

## The Role of Digital-Based Creative Economy in Promoting Local Economic Development

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### ABSTRACT

This study examines the role of the digital-based creative economy in promoting local economic development in Makassar City. The research examines how the use of digital platforms, market expansion, and digital literacy contribute to the economic performance of actors in the creative economy. A quantitative explanatory survey design was employed, involving 65 creative economy entrepreneurs who had used social media, marketplace platforms, or other digital media for at least one year. Data were collected using a structured questionnaire and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings show that the digital-based creative economy has a positive and significant effect on local economic development. Digital-based creative economy practices also significantly influence market expansion, and market expansion, in turn, positively affects local economic development. Furthermore, market expansion mediates the relationship between the digital-based creative economy and local economic development. The results also indicate that digital literacy strengthens the effect of the digital-based creative economy on local economic development. These findings suggest that digital transformation enables creative economy actors to increase revenue, expand markets, improve competitiveness, and contribute to employment creation. The study highlights the importance of strengthening digital literacy, digital infrastructure, access to finance, and policy support to enhance the contribution of the creative economy to sustainable local economic development.

Keywords: Creative MSMEs, Digital-Based Creative Economy, Digital Entrepreneurship, Digital Literacy, Local Economic Development.



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### INTRODUCTION

The creative economy has increasingly become a strategic pillar of contemporary economic development, particularly in regions seeking to strengthen competitiveness beyond natural-resource dependence. Unlike conventional economic models that rely heavily on physical capital, land, or extractive resources, the creative economy is grounded in knowledge, creativity, cultural expression,

intellectual property, and innovation as key sources of value creation. In this context, creative industries are not only understood as cultural or artistic activities, but also as productive economic sectors capable of generating employment, stimulating entrepreneurship, enhancing local identity, and creating new market opportunities. UNCTAD (2024) emphasizes that the creative economy contributes significantly to economic growth and job creation, with its contribution varying across countries from 0.5% to 7.3% of GDP and from 0.5% to 12.5% of employment.

The growing importance of the creative economy is closely related to the acceleration of digital transformation. Digital technologies have reshaped the way creative products are designed, produced, promoted, distributed, and consumed. Social media, e-commerce platforms, digital payment systems, artificial intelligence, and data-driven marketing have enabled creative entrepreneurs to reach wider markets with lower transaction costs and more flexible business models. UNCTAD (2024) reports that creative services exports reached US\$1.4 trillion in 2022, increasing by 29% compared with 2017, while digitalization continues to expand access to global markets for individual creators and small firms. In 2023, global exports of creative services reached a record US\$1.5 trillion, more than twice the value of creative goods exports, reflecting the increasing dominance of digital and service-based creative activities in the global economy (UNCTAD, 2025).

In Indonesia, the creative economy occupies an increasingly important position in national and regional development. The sector has been recognized as one of the country's sources of economic diversification, employment absorption, and local value creation. The Ministry of Tourism and Creative Economy reported that Indonesia's creative economy generated approximately IDR 1,300 trillion in added value and contributed around 8% to the national economy, placing Indonesia among countries with strong creative economy potential. This potential is particularly evident in subsectors such as culinary, fashion, craft, digital content, design, and performing arts, which are closely connected to local culture, community-based entrepreneurship, and regional economic activities. Therefore, the creative economy is not merely a national development agenda, but also a local economic strategy that can strengthen regional identity while improving income opportunities for micro, small, and medium enterprises.

Digitalization further strengthens the role of the creative economy in local economic development by expanding market access, increasing business visibility, and enabling creative entrepreneurs to interact directly with consumers. In the Indonesian context, the rapid growth of internet use and e-commerce provides an important foundation for this transformation. BPS reported that 72.78% of Indonesia's population accessed the internet in 2024, increasing from 69.21% in 2023, indicating growing readiness for digital economic participation. In addition, BPS' e-commerce statistics show that digital commerce has become an increasingly important channel for business activity, covering business profiles, employment characteristics, operational activities, and e-commerce income across Indonesian provinces. These developments suggest that digital platforms can function as enabling infrastructure for local creative entrepreneurs, particularly MSMEs, to transform traditional business practices into more adaptive and market-oriented models.

