Iranian Economic Review, 2025, 29(4), 1497-1525
DOI: https://doi.org/10.22059/ier.2024.369080.1007874

RESEARCH PAPER

Unlocking Growth: The Impact of Human Development and the Creative Economy on Economic Prosperity and Poverty Reduction in Indonesia

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Received: 17 December 2023, Revised: 21 March 2024, Accepted: 12 April 2024, Published: 15 December 2025
Publisher: The University of Tehran Press.

Abstract
This study examines the relationship between human development, the creative economy, economic development, and poverty structure in Indonesia. The primary objective is to explore how human development and the creative economy influence economic growth and poverty reduction. Using path analysis, this research investigates the direct and indirect effects of human development and the creative economy on economic development and poverty structure, focusing on variables such as education, health, income distribution, and employment opportunities. The results show that human development significantly enhances economic development, which, in turn, helps reduce poverty. Additionally, the creative economy contributes positively to economic growth, but its impact on poverty reduction has been limited due to uneven regional development. The study also reveals that economic development mediates the relationship between both human development and the creative economy with poverty structure. These findings emphasize the need for integrated policies that promote both human and economic development, ensuring equitable distribution of growth benefits. The implications of this research suggest that targeted investments in education, infrastructure, and support for creative industries, especially in underserved regions, are essential for fostering inclusive economic growth and reducing poverty in Indonesia. By strengthening human capital and creative sectors, Indonesia can achieve sustainable development and improve living standards across its diverse population.
Keywords: Destitution, Innovative, Progress, Prosperity, Wealth.
JEL Classification: O1, O4, O15.

1. Introduction
Human development is a crucial aspect of any nation’s growth, encompassing a wide range of factors that influence an individual's quality of life (Dellyana et al., 2023). It is generally defined as the process by which people enhance their knowledge, skills, and capabilities, which ultimately leads to improvements in living standards. The key pillars of human development include access to quality education, healthcare, economic opportunities, and the ability to participate in

decisions that affect one's life (Susanti and Silvia, 2024). At the global level, human development has been recognized as essential for ensuring economic competitiveness and social stability (Purwadi and Satria, 2024). For any country, including Indonesia, human development serves as the foundation for economic growth, social mobility, and the eradication of poverty. As countries advance, human development is vital for empowering citizens, improving their well-being, and ensuring equitable access to resources (Ramadhan and Satria, 2025).

Human development is inherently interconnected with economic development. As noted by Mahrinasari and Pratama (2024), economic progress relies heavily on the quality of human capital. A country's economy cannot thrive without a healthy, educated, and skilled workforce. At the same time, for individuals to achieve their full potential, the economy must offer sufficient opportunities in terms of jobs, wages, and social services (Fadilla et al., 2024). Therefore, there is a symbiotic relationship between human development and economic growth: each supports the other, creating a cycle that propels a nation forward. If a country invests in human development, it directly strengthens its economic growth by cultivating a workforce capable of driving innovation, increasing productivity, and sustaining social stability (Dima and Nalle, 2025).

The relationship between human development and economic growth has been fraught with challenges. Despite steady improvements in some key indicators, such as life expectancy and literacy rates, significant disparities remain across different regions (Goh et al., 2024). The country's economic progress has not been equally distributed, with much of the growth concentrated in urban centers like Jakarta, Bali, and Yogyakarta, while rural areas continue to struggle with underdevelopment. The Human Development Index (HDI) in Indonesia reflects this uneven development (Qudsi and Ashar, 2025). While urban areas have access to better healthcare, education, and employment opportunities, rural populations often face barriers to achieving the same quality of life, leaving them at a disadvantage in terms of social mobility and economic opportunity (Yuslin, 2024).

The gap between urban and rural areas in Indonesia is one of the most pressing issues in human development. According to the World Bank (2021), rural populations in Indonesia experience higher levels of poverty, lower educational attainment, and reduced access to quality healthcare. This urban-rural divide exacerbates the inequality within the country, making it more difficult for people in remote areas to improve their living standards (Asmara et al., 2024). The lack of infrastructure, including poor transportation networks, limited access to digital technologies, and inadequate public services, further hinders the development of rural regions. As a result, many rural communities are trapped in cycles of poverty, unable to access the resources and opportunities that could help them break free (Rizkiawan et al., 2024).

Inequality is not just limited to geographic regions but is also exacerbated by the growing income gap between the rich and the poor. According to Indonesia's Statistics Bureau (BPS, 2020), a significant portion of the population remains under the poverty line, with a substantial disparity in wealth distribution. While the country's economic growth has led to the emergence of a burgeoning middle class, it has also left a large portion of the population behind. This inequality means that while some Indonesians enjoy rising living standards, others are left to face the harsh realities of poverty (Fahmi, 2016). Access to essential services such as healthcare and education becomes more difficult for the economically disadvantaged, reinforcing the socio-economic divide.

