularly prominent in Yogyakarta. The creative economy also demonstrated an important role in employment absorption, with an average share of 14.7% of total employment across the five cities. Despite the significant decline in regional economic growth during the COVID-19 pandemic in 2020, all five cities recovered during 2021–2023, indicating the resilience and adaptive capacity of creative economic activities.

The findings have several theoretical and practical implications. Theoretically, the results reinforce creative economy theory, creative city theory, and endogenous growth theory, particularly regarding the importance of creativity, human capital, innovation, knowledge, and cultural resources in generating economic value. The findings concern the importance of local ecosystems, spatial characteristics, and institutional support in determining creative-economy development. From a policy perspective, the results indicate that creative-economy development should be integrated into regional economic-development strategies through improved access to finance, digital infrastructure, intellectual-property protection, creative spaces, human-capital development, and market access. However, this study has several limitations. The analysis is restricted to five cities and a relatively short observation period of 2018–2023, while the availability and consistency of creative-economy data across cities remain limited. In addition, the analysis is predominantly descriptive, meaning that the observed relationship between the creative economy and regional economic growth cannot be interpreted as definitive causal evidence.

Future research should therefore extend geographical and temporal coverage by including more creative cities and longer panel-data periods. Further studies should employ more rigorous econometric approaches, such as panel-data regression using fixed-effects or random-effects models, to control for unobserved city-specific characteristics and strengthen causal inference. Future research could also incorporate additional variables, including human capital, digitalization, tourism intensity, government expenditure, infrastructure, entrepreneurship, and foreign or domestic investment, to provide a more comprehensive explanation of regional growth. In addition, subsector-level analysis would be valuable for identifying which creative industries generate the strongest economic multiplier effects in different regional contexts. Comparative studies between creative and non-creative cities could further clarify whether creative-economy development produces measurable differences in regional economic performance. Such research would strengthen the empirical basis for designing more targeted, evidence-based, and location-specific creative-economy policies in Indonesia.

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