At the local level, cities such as Makassar illustrate how digital-based creative economy practices can support regional economic development. As one of the major urban centers in Eastern Indonesia, Makassar has a dynamic MSME ecosystem, particularly in culinary products, fashion, craft, creative services, and household-based industries. Recent studies on MSME digitalization in Makassar highlight that many local enterprises have begun using social media and e-commerce platforms to improve competitiveness, although challenges remain in terms of digital literacy, access, financing, and the cost of technology adoption (Abduh, 2024; Ambalele & Tellu, 2025). Digital platforms such as Instagram, TikTok, Facebook, Shopee, and Tokopedia allow local products that were previously limited to local markets to reach wider regional, national, and even international consumers. This shift demonstrates that digital-based creative economy activities can serve as a bridge between local resources, creative innovation, and broader market integration.

However, the contribution of the digital-based creative economy to local economic development is not automatic. Although digital platforms provide new opportunities, many creative entrepreneurs and MSME actors still face structural and managerial constraints. Limited digital literacy, weak branding capability, inadequate financial resources, uneven internet infrastructure, low use of data analytics, and limited understanding of digital consumer behavior may reduce the ability of local businesses to benefit from digital transformation. In addition, market concentration on large digital platforms may create dependency risks for small creative entrepreneurs, particularly when they lack negotiation power, platform management skills, and sustainable business strategies. UNCTAD (2024) also notes that digital transformation in creative industries brings not only opportunities but also challenges related to copyright, privacy, quality control, competition, and market concentration.

Based on these conditions, this study is important because it examines the role of the digital-based creative economy in promoting local economic development. Previous studies have widely discussed the creative economy, MSME development, and digital transformation separately. However, limited attention has been given to how digital-based creative economy practices contribute to local economic development through market expansion, innovation, entrepreneurship, employment creation, and local value enhancement. Therefore, this research seeks to analyze how digital technology strengthens creative economic activities at the local level, as well as to identify the supporting and inhibiting factors that influence its contribution to local economic development. The findings are expected to provide theoretical insights into the relationship between digital transformation and creative economy development, while also offering practical implications for local governments, MSME actors, creative communities, and digital ecosystem stakeholders.

## **THEORETICAL FRAMEWORK AND HYPOTHESES**

### **Theoretical Framework**

The development of the digital-based creative economy can be understood through the integration of creative economy theory, digital entrepreneurship, and local economic development perspectives. In contemporary development studies, the creative economy is no longer limited to artistic production or cultural expression, but has expanded into a knowledge-based economic system in which creativity, innovation, intellectual property, digital technology, and cultural value become important sources of economic growth. UNCTAD (2024) emphasizes that the creative economy contributes to economic diversification, employment creation, trade expansion, and inclusive development, particularly when creative activities are supported by digital technologies and entrepreneurial capabilities.

In the digital era, creative economic activities are increasingly mediated by digital platforms. Digitalization enables creative entrepreneurs to produce, promote, distribute, and commercialize their products beyond geographical boundaries. Social media, e-commerce platforms, digital payment systems, and data-driven marketing allow local creative products to reach wider consumer segments, both nationally and globally. This condition reflects the argument of digital entrepreneurship theory, which explains that digital technologies transform entrepreneurial processes by reducing transaction costs, expanding market access, accelerating innovation, and enabling new forms of business model creation (Nambisan, 2017).

The digital entrepreneurial ecosystem perspective further explains that the success of digital-based creative economic activities depends not only on individual entrepreneurs, but also on the interaction among digital infrastructure, digital users, digital marketplaces, institutional support, and entrepreneurial capabilities. Sussan and Acs (2017) argue that digital entrepreneurial ecosystems integrate digital infrastructure, digital user citizenship, digital entrepreneurship, and digital marketplaces as key components of value creation in the digital economy. This perspective is relevant to local creative economy development because creative MSMEs require not only

creativity, but also digital access, platform literacy, financial inclusion, supportive institutions, and consumer engagement to transform creative ideas into marketable products.

Autio et al. (2018) also emphasize that entrepreneurial ecosystems in the digital era differ from traditional industrial clusters because they rely on digital affordances, opportunity discovery, business model innovation, and external market connectivity. In this sense, digital platforms allow local creative entrepreneurs to overcome spatial limitations and participate in broader economic networks. For cities such as Makassar, this means that local creative products in culinary, fashion, craft, design, and digital content can be promoted not only as cultural expressions, but also as economic assets capable of strengthening local competitiveness.

