

## Contribution of Creative Economy and Tourism to Inclusive Economic Development in Indonesia

Meita Indah Fadilla<sup>1</sup>, Dini Hariyanti<sup>1\*</sup>, Farah Nabila Putri<sup>2</sup>

Afiliation Universitas Trisakti, Indonesia<sup>1</sup>

KDI School of Public Policy and Management, Republic of Korea<sup>2</sup>

Email [dinihariyanti@trisakti.ac.id](mailto:dinihariyanti@trisakti.ac.id)\*

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### ABSTRACT

The role of the creative economy and tourism as one of the economic catalysts encourages the realization of inclusive development in Indonesia. This study aims to analyze the existence of a creative economy and tourism workforce, the wages/salaries of the creative economy and tourism workforce and domestic tourists, and the inclusive economic development. This research method uses quantitative statistical analysis with the Least Squares Dummy Variable (LSDV) technique. The research has sample of 34 provinces in Indonesia in 2018-2021. The results indicate that the rate of the creative economy and tourism labor, and the rate of tourism labor wages/salaries affect inclusive economic development positively and significantly. Meanwhile, the rate of domestic tourists and the wage/salary rate of creative economy labor affect inclusive economic development positively and insignificantly. This research implies that government and community involvement is needed to create a sustainable creative economy and tourism through various efforts, such as ecotourism, technology development, and policy realization, to increase innovation and creativity in this sector.

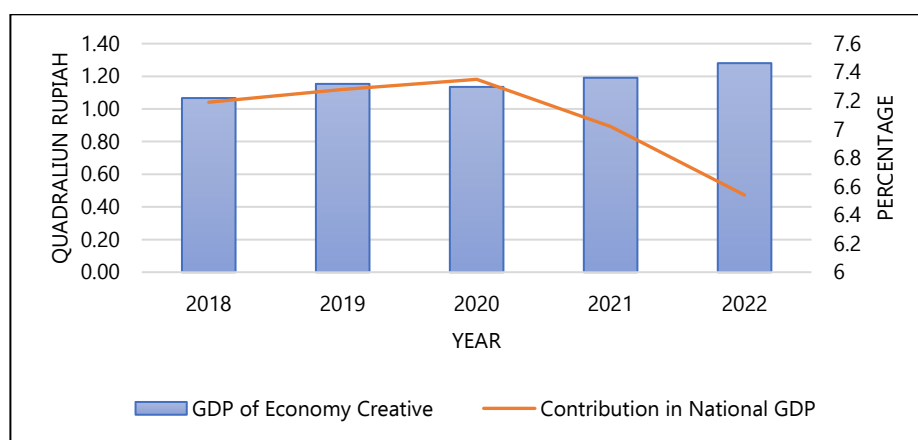
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JEL Classification: O18, O31, L83

## INTRODUCTION

Establishing an inclusive economy represents a significant achievement in the Indonesian nation's pursuit of a development stimulus. Indonesia's emphasis on achieving an inclusive economy is characterized by a form of economic structural transformation to enhance per capita income for the community (Djulius et al., 2022; Siboro, 2023). The economic transformation that has been undertaken has resulted in the emergence of a range of economic sectors that are aligned with the demands of a globalized economy. One of the financial sectors that has been established is the creative economy and tourism. To ensure the continued survival of the community, the government has implemented a series of policies designed to optimize the creative economy and tourism sector (Pancawati & Widaswara, 2023).

