

Strategy to Increase Local Economic Competitiveness Through Local Wisdom-Based Creative Economy

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ABSTRACT

The competitiveness of the local economy is crucial for fostering sustainable growth, especially in the face of increasing global competition. One effective strategy to enhance competitiveness is through the development of a creative economy based on local wisdom. However, integrating local values into creative economy development strategies remains a significant challenge. This study aims to analyze the influence of Local Economic Competitiveness on the Creative Economy, with Local Wisdom serving as a mediating variable. A quantitative approach was adopted, using a survey method involving 110 purposively selected respondents, who are creative economy actors based on local wisdom, with at least two years of experience and from regions with notable local wisdom potential. Data were collected using a Likert scale-based questionnaire to measure Local Economic Competitiveness, Local Wisdom, and the Creative Economy. The analysis was performed using SmartPLS software, testing the outer model to assess instrument validity and reliability, and the inner model to evaluate relationships between latent variables. The results indicate that Local Economic Competitiveness positively and significantly affects the Creative Economy, both directly and indirectly through Local Wisdom. Local Wisdom plays a crucial role in strengthening the connection between local economic competitiveness and creative economy development. The findings suggest that strategies to improve local economic competitiveness should leverage local wisdom to foster innovative and sustainable creative economic growth, offering valuable insights for policymakers and practitioners in integrating local values into creative economy development.

Keywords: : *Economic competitiveness, creative economy, local wisdom, regional development, strategy, human resources*

INTRODUCTION

Increasing regional economic competitiveness is an important aspect in supporting sustainable development in Indonesia (Sudrajat., 2018). In the midst of the dynamics of globalization and increasingly fierce economic competition, regions are required to have competitive advantages that are able to strengthen their position in the domestic and international markets (Douglass & Edelstein., 2019). This is not only related to economic growth, but also to the ability of a region to improve the welfare of its people in an inclusive and sustainable manner. The challenges in increasing regional economic competitiveness are quite complex and diverse. The gap between regions is still a major problem, where regions with abundant resources tend to be more advanced than regions with limited access to infrastructure, technology, and investment (Sawir., 2024). In addition, the low quality of human resources and the lack of innovation are other obstacles that reduce the ability of regions to compete effectively in an increasingly competitive market.



Local governments play a key role in creating strategic policies that can encourage economic competitiveness (Sari & Retnaningsih., 2020). The policy includes strengthening regional leading sectors, developing supporting infrastructure, and providing facilities for business actors to develop. In addition, collaboration between the government, academia, and the private sector is needed to create an economic ecosystem that is conducive and adaptive to global changes. A local potential-based approach is one of the main strategies in increasing regional competitiveness (Meliala *et al.*, 2024). Each region has its own uniqueness that can be a capital to be developed, both in the agribusiness, tourism, creative industry, and other sectors. The use of modern technology and innovation must be a priority to support the efficiency, productivity, and competitiveness of local products in a wider market (Saputro *et al.*, 2024).

The development of a creative economy based on local wisdom is increasingly receiving attention in various regions. The creative economy sector has become the main focus in efforts to increase the competitiveness of the local economy, but not many regions have succeeded in utilizing local wisdom optimally in their development (Saksono., 2022). Many products and services in the creative economy have not fully reflected local wisdom, or these local wisdom have not been well integrated into the broader economic development strategy. On the other hand, globalization and the development of digital technology open up new opportunities for the creative economy, but also present challenges for regions that want to maintain their cultural identity and local values. In this context, collaboration between the government, the community, and the private sector is very important to create synergies that can encourage the development of a sustainable creative economy based on local wisdom (Dakhi., 2024). In addition, there is a disparity between regions that have succeeded in integrating local wisdom in the creative economy and regions that have not fully utilized this potential, which ultimately creates a gap in economic competitiveness between regions (Kurnia & Putri., 2019). This shows the need for a deeper understanding of how local wisdom can be optimized in the creative economy sector and how collaboration strategies can improve the competitiveness of the local economy as a whole