The relationship between the digital-based creative economy and local economic development can also be explained through the role of MSMEs. MSMEs are central actors in local economic systems because they absorb labor, generate household income, stimulate community-based entrepreneurship, and strengthen local supply chains. OECD (2021) states that digitalization provides opportunities for SMEs to improve productivity, innovation, market integration, and business resilience, although the benefits are often uneven due to gaps in skills, infrastructure, finance, and technology adoption. Therefore, digital transformation in creative MSMEs can be seen as a mechanism through which local economic development is promoted.

Local economic development in this study refers to the process through which local resources, entrepreneurship, innovation, employment, market access, and community income are strengthened to improve regional welfare. Recent studies show that the creative economy can contribute to local economic development by increasing product innovation, expanding market opportunities, strengthening local identity, and creating new employment opportunities. Pratomo et al. (2021), for example, found that the creative economy plays an important role in supporting local economic development by encouraging creative labor, entrepreneurship, and local value creation.

Based on this theoretical foundation, this study positions the digital-based creative economy as an important driver of local economic development. The digital-based creative economy is reflected in the ability of creative entrepreneurs and MSMEs to use digital platforms, digital marketing, e-commerce, digital payment systems, digital content, and innovation-based business practices. Meanwhile, local economic development is reflected in market expansion, income growth, job creation, business competitiveness, local product visibility, and the strengthening of community-based economic activities.

Thus, the conceptual logic of this study is that digital technology strengthens creative economic activities by expanding access to consumers, reducing market barriers, improving business efficiency, increasing product visibility, and encouraging innovation. When these digital-based creative activities are effectively adopted by local entrepreneurs and MSMEs, they can generate broader economic impacts for the region, including higher income, increased employment opportunities, stronger local business networks, and improved regional competitiveness.

### **Digital-Based Creative Economy and Local Economic Development**

The digital-based creative economy is expected to have a positive relationship with local economic development because it enables local entrepreneurs to convert creative ideas, cultural assets, and local products into commercially viable goods and services. Digital platforms allow creative MSMEs to increase visibility, interact with consumers, build brand identity, and expand their market reach. In this context, digitalization functions not only as a technological tool, but also as a strategic capability that enhances the economic value of creativity.

This argument is supported by UNCTAD (2024), which highlights that digitalization and artificial intelligence increasingly shape creative industries by creating new opportunities for production, distribution, and market participation. However, UNCTAD also notes that the benefits of

digitalization depend on the ability of creative actors to manage competition, sustainability, intellectual property, and platform-based market structures.

For local economies, the use of digital platforms can increase business performance by widening customer reach, reducing promotional costs, and improving access to market information. OECD (2021) also explains that SME digitalization can improve productivity, innovation, and resilience, but requires complementary capabilities such as digital skills, financing, cybersecurity awareness, and managerial readiness. Therefore, the stronger the adoption of digital-based creative economy practices, the greater the potential contribution to local economic development.

H1: Digital-based creative economy has a positive and significant effect on local economic development.

### **Digital Platform Utilization and Market Expansion**

Digital platform utilization is one of the most visible mechanisms through which the creative economy contributes to local economic development. Through platforms such as social media, marketplaces, websites, and digital payment systems, creative entrepreneurs can promote products, reach consumers, receive orders, process transactions, and build customer relationships more efficiently. This is particularly important for MSMEs whose market access was previously limited by location, distribution channels, and promotional capacity.

From the perspective of digital entrepreneurship, digital platforms reduce entry barriers and enable small entrepreneurs to participate in markets that were previously difficult to access. Nambisan (2017) argues that digital technologies reshape entrepreneurial processes by changing how opportunities are created, evaluated, and exploited. In the context of Makassar, this means that local creative entrepreneurs can use digital platforms to transform locally rooted products into broader market offerings.

H2: Digital platform utilization has a positive and significant effect on market expansion among creative economy actors.

### **Market Expansion and Local Economic Development**

Market expansion is an important pathway linking digital-based creative economy practices with local economic development. When creative entrepreneurs gain access to wider markets, they can increase sales, improve business sustainability, absorb more labor, and strengthen local supply chains. Market expansion also increases the visibility of local products and cultural identity, which may stimulate further entrepreneurial activity in the region.

Recent literature on creative economy and local development indicates that creative economic activities can strengthen local economies through innovation, employment creation, and the commercialization of local identity. Pratomo et al. (2021) found that the creative economy contributes to local economic development by encouraging the role of creative workers and community-based economic activities. Similarly, studies on creative economy in the digital era highlight that digital transformation enables creative entrepreneurs to reach broader markets and enhance competitiveness.

