

# The Role of Creative Economy in Promoting Sustainable Rural Development

Slamet Rosyadi<sup>1</sup>, Agus Haryanto<sup>2</sup>, Ayusia Sabhita Kusuma<sup>2</sup> and Elpeni Fitrah<sup>2</sup>

<sup>1</sup>*Department of Public Administration, Universitas Jenderal Soedirman, Indonesia*

<sup>2</sup>*Department of International Relations, Universitas Jenderal Soedirman, Indonesia*

*slamet.rosyadi@unsoed.ac.id, agus.haryanto@unsoed.ac.id, kusumabumi@gmail.com, elpeni.fitrah@unsoed.ac.id*

**Keywords:** Creative Economy, Sustainable Rural Development, Local Government, Central Government, Rural Area

**Abstract:** The purpose of this paper is to explain the relationship between creative economy and sustainable rural development. Literature review is used to address how the role of creative economy in promoting sustainable rural development. Evidence from some cases is selected to provide empirical facts. Practices of creative economy have a vital role in driving the conservationist economic activities. The strength of creative economy lies in creative ideas, knowledge and talent in transforming the wastes from less useful to economic-value added things. This paper contributes to the study of public administration mainly in understanding interplayed interactions between a creative economy and a system of public administration that responds to sustainable development issues. This paper also provides policy implications for the local government to design community development programs with creative economic approach in rural areas.

## 1 INTRODUCTION

Development provides not only economic impacts such as increased per capita income and employment, but also creates increased environmental degradation. Statistically, development indicates an increased economic growth every year, however, it is also followed by environmental degradation. The most obvious example is DKI Jakarta. Although the economic growth in DKI Jakarta continues to increase, the environmental degradation also worsens. The waste crisis in Jakarta, for example, is the consequence from increasing public consumption with no offset in effective waste management. The data shows that the volume of waste produced by DKI Jakarta residents reaches 70,000 tons per day (Detik, 2018).

The challenge of future development is to find a solution for a planned socio-economic change that guarantees the future generation will not inherit the problem of worse environmental degradation than the current condition. Thus, a concept of adaptive development is needed to address poverty and environmental issues.

In this paper, the author argues that an economic or creative industry approach offer a solution to the poverty and environmental problem in rural areas. In Yogyakarta, the development of creative economy that is based on traditional culture and art is associated with tourism and poverty alleviation (Fahmi, McCann, & Koster, 2017). Various craft products, culinary, fashion, as well as cultural arts performances are becoming popular in Yogyakarta and support the tourism industry. In a rural

context, a creative economy-based rural development will encourage a community collaboration, education for children, and contribute to environmental sustainability through the endeavors of connecting nature with industries that are environmentally friendly (Fleming, 2009). Hence, the purpose of this paper is to describe how creative economy contributes to sustainable rural development programs.

## 2 THEORETICAL FRAMEWORK

The relationship between creative economy and sustainable village development can be understood by the ecological theory of public administration. According to Leuenberger (2006), the concept of sustainable development is closely related to the ecology of public administration. Meanwhile, the concept of creative economy is closely related to the concept of sustainable development.

The ecology of public administration assumes the existence of interplayed interactions between a creative economy and a system of public administration that adopts sustainable village development. Creative economy is “a variety of activities that utilize creative assets such as ideas, knowledge, talent and technology to generate growth and economic development” (United Nations, 2010). By using a creative economic approach, it is expected that the power of ideas, knowledge, talents and technology is utilized to respond to the challenges of sustainable development.

The principle of public administration that carries justice, efficiency and participation are in line with the sustainability principle such as participation, fairness and a healthy economy (Leuenberger, 2006). The presence of creative economic concept facilitates the effort to create the principle of justice, efficiency and public participation. By emphasizing assets of knowledge, ideas and creativity, the creative economy encourages the formation of an atmosphere and revitalization of (rural) areas will attract knowledge-based worker participation and creative classes (Florida, 2002).

In the context of sustainable rural development, creative economy will facilitate creative actors in rural area to produce products and services that are environmentally friendly. The power of ideas, local knowledge and creativity of rural communities can play a role in producing innovative method to support a process of sustainable rural development.

The development of internet-based information technology expands the process of public participation more broadly and at various levels (Roberts & Townsend, 2015). Exchange of information through the internet encourages communication among citizens, even though they live far from the city. This exchange of information becomes an important knowledge matter for the community to form creative ideas.