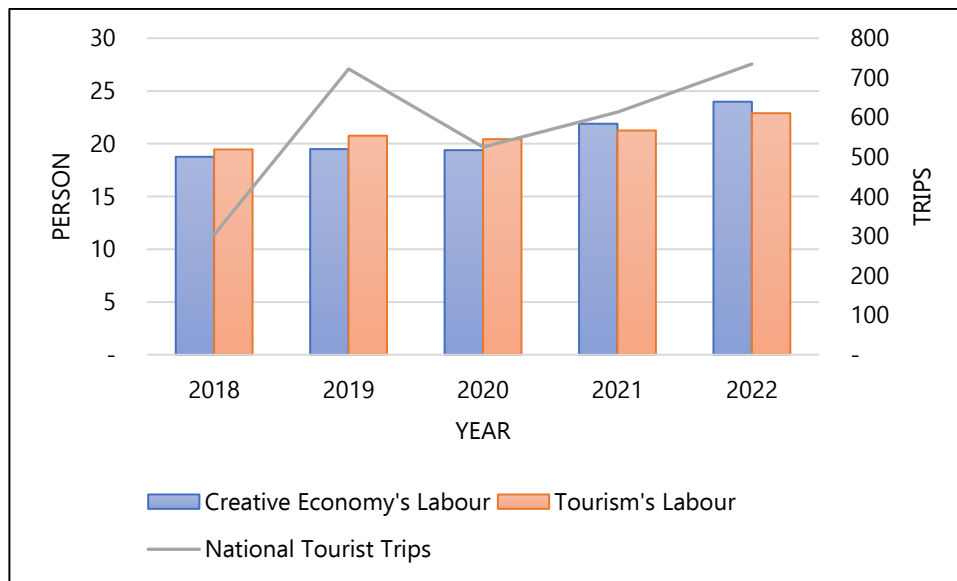
Diversifying business sectors has increased labor demand by creative economy and tourism in Indonesia, thereby reducing the unemployment rate (Che Arshad & Irijanto, 2023; Luqma et al., 2023; Rostiana et al., 2022; Suryaman, 2024). The multiplier effect, manifested in creative economy labor and tourism, is subject to influence from labor wages (Rahayu & Avista, 2018). It is essential to consider the impact of the creative economy and tourism labor wages on community welfare and inclusive economic development (Nurhayati et al., 2023; Safitri et al., 2023; Sudrajat et al., 2023; Sunarsi et al., 2023; Yasbi, 2021). Furthermore, establishing a creative economy and tourism sector has another beneficial effect: an increase in per capita income through labor wages or salaries, which enhances the quality of life for the community (Azis et al., 2022; Wahyuningsih & Satriani, 2019). In order to achieve the goal of developing a creative economy and tourism, it is essential to have a sufficient number of tourists, who serve as a critical parameter for stimulating this economic sector (Windyarto & Purnomo, 2024). These factors make the development of a creative economy and tourism one of the primary focuses of the government's strategy for achieving an inclusive economy. This implies that a creative economy and tourism can act as a driving force for sustainable economic growth.



**Picture 1.** Indonesia's Creative Economy GDP Value and Contribution to National GDP

Source: Data processed by researchers, 2024

The creative economy and tourism provide a stimulus for economic growth through the generation of revenue from community creativity and tourism-related activities. This is evidenced by the substantial contribution of the creative economy and tourism sector to the national GDP. As evidenced by data from the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency (2024), the GDP of the creative economy sector exhibited a continued upward trajectory from 2018 to 2022, despite a decline in 2020 due to the impact of the global pandemic. However, the decline in the GDP of the creative economy sector in 2020 constituted the most significant contribution to the national GDP, accounting for 7.35% of the national GDP. This indicates that the creative economy is a significant driver of economic activity during the ongoing pandemic (Siagian & Cahyono, 2021). Furthermore, the presence of a creative economy bolsters the tourism sector. This is because the tourism sector is characterised by a complex interplay of factors, including the interactions between tourists, business suppliers, governments and tourist destinations, and communities in tourist areas. These interactions enhance the creative economy in their respective regions (Anggarini, 2021; Hamijaya & Suryaman, 2023; Kurniawan et al., 2023). Consequently, the pursuit of inclusive economic development necessitates the integration of the creative economy and tourism to improve the community's quality of life.

