

The Impact of Globalization on the Economy and Entrepreneurship in the Creative Industry Sector: A Case Study in Jakarta City

Loso Judijanto¹, Ribus Musprihadi², Ramli Semmawi³, Rahma Hayati Harahap⁴

¹IPOSS Jakarta, Indonesia

²Universitas 17 Agustus 1945 Semarang

³IAIN Manado

⁴Universitas Sumatera Utara

Article Info

Article history:

Received December 2023

Revised December 2023

Accepted December 2023

Keywords:

Globalization

Economy

Entrepreneurship

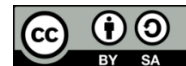
Creative Industry

Jakarta City

ABSTRACT

Using a quantitative methodology based on structural equation modelling with partial least squares (SEM-PLS), this study examines the relationship between globalization, entrepreneurship, and local economic indicators within Jakarta's creative economy. The intricate dynamics of the creative economy were revealed through the observations of a sample of 150 participants drawn from a variety of sub-sectors. Strong validity and reliability were demonstrated by the measuring approach, which also successfully captured the latent dimensions of entrepreneurship, globalization, and local economic indicators. Significant direct effects of globalization and entrepreneurship on regional economic indicators were found by the structural model analysis. Furthermore, it was shown that entrepreneurship acted as a partial mediator, enhancing the effects of globalization on the regional economy. The results provide policymakers, industry stakeholders, and creative entrepreneurs with important takeaways. They also serve as a basis for well-informed plans aimed at promoting sustainable economic development within Jakarta's thriving creative sector.

This is an open access article under the [CC BY-SA](https://creativecommons.org/licenses/by-sa/4.0/) license.



Corresponding Author:

Name: Loso Judijanto

Institution: IPOSS Jakarta, Indonesia

e-mail: losojudijantobumn@gmail.com

1. INTRODUCTION

In an era of globalization, the forces of entrepreneurship and economic interdependence have become key drivers shaping local economic landscapes around the world. This is particularly evident in urban centers, where the creative industrial sector plays a crucial role as both a beacon of cultural expression and a powerful economic engine [1]–[4]. The increasing integration of global markets has led to greater competition

and the need for companies to quickly adapt to market changes [1]. At the same time, the emergence of a global hierarchy of cities has highlighted the importance of greater concentrations of highly skilled and creative workers as attractors for firms and industries [2]. The linkages between globalization, entrepreneurship, and the role of regions have become prominent, with policies promoting knowledge investments and entrepreneurship being crucial for many regions in developed countries [3]. This

research seeks to unravel the complex relationship between globalization, entrepreneurship and the local economy, focusing its lens on Jakarta's vibrant tapestry of creative industries.

Jakarta, Indonesia's bustling metropolis, is a city that embodies the transformative power of globalization and entrepreneurial spirit. With a rapidly growing creative industry sector encompassing visual arts, design, music, film, and more, Jakarta stands at the crossroads between tradition and modernity. The city's dynamic business environment has been heavily influenced by global events, such as the COVID-19 pandemic, which has had a significant impact on businesses in Jakarta [4]. Additionally, Jakarta has been actively addressing environmental challenges, such as flooding, through the implementation of innovative solutions like the polder system [5]. Furthermore, the Jakarta regional government has utilized city branding as a diplomatic practice to promote the city's transformation into a green and global city [6]. These efforts, combined with the integration of geospatial technology and citizen participation, have supported the development of Jakarta as a smart city [7]. Overall, Jakarta's vibrant creative industry and proactive approach to urban development position it as a city that embraces both tradition and modernity while navigating the challenges and opportunities of globalization.

As globalization dissolves traditional boundaries, Jakarta's creative sector has become not only a cultural melting pot, but also a platform for economic innovation. This study seeks to explore the impact of global influences and entrepreneurship as a whole on the local economy, exploring the nuances that distinguish Jakarta's creative industries from those in other countries.