By connecting villagers with outside world through the use of information technology, it will attract resources to visit rural areas. Networks will be established so collaborations between actors from various sources will encourage innovation and generate creative ideas.

Collaboration of various actors in rural areas offers several positive impacts on rural communities. First, it reduces the dependence of rural community for government intervention. Rural development programs are no longer dominated or initiated by rural government. Communities that collaborate with external actors can initiate a community empowerment in areas that were previously untouched by rural government. However, such cooperation can also be integrated with the planned rural development. Thus, the development process will broaden community participation and force the community to become more active.

Second, community bargaining will improve its position as they become the actors who determine the process of rural development. Community members who have often been labeled as object of development are no longer passive. Their position is even more improved in the eyes of rural government. In particular, the existence of network of cooperation in rural areas can bring positive energy to rural development.

Creative economy applied in rural areas can be done both individually and in groups. Art worker, for example, can work individually or in groups. By applying a creative economic approach, any potential that exists in rural areas can be developed. Moreover, the climate and conditions in rural areas that are still relatively good require creative breakthroughs. Rural nature management requires architectural skill to attract the interest of outside community to visit the areas.

Rural areas provide not only natural beauty, but also cultural assets. Creative economy creates opportunities for cultural capital to develop. By promoting local culture, creative economy will have an impact on increasing the income of rural communities and creating employment in the rural (Sopanah, Bahri, & Ghozali, 2018). Hence, a development of creative economy will encourage a sustainable village development.

### **3 METHOD**

This study employs a qualitative approach with a case study method. The data were collected through in-depth interviews and literature study with a focus on the links between creative economy and sustainable rural development. The informants interviewed consisted of several environmental service officials and actors of creative economic of waste-based raw materials in Banyumas Regency. The data were analyzed using interactive model.

## **4 RESULT AND DISCUSSION**

### **4.1. Contribution of Creative Economy**

Indonesia's creative economy sector contributes greatly to total GDP. In 2015, this sector contributed about IDR 852 trillion or equivalent to 7.38% of total GDP. This contribution continued to increase in 2016 by IDR 923 trillion or 7.44% of total GDP. Such prospect shows that creativity of economic actors in Indonesia can be relied upon to develop high-value export products (Bekraf, 2018).

The creative economic sector covers 16 sub-sectors consisting of architecture, interior design, visual and communication design, product design, film, animation, and video, photography, craft, culinary, music, fashion, application and game developer, publishing, advertising, television and radio, performing art, and art.

There are three creative economy sub-sectors that contribute highest to national income in 2016, namely culinary IDR 382 trillion (41.40%), fashion IDR 166 trillion (18.01%), and craft IDR 142 trillion (15.4%) (Bekraf, 2018).

The amount of annual contribution suggests that there is great potential that can still be developed within creative economy sector. Indeed, this sector can be used to encourage creative solutions in response to the challenges of sustainable rural development. This can be seen from the collaboration between corporations and village-owned enterprises in waste utilization. One example is cooperation between PT Sarihusada Generasi Mahardhika, PT Nutricia Indonesia Prosperous and BUMDes Kemuda Makmur Prambanan in processing and producing wood waste pallets. This wood waste is processed by BUMDes and produced as economically valuable products. For these companies, such collaboration is profitable because these companies can implement a zero waste approach. Whereas for the community, they use free raw materials to produce creative products (Sindonews, 2019).

The application of creative economic concepts facilitates the collaboration of various parties. There is beneficial reciprocal relationship between the parties involved. There is also a flow of information on knowledge that goes to community through training program and employment. For waste-producing corporations, they get profitable partners to realize the concept of sustainable development. In long term, collaboration of various parties within creative economy sector will have a positive impact on alleviating poverty in rural areas. Thus, poverty alleviation program in rural areas does not always depend on the village, Regency and central government budget.

## **4.2. Creative Economy and Sustainable Rural Development**

Sustainable development is development that meets the needs of current generation without compromising the ability of future generations to meet their needs (WCED, 1987). In practice, development activity often puts great pressure on the environment. Increased economic activity is not always directly proportional to environmental condition. Urban areas often have to bear heavy environmental cost due to economic activities and development.

The above increased economic activity and development also extended to rural areas. Under the pretext of equalizing the benefit of development, expanding employment and modernizing villages, rural areas have the potential to experience environmental degradation. A study conducted by Muslihudin, Rosyadi and Santoso (2019) found that traditional mining activity in rural areas increased the risk of environmental degradation and were far from the principles of sustainable development. Ironically, there was no risk management prepared by either mine managers or the local government to anticipate environmental degradation.