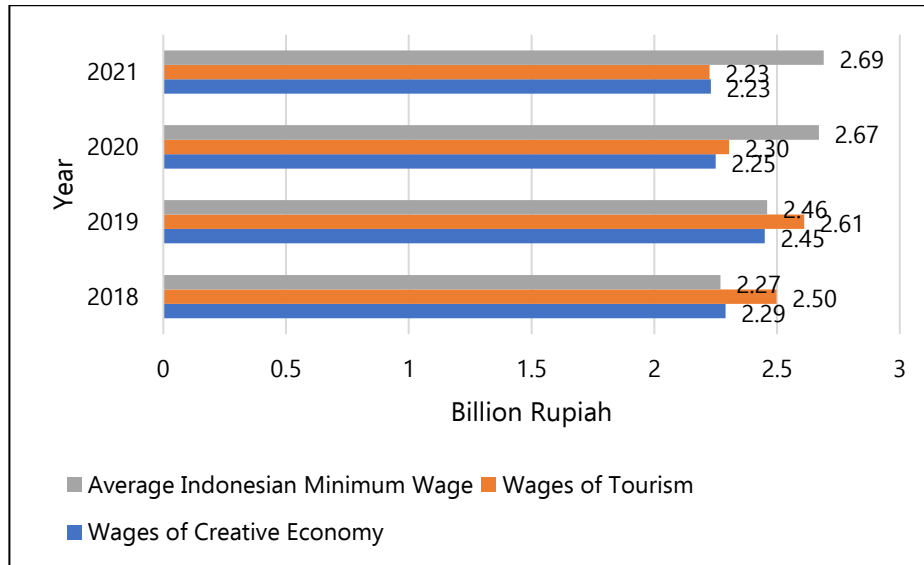


**Picture 2.** Labor of Creative economy and tourism in Indonesia (in Billion)

Source: Data processed by researchers, 2024

The absorption of the creative economy and tourism labor in Indonesia is a clear manifestation that this economic sector positively impacts providing employment for the community. The trend of creative economy and tourism employment has fluctuated. This is shown by data from the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency (2024), where there was an increase from 2018 to 2022 but experienced a decline in 2020 due to the economic recession in the COVID-19 pandemic (Windyarto & Purnomo, 2024). According to the BPS

website (2024), the creative economy managed to absorb 15%, and tourism absorbed 12% of the labor market in Indonesia in 2019. This pandemic has tremendously impacted all economic sectors, including the creative economy and tourism. The decline in the creative economy and tourism workforce in 2020 was also marked by a decrease in the number of domestic tourist trips 2020, which showed an increase from 2018 to 2019. The rise in employment in the creative economy and tourism occurred from 2021 to 2022, supported by an increase in domestic tourist trips in the same year. This indicates that the economic recovery after the COVID-19 pandemic has successfully mobilised this sector (Anggarini, 2021).



**Picture 3.** Comparison between Average Indonesian Wages, Average Tourism Wages and Average Creative Economy Wages

Source: Data processed by researchers, 2024

The increase in labor created from year to year is influenced by the level of wages, which is one of the factors in labor absorption, one of which is the creative economy and tourism labor. This is because there is an overall relationship between the price of people who work and the desired quantity in the creative economy and tourism sector (Yasbi, 2021). Information obtained from BPS (2024) shows that wages or salaries for creative economy workers are paid by companies/offices/employers in the form of basic wages/salaries, allowances, and wages in kind. Based on data from BPS and the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency (2024), the average wage of the creative economy and tourism has increased from 2018 to 2019, followed by a decrease from 2020 to 2021, which means that after the COVID-19 pandemic in 2020 affected economic activity, one of which is in this sector. In addition, the data shows that the increase in the creative economy and tourism sector is one of the sectors that drive economic growth for the community in 2018 and 2019, where the average wage of the creative economy and tourism workforce is greater than the average wage of all provinces in Indonesia. This means that the creative economy and tourism can overgrow and contribute to Indonesia's economic growth to realize inclusive economic development (Windyanto & Purnomo, 2024).

The Indonesian government's objective of achieving inclusive economic growth through the creative economy and tourism is designed to reduce the country's reliance on a narrow range of sectors for improvements in the well-being of its citizens. The creative economy and tourism have emerged as the most profitable sectors for inclusive development, offering opportunities for mindsets and service facilities that leverage Indonesia's cultural diversity and marine tourism resources (Harahap et al., 2023). The creative economy and tourism expansion have been accompanied by an increase in the number of individuals employed in these sectors. Labor in the creative economy sector exerts a favourable and substantial impact on economic growth in Indonesia, as it can enhance productivity within this sector (Windyarto & Purnomo, 2024). However, other studies have indicated that an increase in labor may also harm economic development. This is because the influx of qualified human resources may lead to the creation of more sophisticated machinery that ultimately replaces labor in boosting productivity (Prameswari et al., 2021).