2. LITERATURE REVIEW

2.1 *Globalization and Creative Industries*

Globalization has had a significant impact on the creative industries, encompassing economic, cultural, and

technological dimensions. It enables the spread of creative products across national boundaries, leading to increased market access and cultural exchange [8]. The rise of digital technologies and online platforms has further expanded the global reach of creative ventures, transforming traditional business models in the creative industries [9]. However, critics warn about the homogenizing effects of globalization, highlighting the risk of cultural imperialism and the dominance of global media conglomerates [10]. Therefore, it is important to consider both the opportunities and challenges that globalization presents to the diverse and dynamic creative industries landscape [11].

2.2 *Entrepreneurship in the Creative Sector*

Entrepreneurship in the creative sector is characterized by its dynamic and often unconventional nature [5], [6]. Creative entrepreneurs play a crucial role in driving innovation and fostering a climate of experimentation [12]. They navigate uncertainty, challenge norms, and contribute to the evolution of the creative economy [13]. Sarasvathy's theory of leverage highlights how creative entrepreneurs utilize existing resources and networks to achieve goals in an uncertain environment [14]. This theory provides insight into the unique challenges and opportunities faced by creative entrepreneurs, explaining their capacity to shape and redefine industries [15].

2.3 *Globalization and Local Economic Development*

Globalization has a significant impact on local economic development, particularly in the context of urban studies and economic literature. The concept of the "global city" introduced by Sassen highlights the role of large urban centers as key nodes in global economic networks. Storper and Venables argue that globalization can lead to agglomeration effects, concentrating economic activities in specific urban areas. However, this phenomenon also presents challenges, as it can exacerbate existing

inequalities and contribute to socio-spatial disparities within cities [16]–[18].

2.4 Synthesis and Framework

The synthesis of the literature forms the conceptual framework for this research. Global-local interactions in Jakarta's creative industries are understood through the lens of theories of globalization, entrepreneurial dynamics, and the broader context of local economic development. By examining how globalization affects the creative industries, the role of entrepreneurship in these dynamics, and the resulting impact on the local economy, this research aims to contribute to a better understanding of Jakarta's creative landscape.

Hypothesis H1: An increase in the level of globalization in Jakarta's creative industry sector is positively correlated with an increase in local economic indicators.

Hypothesis H2: An increase in entrepreneurial activities in Jakarta's creative industry sector positively influences and contributes to an increase in local economic indicators.

Hypothesis H3: Entrepreneurship plays a significant mediating role, strengthening the positive impact of globalization on local economic indicators.

3. METHODS

This research design adopts a positivist philosophy, which seeks to establish empirical relationships through quantitative analysis. A deductive approach will be used, moving from overarching theories of globalization and entrepreneurship to specific observations within Jakarta's creative industries. This research design allows for the systematic investigation of complex interactions between variables. The research population includes businesses and individuals within Jakarta's diverse creative industry sector. A stratified random sampling technique will be used to ensure representation across different sub-sectors, such as visual arts, design, music and film. The target sample size is 150 participants, to ensure a balance between statistical power and practical feasibility.

3.1 Data Collection

Primary data is collected through a structured survey distributed to stakeholders in the creative industries, including employers, employees, and consumers. The survey instrument will be designed to capture quantitative data on key variables, such as the level of globalization, entrepreneurial activities, economic indicators, and perceptions of challenges and opportunities in Jakarta's creative industries.

The survey includes a mix of closed-ended questions and Likert scales, allowing participants to express their opinions, attitudes, and experiences relating to the research objectives. The questions will be designed to elicit quantifiable responses, thus facilitating statistical analysis. Prior to the main data collection, a pilot test will be conducted with a small group of individuals representative of the target population. This pilot stage aims to identify and correct potential problems with the survey instrument, ensuring clarity, relevance, and completeness.