This research on strategies to increase regional economic competitiveness is very relevant to provide applicable and evidence-based solutions. This research is expected to be able to identify potentials, challenges, and opportunities for the region in increasing its competitiveness. With a structured and integrated approach, the regions are expected to be able to become a driving force for strong, inclusive, and sustainable national development. The creative economy is a sector based on creativity, innovation, and the use of intellectual resources to create economic added value (Shabilia & Santoso., 2023). In Indonesia, this sector has great potential considering its rich culture, art, and diverse traditions. The creative economy sector not only contributes to economic growth, but also becomes a means to strengthen the nation's cultural identity and improve people's welfare in a sustainable manner (Santoso *et al.*, 2023). Despite having promising potential, the development of the creative economy still faces various obstacles. Some of the main challenges include limited access to financing, inadequate infrastructure, low digital literacy among creative business actors, and suboptimal protection of intellectual property rights (Bangsawan., 2023).

This challenge requires synergy between the government, industry players, and the community to create an ecosystem that supports the maximum growth of the creative economy (Khouroh *et al.*, 2019). The government has taken various strategic steps to develop this sector, such as the establishment of the Creative Economy Agency, the promotion of local products through digital technology, and the implementation of various creative programs and festivals. This policy aims to increase the competitiveness of Indonesian creative products in the global market and expand creativity-based economic opportunities. With integrated management, the creative economy is expected to become one of the main pillars of national development that supports economic growth, cultural preservation, and strengthening the nation's identity (Riswan., 2018).

Local wisdom is a noble value, norm, and traditional knowledge that develops in a society as a result of human interaction with its environment (Riantika & Hastuti., 2019). These values are a guideline for life that reflects the identity and culture of a community, as well as playing an important role in maintaining social harmony, preserving the environment, and strengthening the nation's identity. In Indonesia, the cultural diversity of each region makes local wisdom one of the nation's invaluable assets. The development of the times, which is marked by globalization and modernization, brings various changes that can affect the sustainability of local wisdom. Shifting values, lifestyle changes, and lack of attention to the preservation of local culture are serious challenges that threaten the existence of traditional values. On the other hand, technological developments can also be used as a tool to document and promote local wisdom to remain relevant in the midst of the dynamics of modern life. Local wisdom has great potential to support sustainable development in various aspects, such as environmental conservation, education, and creative economy development (Fitriana & Ridwan., 2017). These values are not only a cultural identity, but can also be integrated into development policies as adaptive locally-based solutions. Therefore, the preservation and strategic use of local wisdom is an important step to preserve cultural heritage and strengthen its contribution to the progress of society.

Challenges faced in the preservation and utilization of traditional values in the midst of the increasingly rapid globalization (Suradi., 2018). Although local wisdom has an important role in shaping people's cultural and social identities, many local traditions and knowledge are beginning to be forgotten or neglected, especially among the younger generation who are more exposed to outside cultures. Meanwhile, in some regions, there are efforts to integrate local wisdom in natural resource management and sustainable development, but these efforts are still limited and not optimal. This research focuses on how local wisdom can be maintained and developed as a cultural resource that supports development, as well as how preservation strategies can be implemented to ensure that these values remain relevant and useful in the modern era. Local wisdom and sustainable development are deeply linked, where local wisdom not only reflects the cultural identity of a society, but can also be the foundation to support sustainable development (Febrianty *et al.*, 2023). Traditional values contained in local wisdom often teach the wise management of natural resources, social balance, and respect for the environment. In this context, local wisdom can provide relevant principles in development management that not only prioritize economic benefits, but also social and environmental sustainability (Sihombing *et al.*, 2024).