An increase in the minimum wage, as observed in sectors such as the creative economy and tourism, can influence economic growth. This is because an elevated minimum wage may stimulate greater interest among individuals in pursuing employment and entrepreneurial endeavours, which could subsequently enhance production value (Putra et al., 2021). Conversely, other findings indicate that wages for creative economy labor and tourism do not influence economic growth through GDP (Nabila & Muljaningsih, 2024). The labor and wages required in this labor market are influenced by consumer demand, as evidenced by the number of trips tourists make. Prior research indicates that tourist visits exert a positive and statistically significant influence on economic growth, as they can enhance income for local communities, particularly in the creative economy and tourism sector workforce (Fadhila & Rahmini, 2019). Conversely, other findings indicate that the presence of tourists can have a detrimental impact on economic development through regional income. This is due to the fact that limitations on the number of tourists resulting from government policies, such as the Large-Scale Social Restrictions (PSBB) policy implemented during the global pandemic caused by the COVID-19, can lead to a reduction in the number of tourist visits (Lubis & Zakiyyah, 2023). Furthermore, additional findings indicate domestic tourist visits can enhance regional income through creative economy transactions and tourism services. This suggests that domestic tourist visits serve as a pivotal element in the mobility of individuals' livelihoods, whereby they genuinely assist people in generating income, which is then utilized to fulfil their daily necessities (Aliansyah & Hermawan, 2019).

The economic diversification carried out by the government through the creative economy and tourism is expected to realize inclusive economic development and later provide an increase in the community's quality of life from all economic and social aspects. The creative economy and tourism are the government's footing to not depend on specific sectors to create a diverse economy in Indonesia. The creative

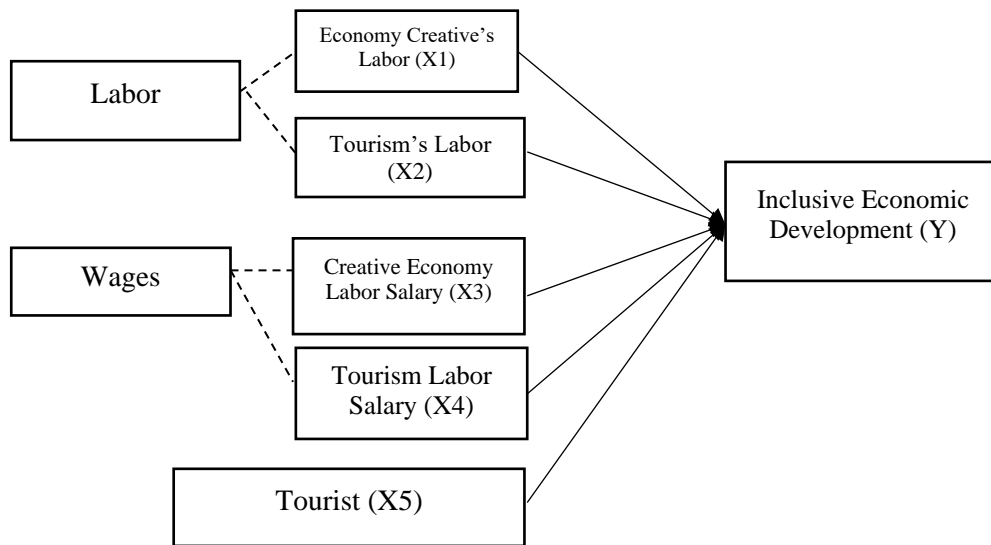
economy and tourism sector also benefit the community by increasing creativity and innovation in creating products that can be competitive in domestic and foreign markets. Based on the problems described above, this study aims to determine and analyze the government's efforts to diversify the economy through the creative economy and tourism towards inclusive economic development in Indonesia. This research focuses on the manifestation of the creative economy and tourism as shown in the employment and average wages earned and the number of domestic tourist trips that can stimulate this sector.

## METHOD

In order to produce a model that is both feasible and empirically sound, this study was conducted in a manner that included several progressive analytical procedures. These included tests of model selection and analysis of the relationship between variables using linear regression. The data sample consisted of 34 provinces in Indonesia, with observations from 2018 to 2021. The panel data were obtained from the Portal of the Ministry of PPN/BAPPENAS, the Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency, and the Central Bureau of Statistics (BPS).

The initial stage of the process is the selection of an appropriate model. This stage is utilized to determine the optimal model for this particular piece of research. In this stage, three models are available for consideration: the Common Effect Model (CEM), which combines cross-sectional and time-series data into a unified entity, irrespective of temporal or individual differences; the Fixed Effect Model (FEM), which employs dummy variable techniques or Least Squares Dummy Variable (LSDV) techniques; and the Random Effect Model (REM), which utilizes the principle of maximum likelihood or General Least Square (GLS) and allows for correlation across cross-sections and time-series. The Fixed Effect Model (FEM) employs the process of dummy variable techniques, also known as Least Squares Dummy Variable (LSDV) techniques. In contrast, the Random Effect Model (REM) utilizes the principle of maximum likelihood, or General Least Square (GLS), where errors are correlated across cross-sections and time series. The three models are derived from a series of tests. One of them is the Chow test, which is used to ascertain the optimal model between the Fixed Effect Model (FEM) and the Common Effect Model (CEM). This Hausman test is employed to determine the superior model between the Random Effect Model (REM) and the FEM, and the Lagrange Multiplier (LM) test, which is utilized to identify the most appropriate model between the CEM and the REM (Gujarati & Porter, 2012; Manik et al., 2023; Setiawan et al., 2021).