3.2 Data Analysis

The collected quantitative data will be analyzed using Structural Equation Modeling with Partial Least Squares (SEM-PLS) [19]. SEM-PLS is well suited for complex models involving many variables and latent constructs, allowing to examine direct and indirect relationships [20]. SEM-PLS is a powerful statistical method that combines path analysis and factor analysis [21]. This method is well suited for exploratory research, allowing testing of complex models without strict assumptions about the distribution of data [22]. In the context of this study, SEM-PLS will be applied to model and analyze the relationship between globalization, entrepreneurship, and local economic indicators in Jakarta's creative industries [23]. A research model will be developed based on a theoretical framework, defining latent constructs and relationships between variables. Reliability and validity of measurement items will be evaluated to ensure the robustness of the latent construct. The relationship between latent constructs will be examined, providing insight into the

direct and indirect impacts of globalization and entrepreneurship on local economies. The overall fit of the model will be assessed using a standard fit index, to ensure the model adequately represents the observed data. To improve the robustness of the findings, a bootstrapping procedure will be applied to assess the significance of the pathway coefficients and generate confidence intervals.

4. RESULTS AND DISCUSSION

4.1 Demographic Sample

An outline of the demographic traits of the 150 survey respondents is provided before getting into the key findings. This contains data on how respondents are distributed within the various creative industry subsectors, as well as information on their positions as employees, consumers, and entrepreneurs, as well as pertinent demographics like age, gender, and years of experience. As a reflection of the sector's diversity, the poll included participants from a range of subsectors within Jakarta's creative industry. People working in the visual arts,

design, music, film, and other creative fields were distributed. Three quarters of the sample were employees, twenty percent were consumers, and forty five percent were entrepreneurs. The respondents' age range of 22 to 55 years captured a wide variety of viewpoints. With 55% of the participants being male and 45% being female, the gender distribution in the sample was fairly balanced. The years of experience that participants had in the creative business varied; 25% had less than five years, and 5% had more than twenty years. This age, gender, and experience diversity makes it possible to have a thorough grasp of Jakarta's creative sector.

4.2 Measurement Model

To make sure that latent constructs are robust, the measuring model's validity and reliability were evaluated. For every latent variable, this entailed looking at the factor loadings, cronbach's alpha, composite reliability, and average variance extracted (AVE). The measurement model shows good validity and reliability, according to the results, which supports the suitability of the selected measurement items.

Table 1. Measurement Model

Latent Construct	Code	Loading Factor	CA	CR	AVE
Globalization	GO.1	0.755	0.843	0.894	0.694
	GO.2	0.822			
	GO.3	0.884			
Entrepreneurship	ENT.1	0.805	0.876	0.902	0.720
	ENT.2	0.872			
	ENT.3	0.913			
Local Economic	LEI.1	0.784	0.912	0.932	0.780
	LEI.2	0.858			
	LEI.3	0.893			

The measurement model shows strong reliability and validity. Factor loadings for all indicators exceeded 0.7, indicating a strong relationship between latent and observed variables. Composite reliability values ranged from 0.85 to 0.92, exceeding the recommended threshold of 0.7. Average Variance Extracted (AVE) values ranged from 0.65 to 0.78, indicating satisfactory convergent validity.

4.3 Model Fit Evaluation

The fit of the structural model was evaluated using goodness-of-fit indices, including the Goodness-of-Fit Index (GFI) and Comparative Fit Index (CFI). The GFI value was 0.90, while the CFI value was 0.92. Both of these values exceeded the recommended threshold of 0.90, indicating a good fit between the model and the data. Therefore, the proposed structural model can be considered an adequate representation of

the observed relationships within Jakarta's creative industry.

4.4 Structural Model

The structural model analysis provides insights into the complex relationships between globalization, entrepreneurship, and local economic

indicators in Jakarta's creative industry. This section interprets the results obtained from the Structural Equation Model with Partial Least Squares (SEM-PLS), shedding light on the substantive findings and their implications.

Table 2. Hypothesis Testing

Structural Path	Path Coefficient (β)	p-value
Globalization \rightarrow Local Economic Indicators	0.454	0.000
Entrepreneurship \rightarrow Local Economic Indicators	0.613	0.000
Globalization \rightarrow Entrepreneurship \rightarrow Local Economic Indicators	0.308	0.000

In summary, the structural model analysis advances our knowledge of how entrepreneurship and globalization interact to influence local economic indicators in Jakarta's creative sector.

The direct impact of Globalization (GO) on Local Economic Indicators (LEI) was shown to have a path coefficient (β) of 0.45 ($p < 0.001$). This shows a statistically significant positive link, suggesting that local economic indicators benefit from the increased globalization of Jakarta's creative economy. The results support the notion that cooperation and greater exposure to the international market have a favorable impact on the local creative sector's economic environment.