Environmental degradation in rural areas has an effect on increasing poverty. Damaged environment makes it difficult for villagers to look for productive natural resources for their livelihood. The rivers polluted by industry make it difficult for villagers to find clean water. Industrial activities close to residential areas also have a negative impact on the local's health and their agricultural productivity. Unmanaged industrial waste is often disposed into the river, thereby reducing the quality of water thus it cannot be used to irrigate rice fields or for household use. In long term, this condition increases pressure on the effort to poverty alleviation.

The number of Indonesian people live below the poverty line in as of March 2019 is recorded at 25.14 million people (9.41%) and the majority of those people live in rural areas (12.85%) (CNN, 2019). Despite a decline in the number of poor people (810,000), it will take a great effort to further reduce the current 25.14 million poor people.

The popular poverty reduction policies chosen by the government are still restricted to cash transfer, health service and infrastructure (Merdeka, 2019). There is no poverty alleviation policy that adopts a creative economic

approach, especially in rural areas. A study conducted by Goto (2010) and Hashimoto (2012) in Kamikatsu-Cho in Tokushima Japan prefecture reported that a creative industry synergized with the potential of agricultural resources, especially flower plantations, had a positive impact on the local community and rural development. People who were accustomed to interacting with agricultural activities might receive creative industries that took in the flowers to be sent to various restaurants for seasonal decorations. The shift from agricultural to plantation sector and services also had a positive impact in the effort to protect rural ecosystem.

Another study conducted by Fleming (2009) also found that creative economic project fit in with sustainable rural development. Nevertheless, several challenges were found such as budget support from the village government to support the creative economic projects.

Based on the above results, it can be concluded that the application of creative economy provides a great potential to support sustainable rural development. However, a creative economic strategy must be in accordance with the capacity of the village community so the strategy could be embraced as one solution to address employment issues, community income sources and is supported by the village government and the corporation.

## **4.3. A Case Study of Creative Economy**

The development of creative economy in rural areas in Banyumas Regency shows a fairly good development. The authors found several creative economic activities based on waste raw materials. Utilization of such materials cannot be separated from environmental problems due to the increasing volume of waste. In 2018, the amount of waste not-managed or has the potential to cause pollution reached 200 tons per day (Republika, 2018). In respond to such environmental problem, a community bank was established. One garbage bank that is active until 2019 is Inyong Waste Bank of Kutasari Village, Baturraden District. Motivation behind the establishment of waste bank is to maintain environmental cleanliness and process waste to be creative products.

In addition to garbage banks, other creative business people are producer of "Sofa O" in Kedung Randu Village, Patikraja District. Utilizing used tire waste, Tri Buana turned the waste to an attractive design sofa. According to Tri Buana, waste raw materials are hugely abundant and require relatively low cost. The main capital is creative ideas to turn the waste to creative product with economic value.

Other creative economic actor is a wooden watch manufacturer in Banteran Village, Wangon District. Utilizing wood waste, Galih sorted and designed the wood waste from guitar materials into casing and strap watches. The product is labeled Tosika. Their products are also sold outside Indonesia. The selection of raw materials for the waste is also based on consideration on the abundance of raw materials and the ease of obtaining such waste.

A creative industry which uses waste from used tires is also found at "Bodol Tire" craft center in Pasir Kidul Village, Karang Lewas District. The tire waste is used as

the raw materials for various products such as slippers, trash bins, flower pots and ashtrays. Their market has reached beyond Banyumas area.

However, this *bandol* creative industry had difficulty in procuring raw materials. In addition, the design of sandals from used tires is no longer attractive to consumers. Therefore, by combining materials from used tires with other materials, creative products from the Bandol Industry become more attractive.

A creative industry made from food waste is also found in Banyumas Regency. It is located in Kalisari Village, Cilongok District. Tofu waste was initially used only for animal feed in the village. However, they received trainings facilitated by the Government of Banyumas Regency that the local creative economic actors use this tofu waste and turn them into tofu crackers. The product packaging is well designed and attractive. In fact they have uses Instagram as their marketing tool. They products has been sold to the capital city of Jakarta.

Based on the above cases, creative economy in several sectors with waste raw materials have developed well in Banyumas Regency. The development is inseparable from training program for creative economic actors financed by the government of Banyumas Regency. Through these programs, creative economic actors have the expertise needed to make creative products.