Local wisdom can be understood as knowledge that develops naturally over a long period of time, along with changes in society and their environment, in the context of a specific local system (Enceng *et al.*, 2024). This continuous development process makes local wisdom a potential resource that comes from common knowledge in a community to live in harmony and balance. With this understanding, local wisdom not only functions as a guide for individual behavior, but also plays a role in driving the dynamics of civilized community life. One way to determine the main priority in a subsector is to consider the local value and uniqueness of the products owned by the area (Sopannah, 2020). The values of local wisdom in Indonesia, especially those related to natural resource management, prioritize the principles of sustainability and environmental resilience which have proven effective in maintaining the balance of the ecosystem (Surono *et al.*, 2024). Local traditions in agriculture, fisheries, and forestry, for example, teach how to utilize natural resources in a non-destructive way, as well as pay attention to the well-being of communities and future generations. By integrating local wisdom in development practices, communities can leverage this traditional knowledge to support the conservation and sustainability of natural resources at the local level.

Globalization and modernization pose its own challenges for the preservation of local wisdom. Foreign cultures that enter quickly often threaten local traditions and values, especially among the younger generation who are more exposed to the influence of media and

digital technology (Maulani *et al.*, 2024). The process of urbanization and lifestyle changes also causes fewer people to practice and inherit local wisdom. Therefore, it is important to identify and document the values of local wisdom that still exist so that they are not lost to time. The importance of using local wisdom in sustainable development is increasingly realized by many parties, especially in facing global environmental crises, such as climate change and environmental damage (Rusdiyanto., 2020). The integration of local wisdom in development policies can be a strategic step to create more environmentally friendly and sustainable solutions. In addition, the preservation of local wisdom also contributes to strengthening cultural identity and social harmony at the community level, which can strengthen social cohesion in an increasingly pluralistic society.

The link between local wisdom and sustainable development is increasingly relevant when traditional values are used to overcome existing development challenges. With a holistic approach and sensitive to the local context, local wisdom can not only help maintain ecological balance, but also enrich a more inclusive and community-based development approach. In this regard, research and development of policies that support the preservation and utilization of local wisdom is very important to ensure that these values remain relevant in the midst of changing times and make a real contribution to sustainable development. Several studies have discussed the role of the creative economy in regional economic development, but there are still shortcomings in understanding the integration of local wisdom as the main foundation in the development of this sector. Previous studies have focused more on the creative economy in general and have not studied how local wisdom can be used as a resource to increase regional economic competitiveness. In addition, research that examines the influence of local policies based on local wisdom on the development of sustainable and competitive creative products in the global market is still very limited.

The challenges faced by creative economy actors in accessing the global market through the use of digital technology and human resource development (HR) have also not been explored much (Umbara *et al.*, 2022). Most previous studies have not discussed the use of digital technology to introduce and distribute local products based on local wisdom widely, as well as the lack of attention to training to improve human resource skills in the creative industry. This research gap focuses on how local wisdom can be integrated in creative economy strategies, policies that support it, and challenges in marketing and human resource development to increase regional economic competitiveness.

The role of collaboration between the government, the community, and the private sector in the development of a creative economy based on local wisdom. There are many studies that discuss the importance of collaboration between various parties in economic development, but research that specifically examines how this collaboration can increase the competitiveness of the local economy through the application of a creative economy based on local wisdom is still limited. Existing research tends to emphasize the role of each actor separately, without considering the integration of local wisdom as the main element in the collaboration. Local wisdom has the potential to be a differentiating factor in products or services in the creative economy sector, which in turn can strengthen the competitiveness of the local economy. Therefore, it is important to identify effective collaboration models between the government, communities, and the private sector that accommodate the values of local wisdom, as well as overcome the challenges that arise in their implementation. This research aims to fill this gap by analyzing the synergy between various parties, the challenges faced in the implementation of the creative economy based on local wisdom, and strategies that can be taken to increase the competitiveness of the local economy in a sustainable manner.