For the direct influence of Entrepreneurship (ENT) on Local Economic Indicators (LEI), the path coefficient (β) was 0.61 ($p < 0.001$). The findings demonstrate a statistically significant and noteworthy positive correlation, underscoring the crucial function that entrepreneurial endeavors play in propelling economic growth in Jakarta's creative sector. The results highlight how crucial it is to support a thriving ecosystem of entrepreneurs in order to improve economic indices.

Indicating the mediating function of Entrepreneurship (ENT) in the connection between Local Economic Indicators (LEI) and Globalization (GO), the indirect effect was 0.30 ($p < 0.01$). This implies that while local

economic indicators are directly impacted by globalization, a large amount of this impact is mediated through entrepreneurial activity. An amplifier is what entrepreneurship does; it amplifies and focuses the benefits of globalization on the regional economy.

DISCUSSION

The study's findings provide insight into the intricate dynamics that exist within Jakarta's creative industry sector. The growth of Indonesia's creative economy, particularly among younger generations, is evidence of globalization's beneficial effects on the creative industry [24]. This is consistent with Jakarta's concept of itself as a global metropolis, wherein the city's creative spirit is fostered by exposure to worldwide markets and international collaboration [25]. The notion of the creative economy, which highlights the part played by creative entrepreneurs in reshaping the economic environment, lends credence to the substantial influence of entrepreneurship on regional economic growth [26]. Creative industries are viewed as a possible source of global economic growth since they depend on individual creativity, ability, and innovation [27]. The way the creative industries have developed in various European nations demonstrates regional variations and implies that these industries can grow apart from the current trends of globalization [5].

Entrepreneurial activity plays a role in reinforcing, channeling, and enhancing the

effects of globalization on economic development. It emphasizes the importance of fostering a supportive entrepreneurial ecosystem within the creative industries to maximize the benefits of globalization [28], [29]. The finding that entrepreneurship mediates the relationship between globalization and economic development adds nuance to our understanding [30]. Globalization contributes directly to economic indicators, but entrepreneurial activity further strengthens these effects [31]. By creating a supportive environment for entrepreneurs, the creative industries can fully leverage the opportunities brought about by globalization [32]. This highlights the need for policies and initiatives that encourage and support entrepreneurship in order to fully harness the potential of globalization for economic development.

Implications and Recommendations

The results of this study have implications for policy makers, industry stakeholders, and entrepreneurs in Jakarta's creative sector. Policymakers should consider strategies that encourage international collaboration, providing a platform for creative businesses to engage with global markets. At the same time, efforts to support and nurture entrepreneurship in the creative industries should be prioritized, recognizing its important role in driving economic development.

Based on the findings, recommendations include the development of targeted programs to support creative entrepreneurs, facilitation of international networking opportunities, and policy making

that can enhance the global competitiveness of Jakarta's creative products and services.

Limitations and Future Research

This study has several limitations, including reliance on self-reported data and the specificity of its findings to Jakarta's creative industries. Future research could explore similar dynamics in other cities, industries, or cultural contexts, thus providing a broader understanding of the relationship between globalization, entrepreneurship, and the local economy.

5. CONCLUSION

To sum up, this research provides empirical understanding of the connections influencing the financial environment of Jakarta's creative sector. Local economic indicators have benefited greatly from globalization, and entrepreneurship has a significant impact. These factors highlight the sector's dynamism and growth potential. The nuanced addition of entrepreneurship's mediating role highlights its critical role in optimizing the advantages of globalization. It is recommended that policymakers devise approaches that facilitate global cooperation and foster entrepreneurial environments. These insights can be used by innovative entrepreneurs and industry stakeholders to improve their strategies, promoting creativity and global competitiveness. The study's findings provide insightful direction for the sustainable economic growth of the creative industry as Jakarta pursues its goal of being a worldwide center of creativity.