Economic growth, as a measure of national development, can be seen in various indicators, such as gross domestic product (GDP) and income levels (Purwono, 2021). However, it is essential to understand that economic growth alone does not necessarily translate into improved living conditions for all citizens. In Indonesia, despite positive GDP growth rates, many regions continue to experience stagnation in terms of human development (Komariyah, 2023). This disparity highlights the need for a more inclusive approach to economic development, one that integrates human development into the growth agenda (M. Ramadhan, 2025). Economic growth must be accompanied by targeted efforts to improve education, healthcare, and employment opportunities for all citizens, especially those in rural and underserved areas (Hali, 2025).

Indonesia's economic strategy has traditionally relied on its natural resources, such as oil, gas, and agriculture, as primary drivers of growth. However, with the global economy becoming increasingly reliant on technology and innovation, the country must diversify its economic base (Gahari, 2024). This is where the creative economy comes in as a potential driver of sustainable development. The creative economy encompasses a wide range of industries, including art, fashion, music, design, film, and digital media (Dairoby, 2024). These industries not only offer opportunities for economic growth but also have the potential to foster cultural expression, innovation, and social cohesion. The growth of the creative economy in Indonesia has the potential to create jobs, promote entrepreneurship, and improve regional economies, especially in areas that have been left behind by traditional industries.

Indonesia's creative economy has experienced significant growth, contributing to both the country's GDP and its cultural influence globally. According to the Indonesian Ministry of Creative Economy (2020), the creative industries contributed 7.44% to the country's GDP in 2019, with the sector growing at a rate of 10.5% annually. This sector has become an important source of economic growth, especially in urban areas such as Jakarta, Yogyakarta, and Bali. The creative economy offers a platform for young entrepreneurs to innovate and create new products and services that resonate with both local and global markets. Moreover, the creative economy is seen as a sustainable driver of growth

because it taps into Indonesia's rich cultural heritage, transforming it into valuable economic assets (Chollisni et al., 2022).

Despite the promising growth of the creative economy, its development has been uneven across the country (Digdowiseiso, 2023). The concentration of creative industries in urban areas has resulted in a significant disparity between regions. While cities like Jakarta and Yogyakarta have seen a flourishing creative economy, other regions such as Papua, Kalimantan, and parts of Sulawesi have not been able to fully leverage their creative potential (Arianto and Cahyono, 2025). This uneven distribution of creative industries further deepens the gap between urban and rural areas. In these underserved regions, the lack of infrastructure, limited access to markets, and inadequate support for entrepreneurship hinder the growth of the creative economy (Putra, 2024). Additionally, there is a shortage of skilled labor in many creative sectors, which prevents businesses from scaling up and creating more job opportunities (Burhanudin, 2023).

The lack of government support and inadequate infrastructure in non-urban regions are some of the key factors limiting the growth of the creative economy outside of major cities (Nasution et al., 2025). While the government has made efforts to promote the creative economy through initiatives such as the Indonesian Creative Economy Agency (Bekraf), these efforts have largely been focused on urban areas (Murtadi and Hadi, 2024). Small businesses in the creative sector often struggle to access financing, markets, and the digital tools necessary to expand their reach. The absence of policies that provide incentives for creative entrepreneurs, such as tax relief, low-interest loans, and digital infrastructure, has made it difficult for businesses to thrive in these regions. Consequently, the full potential of the creative economy to contribute to poverty reduction and human development remains untapped (Widodo, 2023).

Poverty in Indonesia is not merely an issue of income but also a result of limited access to resources and opportunities. This multidimensional problem encompasses economic, social, and cultural aspects (Soegiarso, 2022). Many of Indonesia's poor live in rural and remote areas where they have limited access to education, healthcare, and employment opportunities. Poverty in Indonesia is closely linked to the lack of quality human resources, which is a barrier to achieving sustainable economic development (Permana, 2024). As the country continues to grapple with poverty, investing in human development is critical to reducing inequality and improving the living standards of the population. High-quality human resources are essential for driving economic growth and addressing the complex challenges associated with poverty (Burhanudin, 2023).

To address these challenges, Indonesia needs to adopt a more inclusive approach to development, one that focuses on building human capital in underdeveloped regions and fostering the growth of the creative economy (Hutama, 2024). This requires significant investments in education and healthcare, as well as the creation of policies that support entrepreneurship, especially in the

creative industries (Rahayu, 2025a). By improving human development in these areas, Indonesia can create new economic opportunities, reduce poverty, and promote social mobility. The creative economy has the potential to bridge the gap between urban and rural areas, providing new avenues for growth and development in underserved regions (Iman and Wahyudi, 2023).

Addressing the inequality in access to education and skills development is essential for fostering inclusive growth. The creative economy provides an opportunity to do this by creating jobs in sectors such as design, digital media, and arts (Hayat and Sulaiman, 2023). However, for this potential to be fully realized, the government must provide the necessary support to foster the growth of creative industries in rural and underdeveloped areas. This includes improving access to digital tools, investing in education and training programs, and providing financial support to creative entrepreneurs (Fadli, 2024). Only by addressing these issues can Indonesia ensure that the benefits of the creative economy reach all corners of the country and contribute to reducing poverty and inequality (Hayat and Sulaiman, 2023).