The research framework used in this study is as follows:



**Picture 4.** Research Framework

Based on the proposed research framework, the relationship between the independent variables and the dependent variable can be formulated in the following equation:

$$IPEI = f(TKEK, TKP, RUK, RUP, JPWN) \dots \dots \dots (1)$$

The second stage is to determine the panel regression equation used to analyze the effect between one or more independent variables on one dependent variable so that a regression equation is developed using semi-log in the form of a lin-log model because there are differences in units and magnitudes in the independent variables so that the equation model is written as follows:

$$IPEI_{it} = \alpha_0 + \alpha_1 * \log(TKEK)_{it} + \alpha_2 * \log(TKP)_{it} + \alpha_3 * \log(RUK)_{it} + \alpha_4 * \log(RUP)_{it} + \alpha_5 * \log(JPWN)_{it} + e_{it} \dots \dots \dots (2)$$

Where:

- $\alpha_0$  = Constant
- $\alpha_1, \alpha_2, \alpha_3, \alpha_4, \alpha_5$  = Coefficients
- TKEK = Economy Creative's Labor
- TKP = Tourism's Labor
- RUK = Creative Economy Labor Salary
- RUP = Tourism Labor Salary
- JPWN = Tourist
- IPEI = Inclusive Economic Development
- Log = Natural Logarithm
- e = Error terms

This study uses the dependent variable in the Inclusive Economic Development Index and independent variables in the creative economy and tourism labor, the creative economy and tourism labor wages, and the number of domestic tourist visits. Some details of the data used are as follows:

**Table 1.** Research Data Descriptions

No.	Variables	Descriptions	Roles	Data Unit
1.	Economy Creative's Labor	Individuals who work in providing services and facilities in the creative economy sector	Independent Variable	Person
2.	Tourism's Labor	Individuals who work in providing services and facilities in the tourism sector		Person
3.	Creative Economy Labor Salary	Wages received by individuals working in the creative economy sector		Rupiah
4.	Tourism Labor Salary	Wages received by individuals working in the tourism sector	Independent Variable	Rupiah
5.	Domestic Tourist	Number of domestic tourist trips based on destination province		Trip
6.	Inclusive Economic Development	A measure of the inclusiveness of economic development in Indonesia, encompassing aspects of income equality, poverty reduction and expansion of opportunities for all	Independent Variable	Scale 0-10

Source: Ministry of National Development Planning/Bappenas, Ministry of Tourism and Creative Economy/Tourism and Creative Economy Agency, BPS (2024)

Once the appropriate model has been identified, the classical assumptions are employed to ascertain whether the proposed model adheres to the Best Linear Unbiased Estimator (BLUE) criteria. This ensures that the resulting regression model is an unbiased, accurate estimation and is consistent (Juliandi & Manurung, 2014). However, not all classical assumption tests are necessary for every panel regression model. The only classical assumption tests required are the multicollinearity and heteroscedasticity tests, which are used in regression with the OLS approach or the CEM model (Basuki & Imamudin, 2015). In contrast, the REM and FEM models do not require classical assumptions because panel data can minimize the bias that is likely to appear in the analysis results and provide more information, variety, and degree of freedom (Gujarati & Porter, 2012).

## RESULT

The regression model employed in this study, as determined through the model selection test conducted is as follows:

**Table 2.** Model Selection Test Results

Model Test	Probability Value	Decision
Chow Test	0.0000	Fixed Effect Model
Hausman Test	0.0000	Fixed Effect Model

Source: Analysis Result.