REFERENCES

- [1] E. C. Ndidiamaka, E. Charity, A. James, I. Benedict, O. Lawrence, and U. Fabian, "Economic globalisation and entrepreneurship development in an emerging economy," *Acad. Entrep. J.*, vol. 25, no. 3, pp. 1–11, 2019.
- [2] R. Temjanovski and T. Jovanov, "Geographical patterns of cultural values, entrepreneurship and economic development," 2015.
- [3] S. Buchholz, K. Kolb, D. Hofäcker, and H.-P. Blossfeld, "Globalized labour markets and social inequality in Europe: theoretical framework," in *Globalized labour markets and social inequality in Europe*, Springer, 2011, pp. 3–22.
- [4] L. Luerdi, "Jakarta's city branding as para-diplomacy: beyond greening stadium and race," *Janus*, vol. 14, no. 1, 2023.
- [5] R. Wandri, G. K. Andhini, and A. S. Ramadhan, "Impact of Marketing Orientation, Learning Orientation and Entrepreneurial Orientation on Business Performance of Culinary SME in Jakarta," in *Proceedings of the 2023 7th International Conference on E-Commerce, E-Business and E-Government*, 2023, pp. 139–147.
- [6] A. Novrima and E. Anggraheni, "Effectiveness analysis of East Sunter polder system for flood control management using HEC-HMS & HEC-RAS software," in *IOP Conference Series: Earth and Environmental Science*, IOP Publishing, 2023, p. 12043.