METHODS

This study uses a quantitative approach with a survey method to analyze the relationship between Local Economic Competitiveness, Local Wisdom, and Creative Economy. The analysis tool used was Partial Least Squares (SmartPLS) with a total of 110 respondents. Respondents were selected using a purposive sampling method with certain criteria, such as creative business actors based on local wisdom, have at least two years of experience in creative economic activities, and come from regions with strong local wisdom potential. Primary data were collected through a structured questionnaire with a Likert scale of 1–5, which was designed to measure three main variables: Local Economic Competitiveness, Local Wisdom, and Creative Economy. The validity test of the instrument was carried out using convergent validity through the values of loading factor (> 0.7) and AVE (> 0.5), as well as the validity of discrimination with the Fornell-Larcker Criterion. The reliability test was carried out by looking at the Composite Reliability (> 0.7) and Cronbach's Alpha (> 0.6). The data was analyzed using SmartPLS with the outer model testing stages to validate latent variable indicators, the inner model to evaluate the relationship between latent variables, and hypothesis testing through path coefficients with t-statistical values (> 1.96) and p-values (< 0.05). The results of the study are expected to be able to explain the direct and indirect influence between variables, including the role of Local Wisdom as a mediator in the relationship between Local Economic Competitiveness and Creative Economy, so that it can develop a strategy to increase local economic competitiveness based on local wisdom.

RESULTS AND DISCUSSION

RESULT

Measurement Model (Outer Model)

The external model serves to link the influence between endogenous and exogenous variables in a study. Testing of this external model is very important to ensure that the relationships between variables built in the research model have good validity and reliability. The validity of the external model can be assessed through two main indicators, namely the value of the loading factor and the Average Variance Extracted (AVE). The loading factor describes how much each indicator contributes to the measured construct, while the AVE measures the extent to which the variants in the construct can be explained by the indicators used. A construct is considered to be convergently valid if the loading factor value is greater than 0.7 and the AVE is greater than 0.5 (Ghozali & Latan, 2015).

Model reliability is also important to test to ensure measurement consistency. Reliability testing can be done using composite reliability and Cronbach's alpha. Composite reliability measures the internal consistency of indicators in a construct, while Cronbach's alpha assesses the overall accuracy of the measurement. These two reliability measures help to assess the extent to which measurement results are reliable and consistent if performed in repeated testing. Based on the results of these tests, the external model can be considered to have good validity and reliability if it meets the standards that have been set. Table 1 in this study shows the calculated loading factor and AVE values, which provides an overview of the strength of the relationship between the tested construct and the indicators used.

Table 1. Loading Factor and AVE Models

Variable		Inquiry	Loading Factor	AVE
Local Economic Competitiveness	X.1		0,735	0,720
	X.2		0,719	
	X.3		0,708	

	X.4	0,741	
	X.5	0,710	
Creative Economy	Y.1	0,781	0,789
	Y.2	0,812	
	Y.3	0,700	
	Y.4	0,804	
	Y.5	0,792	
Local Wisdom	Z.1	0,734	0,765
	Z.2	0,718	
	Z.3	0,776	
	Z.4	0,751	
	Z.5	0,768	

Source : Data Processing, 2024

Based on the table provided, all indicators in each variable have a loading factor value above 0.7, which shows a strong and significant relationship between the indicator and the measured variable. In the Local Economic Competitiveness (X) variable, the loading factor value ranges from 0.708 to 0.741, which confirms the validity of the indicator in representing the variable. The Creative Economy variable (Y) has a loading factor value between 0.700 to 0.812, with the Y.2 indicator showing the largest contribution (0.812) and Y.3 the lowest contribution (0.700) but still meeting the validity criteria. Meanwhile, the Local Wisdom (Z) variable has a loading factor value between 0.718 to 0.776, with the largest contribution from Z.3 (0.776) and the smallest contribution from Z.2 (0.718), but still valid. Although the AVE (Average Variance Extracted) value has not been listed in the table, its calculation is necessary to ensure convergent validity with the AVE criterion ≥ 0.5 . With the loading factor value that has met the standard, the next step is to calculate AVE and Composite Reliability (CR) to ensure the validity and reliability of the model as a whole.