The regression model selected for use in this study was determined by applying the Chow and Hausman tests. The initial stage is conducted through the application of the Chow test. If the probability value is less than 0.05, the appropriate model is identified as the Fixed Effect Model (FEM). This conclusion is then corroborated through the execution of the Hausman test. Conversely, suppose the probability value is more significant than 0.05. In that case, the most suitable model is the Random Effect Model (REM), validated by implementing the LM test. The results of the Chow test yielded a probability value of 0.0000, indicating that the appropriate model is the Fixed Effect Model (FEM). The Hausman test was then conducted to confirm this result. In the Hausman test, if the probability value is less than 0.05, the appropriate model is the fixed-effect model (FEM); conversely, if the probability value is more significant than 0.05, the appropriate model is the random-effect model (REM). Based on the results of the Hausman test, it can be concluded that the probability value is less than 0.05, indicating that the fixed-effect model is correct.

Subsequently, multiple linear regression is conducted, followed by the application of the T-test and F-test to ascertain the alignment of the initial hypothesis with empirical evidence. The findings derived from the multiple linear regression in this investigation are presented as follows.

**Table 3.** Panel Data Linear Regression Analysis Results

Independent Variables	Dependent Variable: Pembangunan Ekonomi Inklusif				
	Hypothesis	Coefficient	Std. Error	T-Statistic	P-value (1 tail)
Constant		-33.86660	6.289038	-5.385021	0.0000
Log(TKEK)	+	1.125441	0.262513	4.287182	0.0000*
Log(TKP)	+	0.910811	0.380909	2.391149	0.00935*
Log(RUK)	+	0.082195	0.304085	0.270301	0.39375**
Log(RUP)	+	0.873345	0.257772	3.388056	0.0005*
Log(JPWN)	+	0.030791	0.041532	0.741363	0.23015**
Goodness of Fit					
R-squared				0.924478	
Adjusted R-squared				0.894893	
F-statistic				31.24741	
Prob(F-statistic)				0.000000*	
Significance Level					
*) Alpha 5%					
**) Alpha 10%					

Source: Analysis Result

The test results produce a regression equation on the model as follows:

$$IPEI = -33.86660 + 1.125441TKEK + 0.910811TKP + 0.082195RUK + 0.873345RUP + 0.030791JPWN + e \dots \dots \dots (3)$$

The regression analysis yielded the following results: the independent variables (the rate of Creative Economy and Tourism Employment, the rate of Wages / Salaries of Creative Economy and Tourism Workers, and the rate of domestic tourists) exert an

influence of 89.49% on the dependent variable (Inclusive Economic Development). Variables outside the scope of the model influence the remaining 10.51%. The fact that the Prob (F-statistic) value of 0.000000 is less than the significance level value of 0.05 indicates that from 2018 to 2021, in 34 provinces In Indonesia, at least one or more independent variables (the rate of Creative Economy and Tourism Employment, the rate of Wages / Salaries of Creative Economy and Tourism Workers, and the rate of domestic tourists) exert a significant influence on Inclusive Economic Development simultaneously. Other variables that may influence the existence of inclusive economic development include gender inequality (Adika & Rahmawati, 2021), government spending based on the expenditure function (Arrfah & Syahfri, 2022), and the Human Development Index (HDI) (Ilyas & Pasetiya, 2023).

In consideration of the regression model results, it can be concluded that the most appropriate model for this study is the FEM. Subsequently, the clustering of provinces is performed in accordance with the observed discrepancies in constants across each province, as outlined below:

**Table 4.** Individual Effect Constant Test Results in 34 Provinces in Indonesia

Effect: Negative			Effect: Positive		
No.	Provinces	Constants	No.	Provinces	Constants
1.	Aceh	-0.065028	1.	Bengkulu	2.158224
2.	Bali	-1.196265	2.	Gorontalo	2.408389
3.	Banten	-3.56821	3.	Jambi	0.91058
4.	DI Yogyakarta	-0.326831	4.	Central Kalimantan	1.516546
5.	DKI Jakarta	-1.916088	5.	East Kalimantan	0.210973
6.	West Java	-6.051371	6.	North Kalimantan	4.36274
7.	Central Java	-4.579568	7.	Kepulauan Bangka Belitung	2.838613
8.	East Java	-4.808065	8.	Kepulauan Riau	1.179844
9.	West Kalimantan	-0.076488	9.	Maluku	1.848978
10.	South Kalimantan	-0.015021	10.	North Maluku	3.364966
11.	Lampung	-1.12301	11.	West Papua	2.828825
12.	West Nusa Tenggara	-0.501427	12.	West Sulawesi	3.271636
13.	East Nusa Tenggara	-0.286282	13.	Central Sulawesi	1.424144
14.	Papua	-0.156377	14.	Southeast Sulawesi	1.235563
15.	Riau	-0.653222	15.	North Sulawesi	1.100175
16.	South Sulawesi	-1.226298			
17.	West Sumatera	-0.694519			
18.	South Sumatera	-1.061689			
19.	North Sumatera	-2.35444			