H3: Market expansion has a positive and significant effect on local economic development.

### **The Mediating Role of Market Expansion**

The effect of the digital-based creative economy on local economic development may not occur directly, but through market expansion. Digital-based creative economy practices first improve the ability of creative entrepreneurs to access broader markets, promote products, interact with customers, and participate in digital transactions. These improvements then contribute to local economic development through higher income, stronger business competitiveness, increased employment, and broader circulation of local products.

This mediation logic is consistent with the digital entrepreneurial ecosystem perspective, which views digital marketplaces as an important mechanism connecting entrepreneurs, consumers, digital infrastructure, and economic value creation (Sussan & Acs, 2017). Therefore, market expansion can be understood as a transmission mechanism that explains how digital-based creative economy practices generate local economic outcomes.

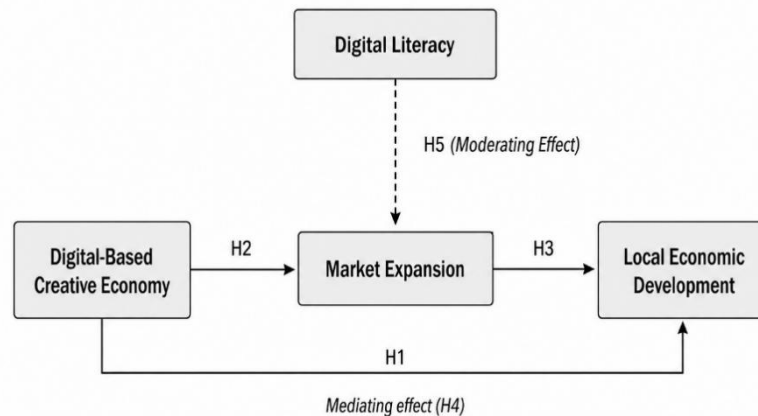
H4: Market expansion mediates the relationship between digital-based creative economy and local economic development.

### Digital Literacy as a Supporting Capability

Although digital platforms provide opportunities, their benefits depend on the ability of entrepreneurs to use them effectively. Digital literacy refers to the capacity of business actors to access, understand, evaluate, and utilize digital tools for productive economic purposes. Creative entrepreneurs with higher digital literacy are more likely to use social media strategically, manage online stores, analyze consumer behavior, create digital content, and adopt digital payment systems.

OECD (2021) emphasizes that SME digital transformation requires not only access to technology, but also skills, organizational readiness, and policy support. This means that digital literacy can strengthen the relationship between digital-based creative economy practices and local economic development. Without adequate digital literacy, creative entrepreneurs may use digital platforms only for basic promotion rather than for strategic market expansion and business innovation.

H5: Digital literacy strengthens the positive relationship between digital-based creative economy and local economic development.



**Figure 1. Conceptual Framework**

## METHODS

This study employed a quantitative explanatory survey design to examine the role of the digital-based creative economy in promoting local economic development. This approach was considered appropriate because the study aimed to test the relationships among digital-based creative economy practices, market expansion, digital literacy, and local economic development using measurable indicators (Creswell & Creswell, 2023).

The population consisted of creative economy actors in Makassar City who use digital media to support their business activities. A total of 65 respondents were selected using purposive sampling. The criteria for sample selection were: respondents were owners or managers of creative economy businesses in Makassar City, had operated their business for at least one year, and had used social media, marketplace platforms, or other digital media for at least one year. Purposive sampling was

applied because the study required respondents with specific experience relevant to the research focus (Campbell et al., 2020).

Data were collected using a structured questionnaire based on a five-point Likert scale, ranging from strongly disagree to strongly agree. The questionnaire measured four main variables: digital-based creative economy, market expansion, digital literacy, and local economic development. Digital-based creative economy was measured through digital platform use, digital marketing practices, product innovation, and digital transactions. Market expansion was measured through customer reach, online sales channels, product visibility, and access to wider markets. Digital literacy was measured through respondents' ability to use digital tools for promotion, marketplace management, content creation, and digital payment systems. Local economic development was measured through revenue growth, job creation, business competitiveness, local product identity, and contribution to community-based economic activities. Data analysis was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM). This method was selected because the research model involved latent variables, direct effects, mediation, and moderation. PLS-SEM is suitable for predictive research models and can be applied to relatively small samples when the model structure is not overly complex (Hair et al., 2022; Sarstedt et al., 2021).