Realibilitas

Reliability describes the reliability of a construct, that is, the extent to which the measurement results made on the construct are consistent and reliable. In the study, reliability is reflected in the consistency of the answers given by the respondents in answering the questions asked by the researcher. To test reliability, two commonly used measures are Cronbach's alpha and composite reliability. Cronbach's alpha measures the extent to which the indicators in a construct are correlated and consistent in measuring the construct. A value of Cronbach's alpha greater than 0.6 indicates that the construct can be considered reliable. Meanwhile, composite reliability measures the internal consistency of the overall construct by taking into account the variance described by the indicators in the construct. A composite reliability value higher than 0.6 also indicates a good level of reliability. Both of these reliability measures are important to ensure that the results of the measurements in the study are of trustworthy quality and used for further analysis. If Cronbach's alpha and composite reliability values exceed the threshold of 0.6, the construct is considered reliable and worthy of use in the study. Table 2 in this study displays the reliability values of each constructed tested, providing an overview of the extent to which these constructs can be relied upon to measure the variables studied.

Table 2. Cronbach's Alpha and Composite Reliability

Information	Cronbach's Alpha	Composite Reliability
Local Economic Competitiveness (X)	0,774	0,845
Creative Economy (Y)	0,823	0,876
Local Wisdom (Z)	0,807	0,865

Source : Data Processing, 2024

Based on the table provided, all variables show Cronbach's Alpha and Composite Reliability (CR) values which indicate adequate internal reliability. The Local Economic Competitiveness (X) variable has a Cronbach's Alpha value of 0.774 and a CR of 0.845, which shows good consistency in measuring these constructs. The Creative Economy variable (Y) has a Cronbach's Alpha value of 0.823 and a CR of 0.876, which indicates a very good level of reliability, with very consistent indicators. The Local Wisdom (Z) variable also has a Cronbach's Alpha value of 0.807 and a CR of 0.865, which indicates strong internal consistency. With Cronbach's Alpha values above 0.7 and CR above 0.8, it can be concluded that all variables in this study have good reliability, so that the instruments used can be relied on to measure the construct in question.

Model Struktural (Inner Model)

Testing with the inner model aims to evaluate the relationship between endogenous and exogenous variables and measure the extent to which variations in exogenous variables can affect endogenous variables. The results of this test are seen through two main indicators, namely R-square and significance. The R-square value indicates the extent to which variations in endogenous variables can be explained by exogenous variables in the model. If the R-square value is greater than 0.75, the model is considered strong because it is able to explain most of the variations, between 0.25 to 0.75 is categorized as a moderate model, and less than 0.25 is considered a weak model (Ghozali & Latan, 2015). Significance testing is also important to measure whether the relationships between variables in the model are statistically significant, which can be analyzed using p-value or t-statistic values. Testing the inner model which includes R-square and significance provides an overview of the strength and accuracy of the model in describing the relationships between existing variables.

R-Square

R-square serves to measure the extent to which exogenous latent variables can explain variations in endogenous latent variables in a model. The R-square value indicates the strength of the relationship between these variables, but does not indicate whether the influence is significant or not. To test the significance of the relationship between variables, statistical tests such as p-value or t-statistic are needed. A high R-square value indicates that the model can explain the variation of endogenous variables well, but significance testing is still necessary to ensure the validity of the relationship between the variables.

Table 3 . R- Squares (R²)

Variable	R Square	R Square Adjusted
Creative Economy (Y)	0,059	0,051
Local Wisdom (Z)	0,338	0,326

Source : Data Processing, 2024

Based on the table above, the R Square and R Square Adjusted values illustrate the extent to which independent variables can explain the dependent variables in the research model. The Creative Economy variable (Y) has an R Square value of 0.059 and an R Square Adjusted of 0.051, which shows that the independent variable used is only able to explain about 5.9% to 5.1% of the variance that occurs in the Creative Economy.

This indicates that other factors not included in this model are likely to have a greater influence on the Creative Economy. Meanwhile, the Local Wisdom (Z) variable has an R Square value of 0.338 and an Adjusted R Square of 0.326, which shows that about 33.8% to 32.6% of the variance in Local Wisdom can be explained by independent variables in the model. This value shows that the model is better able to explain the factors that affect Local Wisdom compared to the Creative Economy.