Source: Data Processing Results

The analysis results indicate that 15 provinces demonstrate a positive constant effect. This implies that, in the absence of the independent variables (namely, the rate of the creative economy and tourism workforce, the rate of wages/salaries of the creative economy and tourism workforce, and the rate of domestic tourists), the dependent variable (inclusive economic development) would receive a positive value. This is because it is influenced by other variables not included in the model. In the absence of tourists in the model, the dependent variable, inclusive economic development, has

a positive value due to the influence of other variables not included in the model. This suggests that, without the independent variables in the model, 15 provinces can already foster inclusive economic development. Conversely, 19 provinces exhibit a negative constant effect, indicating that the dependent variable, inclusive economic development, is inversely influenced by the independent variables (the rate of creative economy and tourism labor, the rate of wages/salaries of creative economy and tourism workers, and the rate of domestic tourists) absent from the model. This is because the inclusive economic development variable is highly dependent on the independent variables in the model. Consequently, the 19 provinces in question depend on the creative economy and tourism labor rate, wages/salaries of the creative economy and tourism workers, and the rate of domestic tourists to foster inclusive economic development.

The utilization of leading sectors in each province has been identified as a critical factor in the positive impact of inclusive economic development on a province (Nalle, 2022). This has been shown to significantly impact on inclusive economic development and the realization of community welfare. Furthermore, gender empowerment is a factor that positively influences inclusive economic development, as evidenced by the positive impact of per capita expenditure, education, and health on this process (Adika & Rahmawati, 2021). The role of government budgets derived from village funds and APBD revenue in providing a unidirectional influence on inclusive economic development is also noteworthy (Sihombing & Purwanti, 2022).

## DISCUSSION

Creative economy and tourism are economic sectors that bring innovation, creativity, and marine tourism as a comparative advantage in a product created (Marlinah, 2017). This sector has a significant role in the Indonesian economy regarding added value, foreign exchange earnings, job creation, and community empowerment. The existence of job creation in the tourism sector realizes increased productivity for economic development by increasing the absorbed workforce (Rahman, 2021). Previous research findings also show that the workforce created in the creative economy sector reaches all circles of society with a new and beautiful mindset so that people have the abilities and skills they have (Nasution, 2020). This impacts inclusive economic development, utilizing natural and human resources to benefit the community's survival (Windyarto & Purnomo, 2024).

The advancement of the creative economy also facilitates the growth of the tourism sector through the optimization of resources and the refinement of policy. The development of the tourism sector has the potential to accelerate economic growth by stimulating an increase in demand for goods and services, which in turn leads to an increase in production (Yakup & Haryanto, 2019). Indonesia's diverse tourism sectors present significant potential for sustainable development, with the potential to impact economic performance through the absorption of local labor. Prior research has

demonstrated that increased employment in the tourism sector contributes to national income, exerting a considerable influence on sustainable economic development (Luqma et al., 2023). This conclusion is further supported by findings indicating that the tourism sector can reduce unemployment among the community, thereby enhancing the quality of life of the community through employment in this sector and facilitating inclusive economic development (Satria & Wibowo, 2021).

Creative economy and tourism labor absorption are inseparable from wages/salaries as a result obtained by workers in the sector. The creative economy industry has a real influence on the economy, creating jobs that will impact providing wages for the community (Luqma et al., 2023). The achievement of the creative economy sector has the same impact on the tourism sector. This contribution provides a significant labor absorption for this sector, with various jobs related to offering tourism services to consumers (Wahyu & Triani, 2023). This wage provides a better quality of life for the community so that inclusive economic development can be adequately created (Yasbi, 2021). The development of a country's creative economy and tourism position will become more sustainable if the workforce in this sector gets a decent wage to meet their needs (Anggarini, 2021). Therefore, the wage rate of the creative economy and tourism workforce strongly contribute to realizing inclusive economic development. Previous findings reinforce this, if the wage system is given relatively to the workforce, the workforce will further improve their performance so that the quality of the products produced will provide high competitiveness so that the creative economy and tourism sector will affect national income (Ningsih & Indrajaya, 2015). This increase in national income will increase the development of a country so that it can encourage an increase in its people's welfare and standard of living (Wahyu & Triani, 2023).