The analysis was carried out in two stages. First, descriptive analysis was used to describe respondent profiles and response trends. Second, PLS-SEM analysis was used to evaluate the measurement model and structural model. The measurement model was assessed using outer loadings, Cronbach's Alpha, Composite Reliability, Average Variance Extracted, and discriminant validity. The structural model was evaluated using path coefficients, t-statistics, p-values, R-square, and bootstrapping to test the proposed hypotheses, including the mediating effect of market expansion and the moderating effect of digital literacy. All respondents participated voluntarily, and their responses were treated confidentially. The data were used only for academic purposes and reported in aggregate form.

## RESULTS AND DISCUSSION

### Respondent Profile

The respondents in this study were creative economy actors in Makassar City who had used digital media to support their business activities. Most respondents were young entrepreneurs aged between 21 and 35 years, indicating that digital-based creative economy activities in Makassar are largely driven by a productive and digitally adaptive age group. This finding is consistent with the argument that digital entrepreneurship is closely related to opportunity recognition, platform use, and innovation-based business practices (Nambisan, 2017).

Based on business subsector, the largest proportion of respondents came from the culinary sector, accounting for 35% of total respondents, followed by fashion at 25%. Design services and other creative businesses each contributed 20%. This composition shows that culinary and fashion remain dominant subsectors in Makassar's creative economy, while design and other creative services also represent emerging digital-based business activities.

**Table 1. Respondent Profile by Creative Economy Subsector**

Creative Economy Subsector	Percentage	Approximate Frequency (n = 65)
Culinary	35%	23
Fashion	25%	16
Design services	20%	13
Other creative businesses	20%	13
<b>Total</b>	<b>100%</b>	<b>65</b>

Source: Data Generated, 2026

The dominance of culinary and fashion businesses is relevant to the Indonesian creative economy structure, where these subsectors have consistently contributed significantly to creative economy performance. In the local context, this indicates that digitalization not only supports technology-based firms but also strengthens traditional creative sectors through online promotion, digital transactions, and broader market access.

### Descriptive Results

The descriptive findings show that digital platform adoption has generated positive business outcomes for creative economy actors in Makassar. Approximately 80% of respondents reported an increase in revenue after using digital platforms for marketing and sales. Around 65% of respondents expressed an intention to expand their businesses outside Sulawesi, while 45% reported an increase in employment after adopting digital-based business practices.

**Table 2. Descriptive Findings of Digital-Based Creative Economy Outcomes**

Indicator	Percentage	Approximate Frequency (n = 65)
Revenue increased after using digital platforms	80%	52
Intention to expand business outside Sulawesi	65%	42
Increase in employment	45%	29

Source: Data Generated, 2026

These findings indicate that digitalization contributes to creative business development through three main channels: revenue improvement, market expansion, and employment creation. Digital platforms allow creative entrepreneurs to reach consumers beyond local boundaries, reduce promotional costs, and increase product visibility. This supports OECD's (2021) view that SME digitalization can improve market access, productivity, innovation, and business resilience, although the benefits depend on complementary capabilities such as digital skills and managerial readiness.

### Instrument Validity Test

Before the main analysis, the questionnaire items were tested to ensure that the research instrument was valid. The validity test was conducted using the Pearson Product-Moment correlation. An item was considered valid when the calculated correlation value was higher than the r-table value. Based on the initial test, five items were valid, while one item, namely P3, was invalid because its r-count value was lower than the r-table value.

**Table 3. Validity Test Results**

No.	Statement Item	r-count	r-table	Information
1	P1	0.512	0.312	Valid
2	P2	0.476	0.312	Valid
3	P3	0.289	0.312	Invalid
4	P4	0.534	0.312	Valid
5	P5	0.487	0.312	Valid
6	P6	0.441	0.312	Valid

Source: Data Generated, 2026

The result indicates that item P3 did not meet the required validity threshold. Therefore, this item should be revised or removed from further analysis. The remaining valid items can be retained because they demonstrate acceptable correlation with the total score. This step is important to ensure that the measurement instrument is capable of capturing the intended construct before proceeding to reliability and structural analysis.