Based on the table above, the R Square and R Square Adjusted values indicate the extent to which independent variables can account for dependent variables in the model. In the Creative Economy (Y) variable, the R Square value of 0.059 and the R Square Adjusted of 0.051 indicate that the independent variables in this model are only able to explain about 5.9% to 5.1% of the variance that occurs in the Creative Economy. This figure is relatively low, which shows that there are many other factors that are not covered by this model that affect the Creative Economy. In the Local Wisdom (Z) variable, the R Square value of 0.338 and the R Square Adjusted of 0.326 show that about 33.8% to 32.6% of the variance in Local Wisdom can be explained by independent variables in the model. This value is higher compared to the Creative Economy, which means that this model is better able to explain the factors that affect Local Wisdom. However, there are still a large number of variances that are not explained by this model, which suggests that other factors that have not been included in this study also play a role in shaping Local Wisdom.

Hypothesis Testing

Direct Effect

Hypothesis testing aims to test the correctness of the hypothesis that has been established at the beginning of the study, namely to find out whether there is a significant influence between endogenous variables and exogenous variables. In this test, researchers can see the direct effect of endogenous variables on exogenous variables without involving moderation variables, known as direct effects. Using direct effects, researchers can identify direct relationships between variables in the tested model, providing a clearer picture of how strong the influence is between these variables. The results of this direct effect are very important to determine whether the relationship between the variables proposed in the hypothesis really exists and is significant. Table 4 in this study presents the results of the direct effect test, which shows how large and significant the direct influence between these variables is, and provides a strong basis to draw further conclusions about the relationship between the variables studied.

Table 4. Hypothesis Testing

Variable	Original Sample	Sample Mean	Standard Deviasi	T Statistics	P Values
Local Economic Compettiveness > Creative Economy	0,465	0,482	0,082	5,677	0,000
Local Economic Compettiveness > Local Wisdom	0,244	0,266	0,102	2,389	0,017
Local Wisdom > Creative Economy	0,360	0,370	0,103	3,502	0,0001

Source : Data Processing, 2024

The test results show that Local Economic Competitiveness has a positive and significant influence on the Creative Economy with a path coefficient of 0.465 and a t-statistical value of 5.677, which is greater than the critical value of 1.96 at a significance level of 5%. A significance value of 0.000 confirms that increasing Local Economic Competitiveness will

significantly increase the Creative Economy. Furthermore, Local Economic Competitiveness also had a positive influence on Local Wisdom with a path coefficient of 0.244 and a t-statistical value of 2.389, which also showed a significant relationship at the significance level of 5% with a p-value of 0.017. In addition, Local Wisdom has a positive and significant influence on the Creative Economy with a path coefficient of 0.360 and a t-statistical value of 3.502, which is far above the critical value, as well as a significance level of 0.0001. These results show that Local Economic Competitiveness plays an important role in improving the Creative Economy, both directly and through its contribution to Local Wisdom, which also has a significant influence on the Creative Economy.

Indirect Effect

Table 5. Indirect Effect

Variable	Original Sample	Sample Mean	Standard Deviasi	T Statistics	P Values
Local Economic Compettiveness > Local Wisdom > Creative Economy	0,088	0,095	0,043	2,057	0,040

Source : Data Processing, 2024

The test results show that Local Economic Competitiveness affects the Creative Economy indirectly through Local Wisdom. The path coefficient of 0.088 shows that the influence of this mediation is positive, meaning that increasing Local Economic Competitiveness will increase Local Wisdom, which in turn has a positive impact on the Creative Economy. The t-statistical value of 2.057 is greater than the critical value of 1.96 at a significance level of 5%, indicating that this indirect influence is significant. The significance level of 0.040 corroborates this result, so it can be concluded that Local Wisdom plays a significant mediator role in the relationship between Local Economic Competitiveness and Creative Economy. Thus, Local Wisdom is an important element in strengthening the impact of Local Economic Competitiveness on the Creative Economy.