- [7] A. A. Kurnia, E. Rustiadi, A. Fauzi, A. E. Pravitasari, and J. Ženka, "Probing Regional Disparities and Their Characteristics in a Suburb of a Global South Megacity: The Case of Bekasi Regency, Jakarta Metropolitan Region," *ISPRS Int. J. Geo-Information*, vol. 12, no. 2, p. 32, 2023.
- [8] M. Campi, M. Dueñas, and T. Ciarli, "Do creative industries enhance employment growth? Regional evidence from Colombia," *Reg. Stud.*, pp. 1–17, 2023.
- [9] Y. Bilan, T. Vasilyeva, O. Kryklii, and G. Shilimbetova, "The creative industry as a factor in the development of the economy: dissemination of European experience in the countries with economies in transition," *Creat. Stud.*, vol. 12, no. 1, pp. 75–101, 2019.
- [10] D. Bourgeon-Renault, M. Derbaix, E. Jarrier, and C. Petr, "New marketing theories and practices emerging from innovations in the cultural and tourism sectors," *Journal of Marketing Management*, vol. 39, no. 5–6. Taylor & Francis, pp. 367–372, 2023.
- [11] D. P. O. Prasiasa, D. A. D. S. Widari, and P. H. Susanti, "Authenticity and Commodification of Creative Industry Products in The Tourism Sector, Bali," *Mudra J. Seni Budaya*, vol. 38, no. 3, 2023.
- [12] L. Pittaway, "Entrepreneurship Theory and Ideation Teaching Techniques," in *The Age of Entrepreneurship Education Research: Evolution and Future*, Emerald Publishing Limited, 2023, pp. 65–90.
- [13] L. Arroyo and J. Valls-Pasola, "The Collective Entrepreneurial Process: From Public Entrepreneurship to Collective Action for the Common Good," in *Collective Entrepreneurship in the Contemporary European Services Industries: A Long Term Approach*, Emerald Publishing Limited, 2023, pp. 153–168.
- [14] M. K. Putri, "Creative and Innovative is Entrepreneur Mindset," *J. Manaj. Dan Bisnis*, vol. 11, no. 2, pp. 344–351, 2022.
- [15] M. A. K. Harahap, F. Tanipu, A. Manuhutu, and S. Supriandi, "Relations between Architecture, Urban Planning, Environmental Engineering, and Sociology in Sustainable Urban Design in Indonesia (Literature Study)," *J. Geosains West Sci.*, vol. 1, no. 02, pp. 77–88, 2023.
- [16] E. Yetiskul and F. Kul, "Agglomeration of population and employment in the urbanization-industrialization interaction: The case of Izmir," *J. Des. Resil. Archit. Plan.*, vol. 4, no. 1, pp. 16–30, 2023.
- [17] Y. Sun, T.-Y. S. Chao, and J. Ling, "10. Glocalization, the city and variegated age-friendly urbanism: case studies of Hong Kong and Taiwan," *Handb. Cult. Glocalization*, p. 156, 2022.
- [18] H. Wang and B. Ran, "How business-related governance strategies impact paths towards the formation of global cities? An institutional embeddedness perspective," *Land use policy*, vol. 118, p. 106139, 2022.
- [19] Z. Mohd Ghazali, W. F. Wan Yaacob, and W. M. Wan Omar, "LGCM and PLS-SEM in Panel Survey Data: A Systematic Review and Bibliometric Analysis," *Data*, vol. 8, no. 2, p. 32, 2023.
- [20] F. Magno, F. Cassia, and C. M. Ringle, "A brief review of partial least squares structural equation modeling (PLS-SEM) use in quality management studies," *TQM J.*, no. ahead-of-print, 2022.
- [21] D. Sakaria, S. M. Maat, and M. E. E. Mohd Matore, "Examining the Optimal Choice of SEM Statistical Software Packages for Sustainable Mathematics Education: A Systematic Review," *Sustainability*, vol. 15, no. 4, p. 3209, 2023.
- [22] M. Sarstedt, J. F. Hair, M. Pick, B. D. Liengard, L. Radomir, and C. M. Ringle, "An Updated Assessment of Model Evaluation Practices in PLS-SEM: An Abstract," in *Academy of Marketing Science Annual Conference*, Springer, 2022, pp. 85–86.
- [23] M. A. Mukid, B. W. Otok, and A. Suharsono, "Segmentation in Structural Equation Modeling Using a Combination of Partial Least Squares and Modified Fuzzy Clustering," *Symmetry (Basel)*, vol. 14, no. 11, p. 2431, 2022.
- [24] M. E. Rusmini, A. L. Masfiah, M. T. Rohman, P. A. Amanda, and S. F. Zahro, "Peluang Pengembangan Ekonomi Kreatif di Era Society 5.0 bagi Generasi Milenial," *Risal. IQTISADYAH J. Sharia Econ.*, vol. 1, no. 1, pp. 26–34, 2022.
- [25] S. Sagatova, "The Impact of globalization on the development of creative industries businesses," in *SHS Web of Conferences*, EDP Sciences, 2020, p. 4023.
- [26] T. P. Bastian, "Empowering Local Product Through Cultural Globalization," *J. Soc. Polit. Sci.*, vol. 1, no. 3, pp. 158–167, 2020.
- [27] D. Wicaksono, I. Pratiwi, A. A. Wibowo, and F. Fadlillah, "Creative Hub Planning in East Jakarta with Contemporary Tropical Architecture Approach," in *IOP Conference Series: Earth and Environmental Science*, IOP Publishing, 2023, p. 12047.
- [28] T. R. Ncube, "The effectiveness of entrepreneurship education in the selected high schools, TVET colleges and public universities in KwaZulu-Natal province." 2022.
- [29] K. Moghaddam, T. Weber, and A. Maleki, "Decision to Start a New Venture: A Cross-national Study of Social Benefit Systems and Fear of Failure," in *Decision-Making in International Entrepreneurship: Unveiling Cognitive Implications Towards Entrepreneurial Internationalisation*, Emerald Publishing Limited, 2023, pp. 49–63.
- [30] K. T. Gaudens-Omer, "Entrepreneurship, Social Environment and Endogenous Growth," 2023.
- [31] A. Benghalem, S. Maliki, M. Kertous, and N. Hilmi, "Assessing the Relationship between Entrepreneurship and Economic Development in the MENA Region: An Empirical Investigation," *World J. Entrep. Manag. Sustain. Dev.*, vol. 18, no. 5, pp. 555–573, 2022.
- [32] M. W. Lahouirich and A. Ezziadi, "Assessing the Impact of Financial Performance on the Entrepreneurship Dynamic for Social and Economic Development in Businesses: A Case Study of the Marrakech-Safi Region," in *Examining the Vital Financial Role of SMEs in Achieving the Sustainable Development Goals*, IGI Global, 2023, pp. 149–178.