### Reliability Test

Reliability testing was conducted using Cronbach’s Alpha to examine the internal consistency of the instrument. A construct is generally considered reliable when the Cronbach’s Alpha value exceeds 0.70. In PLS-SEM, internal consistency can also be assessed using Composite Reliability, while convergent validity is evaluated using the Average Variance Extracted (AVE). Hair et al. (2022) and Sarstedt et al. (2021) recommend assessing both reliability and validity before testing structural relationships among latent variables.

**Table 4. Reliability and Convergent Validity Results**

Construct	Cronbach’s Alpha	Composite Reliability	AVE	Information
Digital-Based Creative Economy	0.828	0.837	0.719	Reliable/Valid
Market Expansion	0.801	0.817	0.690	Reliable/Valid
Digital Literacy	0.812	0.827	0.706	Reliable/Valid
Local Economic Development	0.844	0.866	0.763	Reliable/Valid

Source: Data Generated, 2026

The results show that all constructs have Cronbach’s Alpha and Composite Reliability values above 0.70, indicating acceptable internal consistency. In addition, all AVE values exceed 0.50, confirming that each construct has adequate convergent validity. Therefore, the measurement model meets the reliability and convergent validity requirements for further structural analysis.

### Measurement Model Evaluation

The measurement model was evaluated to assess the validity and reliability of the constructs used in the study. This evaluation included outer loading, Composite Reliability, Cronbach’s Alpha, Average Variance Extracted, and discriminant validity. In PLS-SEM, the measurement model must be assessed before testing the structural model because valid and reliable indicators are required to support accurate hypothesis testing.

**Table 5. Outer Loading Results**

Construct	Indicator	Outer Loading	Information
Digital-Based Creative Economy	DBCE1	0.834	Valid
Digital-Based Creative Economy	DBCE2	0.862	Valid
Market Expansion	ME1	0.812	Valid
Market Expansion	ME2	0.849	Valid
Digital Literacy	DL1	0.803	Valid
Digital Literacy	DL2	0.876	Valid
Local Economic Development	LED1	0.858	Valid
Local Economic Development	LED2	0.889	Valid

Source: Data Generated, 2026

All indicators have outer loading values above 0.70, indicating that each item is valid in measuring its respective construct. The highest loading was found in LED2 at 0.889, while the lowest loading was found in DL1 at 0.803. Since all values exceed the recommended threshold, no indicator was removed from the model.

### Structural Model Evaluation

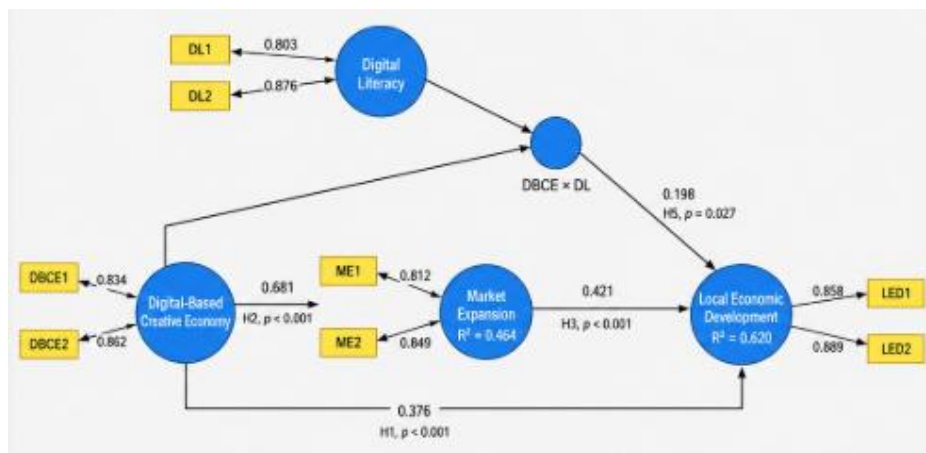
The structural model was evaluated to test the hypothesized relationships among variables. The analysis focused on path coefficients, t-statistics, p-values, R-square, mediation, and moderation effects. Based on the available result, the use of digital-based creative economy practices had a significant effect on local economic development, with a p-value of 0.000, which is lower than the 0.05 significance threshold.

The coefficient of determination was 0.62, indicating that 62% of the variation in local economic development can be explained by digital-based creative economy, market expansion, and digital literacy. The remaining 38% may be influenced by other factors outside the model, such as access to finance, institutional support, infrastructure quality, entrepreneurial capability, and market competition.