DISCUSSION

Increasing regional economic competitiveness through a creative economy based on local wisdom is a relevant strategy in sustainable economic development. Every region in Indonesia has a wealth of culture, traditions, and local knowledge that can be used to develop the creative economy. Local wisdom, which includes values, traditions, knowledge, and skills passed down from generation to generation, can be the main foundation in creating distinctive products and services, providing competitiveness in both local and global markets. By utilizing local wisdom, the creative economy can produce unique and innovative products, which not only maintain cultural values but also answer the needs of today's market. In addition, this sector can empower local communities, create jobs, and increase people's incomes. The creative economy also plays an important role in cultural preservation, because by creating tradition-based products, regions can preserve their cultural heritage while increasing tourist attraction and introducing local culture to the international world. However, the development of a creative economy based on local wisdom faces challenges such as limited access to technology and training, intellectual property protection problems, and obstacles in product marketing and distribution. Therefore, to maximize the potential of local wisdom, support in the form of technology, human resource development, and protection of cultural wealth is needed. With the right strategy, local wisdom can be an asset that strengthens regional identity and encourages sustainable and inclusive economic growth.

1. The Role of Local Wisdom in Creative Economy Development

Local wisdom is a very valuable asset in the development of the creative economy, because it has the potential to produce products that are not only unique and authentic, but also have a high selling value (Maharani & Nisa., 2024). Products based on local wisdom, such as handicrafts, batik, traditional culinary, performing arts, and other cultural products, offer uniqueness that can attract the attention of consumers both domestically and abroad. This uniqueness can create a strong differentiation in the market, which distinguishes an area from other competitors, as well as increases the competitiveness of the region's products. For example, the handicraft industry in Bali has successfully leveraged the traditional skills of the Balinese people to create art products that are not only known in the local market, but are also in demand in the international market. Products such as sculptures, wood carvings, and jewelry made from local materials, with Balinese designs, have positioned the area as one of the leading creative economy centers in Indonesia. This success proves that by utilizing local wisdom, the region can create products that have global appeal, which not only preserves traditions, but also contributes to the regional economy (Kasman., 2024).

Optimizing the potential of local wisdom in the creative economy requires more systematic efforts in preserving and developing traditional knowledge (Hayat et al., 2024). One of the main steps is to train the younger generation on traditional skills, so that this knowledge can continue to live and develop along with the changing times. This training not only includes technical skills in product manufacturing, but also an understanding of the cultural values contained in it, so that the products produced still maintain their authenticity. In addition, involving local communities in the development and maintenance of this cultural heritage is also very important, so that they feel owned and responsible for the preservation of traditions (Fauzan., 2023)

It is also important to introduce this local wisdom to a wider market, both through local and international promotions. A marketing approach based on cultural values and product uniqueness can introduce the beauty and richness of regional culture to the world. Digital marketing, such as through e-commerce platforms and social media, can be an effective tool to expand market reach and attract global consumers (Adhitya et al., 2024). In addition, collaboration with international institutions or the organization of cultural events such as art festivals and exhibitions of local products can introduce products based on local wisdom to the international market (Sari et al., 2022), thereby increasing the competitiveness of these products in the global market.

In these efforts, support from the government and the private sector is very important, both in the form of policies that support cultural preservation, training for creative economy actors, and in the provision of adequate facilities and infrastructure. With the right steps, the creative economy based on local wisdom can be the main driver in increasing regional economic competitiveness, preserving culture, and opening up new opportunities for sustainable economic development.

2. Collaboration between Government, Private and Community in Creative Economy Development

Local governments play a very important role in creating policies that support the development of a creative economy based on local wisdom (Mukaffi., 2019). Proactive policies, such as providing incentives for creative business actors, facilitating the establishment of creative economic zones, and providing supporting infrastructure, are crucial to creating an ecosystem that is conducive to the growth of the creative economy. Local governments can also work with the private sector to develop training programs that can improve the skills of young people in the creative economy, promote local products to a wider market, and open access to international markets (Harini et al., 2023).