Furthermore, additional findings substantiate the assertion that wages serve as a mechanism for income equality and community welfare enhancement. This is because an increase in wages will have an impact on increasing people's purchasing power, which in turn can increase work productivity and affect inclusive economic development in the community (Winarto et al., 2022). The impact of labor wages in the creative economy and tourism sectors on inclusive economic development is positive; however, the results obtained for creative economy labor wages are not significant due to inherent weaknesses in this sector. This is because an increase in the minimum wage in the creative economy cannot replace improvements in labor market conditions in this sector. Such improvements are accompanied by increases in production costs and there are fluctuations in income that make creative economy wages comparatively smaller than tourism wages. Therefore, the impact of the wage rate of creative economy labor on inclusive economic development is relatively insignificant.

The number of domestic tourist trips that temporarily leave an area to visit other places in Indonesia is essential in supporting the creative economy and tourism (Suprihatin, 2020). This is because tourist spending, whether direct or indirect, serves as a source

of income for numerous economic actors engaged in the creative economy and tourism sector (Bicer & Gunawan, 2018). Implementing sustainable principles in the creative economy and tourism sector can positively impact local communities' economic, environmental, and social aspects, thereby facilitating economic development (Nurhasanah et al., 2017).

The positive impact of the rate of domestic tourist visits on inclusive economic development aligns with previous research findings. The substantial number of domestic tourist visits will favour the local economy due to tourists' purchasing power and the resulting increase in economic turnover in the region and foreign exchange revenue for the country (Dewi & Dewi, 2019). An increase in domestic tourists can facilitate growth in the creative economy and tourism sector, which may lead to inclusive economic development. This can encourage workers in these sectors to continually strive for innovative and creative solutions that would attract tourists and encourage them to optimise existing resources (Fadhila & Rahmini, 2019). Nevertheless, the findings of the analysis indicate that the influence of domestic tourists on inclusive economic development is not statistically significant despite exhibiting a positive direction of impact. This is because the comparative advantage of products in the creative economy and tourism sector varies from region to region in Indonesia. Consequently, not all regions receive the same number of domestic tourist visits, which impacts inclusive economic development (Bicer & Gunawan, 2018). Furthermore, the government's role in formulating policies to stimulate the creative economy and tourism sector must be more effective, resulting in the continued limitations and lack of competitiveness of the products and services provided (Pontonuwu et al., 2024).

## CONCLUSION

The preceding analysis allows us to conclude that: The results of the partial analysis indicated that (1) employment in the creative economy and tourism has a significant positive effect on inclusive economic development in Indonesia, (2) creative economy labor wages have a positive and insignificant effect on inclusive economic development in Indonesia, (3) tourism labor wages have a positive and significant effect on inclusive economic development in Indonesia, (4) the number of domestic tourist visits has a positive and insignificant effect on inclusive economic development in Indonesia.

The findings indicate that the creative economy and tourism sector have the potential to be developed in order to achieve inclusive economic growth. This is because the creative economy and tourism, which encompass a multitude of sub-sectors, can generate a significant number of employment opportunities for the community, thereby enhancing overall productivity. The absorption of a diverse labor force from the creative economy and tourism sector will result in the generation of wages that the community can utilize to meet their needs. The multiplier effect facilitates an

improvement in the quality of life of individuals. Another crucial element is the demand for products and services within this sector, driven by tourist visits. This factor provides the foundation for individuals to generate income, necessitating the pursuit of innovative and creative strategies to attract tourists. Therefore, the creative economy and tourism sector must adopt technology that can facilitate the production process and the provision of services. The innovation process must competitively preserve local cultural values so that tourists can easily access the goods and services offered and be satisfied with the products they purchase. Furthermore, it is imperative to enhance environmental quality through ecotourism in the creative economy and tourism sector to ensure the long-term sustainability of this sector. The advancement of the creative economy and tourism sector necessitates the involvement of all stakeholders, particularly the government and the community. The government can facilitate the equitable distribution of benefits by providing resources and support for developing a creative economy and tourism products. At the same time, the community can contribute by offering access to space and resources. Furthermore, the government can enhance the provision of infrastructure, such as connectivity and transportation, to facilitate the sector's growth.

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