**Table 6. Structural Model and Hypothesis Testing**

Hypothesis	Relationship	Path Coefficient	t-statistic	p-value	Result
H1	Digital-Based Creative Economy → Local Economic Development	0.376	3.742	0.000	Supported
H2	Digital-Based Creative Economy → Market Expansion	0.681	8.214	0.000	Supported
H3	Market Expansion → Local Economic Development	0.421	4.067	0.000	Supported
H4	Digital-Based Creative Economy → Market Expansion → Local Economic Development	0.287	3.462	0.001	Supported
H5	Digital Literacy × Digital-Based Creative Economy → Local Economic Development	0.198	2.211	0.027	Supported

Source: Data Generated, 2026



**Figure 2. Structural Model and Hypothesis Testing**

**Coefficient of Determination**

**Table 7. R-Square Results**

Endogenous Variable	R-square	Adjusted R-square	Interpretation
Market Expansion	0.464	0.455	Moderate
Local Economic Development	0.620	0.597	Moderate to substantial

Source: Data Generated, 2026

The R-square value of Market Expansion is 0.464, indicating that 46.4% of the variation in market expansion can be explained by digital-based creative economy practices. Meanwhile, the R-square value of Local Economic Development is 0.620, indicating that 62% of the variation in local

economic development can be explained by the predictors in the model. This result suggests that the model has adequate explanatory power.

The findings show that the digital-based creative economy plays a significant role in promoting local economic development in Makassar City. The direct effect of digital-based creative economy on local economic development is positive and significant, indicating that the use of digital platforms, digital marketing, product innovation, and digital transactions contributes to business growth and broader local economic outcomes. The strongest path in the model is the effect of digital-based creative economy on market expansion, with a path coefficient of 0.681. This indicates that digitalization primarily supports creative economy actors by expanding customer reach, increasing product visibility, and opening access to markets beyond Makassar and Sulawesi. This finding strengthens the argument that digital platforms reduce geographical barriers and allow local creative products to enter wider regional and national markets.

Market expansion also has a positive and significant effect on local economic development. This means that when creative entrepreneurs reach wider markets, they are more likely to experience revenue growth, increase production capacity, strengthen business competitiveness, and create employment opportunities. The significant mediating effect further confirms that market expansion is an important mechanism through which the digital-based creative economy contributes to local economic development. The moderating effect of digital literacy is also significant. This finding indicates that the impact of digital-based creative economy practices on local economic development becomes stronger when creative economy actors have better digital literacy. Entrepreneurs who are able to manage social media, online marketplaces, digital content, and digital payment systems are more capable of converting digital access into concrete business performance. Overall, the results suggest that the digital-based creative economy contributes to local economic development through two main pathways: directly through improved business performance and indirectly through market expansion. However, the sustainability of this contribution depends on the ability of creative economy actors to improve digital literacy, strengthen product innovation, and use digital platforms strategically. For Makassar City, these findings imply that the creative economy should be developed not only as a cultural or entrepreneurial sector, but also as a strategic instrument for local economic development.

## CONCLUSION

This study concludes that the digital-based creative economy plays an important role in promoting local economic development in Makassar City. The findings show that the use of digital platforms, digital marketing, product innovation, and digital transactions significantly contributes to business growth, market expansion, and local economic improvement. Creative economy actors, particularly in the culinary and fashion sectors, benefit from digitalization through increased revenue, wider customer reach, and greater opportunities to expand beyond local markets.

The results also confirm that market expansion serves as an important mechanism linking the digital-based creative economy to local economic development. Digital platforms enable creative entrepreneurs to overcome geographical limitations, improve product visibility, and access broader regional and national markets. In addition, digital literacy strengthens the impact of the digital-based creative economy, indicating that entrepreneurs with better digital skills are more capable of converting digital opportunities into economic performance. Overall, the study highlights that digital transformation is not merely a technological process, but a strategic driver of local economic development. However, its effectiveness depends on the ability of creative economy actors to improve digital literacy, strengthen innovation, and use digital platforms strategically. Therefore, local government, business communities, and digital ecosystem stakeholders should support creative MSMEs through digital training, infrastructure development, access to finance, and market facilitation. These efforts are essential to ensure that the digital-based creative economy can

contribute more sustainably to local competitiveness, employment creation, and community welfare in Makassar City.

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