Through close collaboration between the government and the private sector, an environment can be created that supports innovation and product expansion based on local wisdom. On the other hand, the private sector, both large companies and small and medium enterprises (SMEs), also has a very significant role in supporting the development of the creative economy. Large companies can provide investments in the form of capital, technology, and wider market access, while SMEs, with their flexibility and creativity, are able to innovate and create new products that are more in line with the needs of local and global markets. Harmonious cooperation between the government, the private sector, and the community is the key to success in developing a creative economy sector based on local wisdom, which in turn can create broad economic benefits for the region, improve community welfare, and strengthen local cultural identity.

3. Improving Human Resources (HR) in the Creative Economy

Local governments play a very important role in creating policies that support the development of a creative economy based on local wisdom (Satria & Wibowo., 2021). Proactive policies, such as providing incentives for creative business actors, facilitating the establishment of creative economic zones, and providing supporting infrastructure, are crucial to creating an ecosystem that is conducive to the growth of the creative economy. Local governments can also work with the private sector to develop training programs that can improve the skills of young people in the creative economy, promote local products to a wider market, and open access to international markets. Through close collaboration between the government and the private sector, an environment can be created that supports innovation and product expansion based on local wisdom. On the other hand, the private sector, both large companies and small and medium enterprises (SMEs), also has a very significant role in supporting the development of the creative economy (Jefri & Ibrohim., 2021). Large companies can provide investments in the form of capital, technology, and wider market access, while SMEs, with their flexibility and creativity, are able to innovate and create new products that are more in line with the needs of local and global markets. Harmonious cooperation between the government, the private sector, and the community is the key to success in developing a creative economy sector based on local wisdom, which in turn can create broad economic benefits for the region, improve community welfare, and strengthen local cultural identity (Rambe., 2024)

4. Challenges and Opportunities in Developing a Creative Economy Based on Local Wisdom

Local governments play a very important role in creating policies that support the development of a creative economy based on local wisdom. Proactive policies, such as providing incentives for creative business actors, facilitating the establishment of creative economic zones, and providing supporting infrastructure, are crucial to creating an ecosystem that is conducive to the growth of the creative economy. Local governments can also work with the private sector to develop training programs that can improve the skills of the younger generation in the creative economy, promote local products to a wider market, and open access to international markets (Erwin., 2023). Through close collaboration between the government and the private sector, an environment can be created that supports innovation and product expansion based on local wisdom. On the other hand, the private sector, both large companies and small and medium enterprises (SMEs), also has a very significant role in supporting the development of the creative economy. Large companies can provide investments in the form of capital, technology, and wider market access, while SMEs, with their flexibility and creativity, are able to innovate and create new products that are more in line with the needs of the local and global markets (Erwin., 2023). Harmonious cooperation between the government, the

private sector, and the community is the key to success in developing a creative economy sector based on local wisdom, which in turn can create broad economic benefits for the region, improve community welfare, and strengthen local cultural identity.

CONCLUSION

Increasing regional economic competitiveness through a creative economy based on local wisdom has great potential to encourage sustainable economic growth. By utilizing the rich culture and local traditions as the basis for products, as well as increasing collaboration between the government, the private sector, and the community, the creative economy can become a strategic sector in regional economic development. Local governments have an important role in creating supportive policies, providing incentives for creative business actors, and providing adequate infrastructure. The private sector, both large companies and small and medium enterprises (SMEs), also plays a role by providing investment, technology, and access to global markets. The community as the owner of local wisdom has the main contribution in maintaining and developing cultural heritage that is the basis of the creative economy, creating unique products, and opening up new market opportunities. Strengthening the capacity of skilled and competent human resources (HR) in managing and marketing products based on local wisdom is urgently needed to achieve optimal results. Continuous training and education, as well as the use of digital technology in product marketing and distribution, are key to expanding market reach. Challenges in market access and funding also need to be overcome by providing easy access to financing and platforms to promote products. By addressing these challenges and creating a supportive ecosystem, the creative economy based on local wisdom can play a key role in inclusive, sustainable, and highly competitive regional economic development.

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