## 5 CONCLUSION

The above cases show that creative economy facilitates the establishment of public administration ecology. With regards to the above cases, creative economy encourages interaction among creative economic actors in rural areas, business and local government. Various training programs facilitated by the local government are part of the commitment created from these interactions. Although its impact on the environment in rural areas has not yet been seen, the interactions between creative economic activities and the actors have contributed to the efforts of sustainable rural development. With attention to waste, environmental education processes began to develop in rural areas. Other implication includes an awareness that an implementation of creative economy development policy needs to involve waste-producers.

## ACKNOWLEDGEMENTS

The authors would like to thank Ministry of Research, Technology and Higher Education that has provided the third-year research funding (2019). We would also like to thank the creative actors who assisted our team in the discussion and interview on creative economy development.

## REFERENCES

- Bekraf. (October 23, 2018). *Semakin diminati, PDB Ekonomi Kreatif Capai Rp 1.000 triliun*. Retrieved from <https://www.bekraf.go.id/berita/page/8/semakin-diminati-pdb-ekonomi-kreatif-capai-rp1000-triliun>
- CNN. (July 15, 2019). *Jumlah Penduduk Miskin RI Maret 2019 Turun Jadi 25,14 Juta*. Retrieved from <https://www.cnnindonesia.com/ekonomi/20190715132823-532-412205/jumlah-penduduk-miskin-ri-maret-2019-turun-jadi-2514-juta>
- Detik. (2018). *Setiap hari Jakarta hasilkan 70.000 ton sampah*. Retrived from <https://news.detik.com/berita/d-3825854/setiap-hari-jakarta-hasilkan-7000-ton-sampah>
- Fahmi, F.Z., McCann, P., & Koster, S. (2017). Creative Economy Policy in Developing Countries: The Case of Indonesia. *Urban Studies*, 54 (6), 1367–1384.
- Fleming, R.C., 2009. Creative Economic Development, Sustainability, and Exclusion in Rural Areas. *Geographical Review*, 99 (1), 61-80.
- Florida, R., 2002. *The Rise of the Creative Class: and How It's Transforming Work, Leisure, Community and Everyday Life*. New York: Basic Books.
- Goto, K. (2010) *Sustainable Development in Rural Areas and Creative Industries*. Retrieved from [https://www.jstage.jst.go.jp/article/arp/29/1/29\\_1\\_21/article](https://www.jstage.jst.go.jp/article/arp/29/1/29_1_21/article)
- Hashimoto, K. (2012). *Agri-Business for Elderly People Through the Internet: The Example of the Irodori Leaf Business*. Retrieved from <https://journals.openedition.org/netcom/1012?lang=en#bibliography>
- Leuenberger, D. (2006). Sustainable Development in Public Administration A Match With Practice? *Public Works Management & Policy*, Vol. 10 No. 3: pp. 195-201
- Merdeka (April 12, 2019). *TKN Jokowi Sebut PKH Jadi Jurus Jitu Jokowi Tekan Angka Kemiskinan*. Retrieved from <https://www.merdeka.com/politik/tnk-jokowi-sebut-pkh-jadi-jurus-jitu-jokowi-tekan-angka-kemiskinan.html>
- Muslihudin, M., Rosyadi, S., & Santoso, J. (2019). Sustainable Traditional Gold-Mining Management in Banyumas, Central Java, Indonesia. *International Journal of Conservation Science*, 10 (1), 147-156
- Republika (October 08, 2018). *Sampah Terbuang ke Lingkungan di Banyumas 200 ton per hari*. <https://www.republika.co.id/berita/nasional/daerah/18/10/08/pgs24t399-sampah-terbuang-ke-lingkungan-di-banyumas-200-ton-per-hari>
- Roberts, E., & Townsend, L. (2015). The Contribution of the Creative Economy to the Resilience of Rural Communities: Exploring Cultural and Digital Capital. *Sociologia Ruralis*, 56 (2), 197-219.
- Sindonews. (February 23, 2019). *Swasta Dorong Sektor Ekonomi Kreatif Pengolahan Limbah Kayu*. Retrieved from <https://ekbis.sindonews.com/read/138140334/swasta-dorong-sektor-ekonomi-kreatif-pengolahan-limbah-kayu-1550927666>

- Sopannah, A., Bahri, S., & Ghozali, M. (2018). Creative Economy Development in Malang City. *Conference Paper at The 2018 International Conference of Organizational Innovation*, Volume 2018.
- United Nations. (2010). *Creative Economy: A Feasible Development Option*. UN Publication.
- WCED. (1987). *Our Common Future*. World Commission on Environment and Development. Oxford University Press, Oxford.