Indonesia has made significant progress in human development, but there remain substantial gaps, particularly between urban and rural areas. The creative economy offers a unique opportunity to address these disparities by providing new sources of income, employment, and cultural expression. However, for the creative economy to thrive in underserved regions, the government must invest in infrastructure, education, and policies that support creative businesses. By integrating human development with economic growth, Indonesia can harness the potential of the creative economy to create a more equitable and sustainable future for all its citizens. Through these efforts, the country can unlock the full potential of its human resources, fostering a more inclusive and prosperous society.

2. Literature Review

2.1 Economic Development

Economic development is a continuous and dynamic process, reflecting the progress that a nation makes over time. Unlike static economic conditions, economic development represents a forward-looking transformation that aims to achieve more than just increases in output. At its core, it is about improving the standard of living and well-being of the population (Dellyana et al., 2023). This progress is typically measured through the growth of real income, which encompasses both the total national income and the distribution of that income across the population. The relationship between economic growth and development is fundamentally rooted in two key factors: national income and population (Susanti and Silvia, 2024). The per capita income, or national income divided by the population, serves as an indicator of the average income of individuals in a country, offering insights into the economic prosperity of a nation (Purwadi and Satria, 2024).

The concept of economic development is often framed within different models that emphasize various aspects of growth. Ramadhan and Satria, 2025) identified four key development models: the growth-oriented development model, the job creation model, the poverty elimination model, and the basic needs-oriented model. Each model has distinct goals, but all share the ultimate aim of improving the quality of life, enhancing goods and services, creating decent jobs with fair wages, and ensuring that all households achieve a minimum standard of living (Dima and Nalle, 2025). In essence, economic development is not just about enhancing the wealth of a few but ensuring that the benefits of growth are widely distributed and contribute to the improvement of living standards for all (Goh et al., 2024).

2.2 Poverty Structure

Poverty is a multifaceted issue that is deeply embedded in the structural dynamics of society (Yuslin, 2024). According to structuralist theories, poverty is not merely a result of individual failings or market forces but is instead shaped by larger structural factors, such as economic policies, industrialization, and spatial inequality (Qudsi and Ashar, 2025). Structural factors often dictate the level of exposure different communities have to economic opportunities, which in turn affects their risk of poverty. Asmara et al. (2024) emphasized that economic development plays a crucial role in reducing poverty, particularly through urbanization and improved access to education and health services. Their research highlighted how China's rapid economic growth and urbanization have led to a dramatic decline in poverty over recent decades (Rizkiawan et al., 2024).

While economic development is often seen as a necessary condition for poverty reduction, it is not always a sufficient one (Fahmi, 2016). Economic growth must be inclusive and accompanied by policies that address the underlying causes of poverty, such as limited access to resources, unequal income distribution, and inadequate social services (Purwono, 2021). Moreover, the spatial distribution of poverty, with many impoverished communities concentrated in rural or remote areas, further complicates efforts to eliminate poverty. As such, a comprehensive approach that addresses both the economic and social dimensions of poverty is needed to achieve sustainable development (Hali, 2025).

2.3 Human Development

Human development is a broader concept that transcends traditional economic measures and focuses on improving the overall well-being of individuals. According to Gahari (2024), the Human Development Index (HDI) is a widely used tool to measure human development achievements across regions and time. HDI takes into account three key dimensions: life expectancy (health), educational attainment (knowledge), and income (standard of living). By considering these

factors, HDI provides a composite index that offers a more holistic view of human development, beyond just economic indicators (Dairoby, 2024).

Human capital plays a critical role in driving economic growth. (Digdowiseiso, 2023) noted that investment in human capital, such as education, training, and health, leads to higher productivity and a better standard of living. As the economy improves, there is an increased focus on human capital development, as people become more inclined to invest in their education, skills, and health (Arianto and Cahyono, 2025). This creates a virtuous cycle where human development leads to economic growth, which in turn provides more resources for further human development. Moreover, technological innovation, which is essential for productivity growth, is also heavily reliant on a skilled and educated workforce. In this way, human development and economic development are deeply intertwined, each supporting and enhancing the other (Putra, 2024).

2.4 Creative Economy

The concept of the creative economy emerged in the late 20th century, as new forms of economic activities began to prioritize creativity, innovation, and cultural expression. John Howkins, in his book "The Creative Economy: How People Make Money," introduced the idea that the creative economy involves economic activities focused on the generation of ideas rather than routine and repetitive tasks (Nasution et al., 2025). Howkins argued that creativity is a key driver of economic progress and that societies that prioritize creativity and innovation are better positioned to succeed in the modern global economy. This view has been widely adopted, particularly in countries looking to diversify their economies and move beyond traditional industries (Murtadi and Hadi, 2024).

The creative economy has become an increasingly important driver of growth. The sector includes industries such as art, design, music, film, fashion, and digital media (Soegiarso, 2022). The growth of the creative economy in Indonesia reflects the country's rich cultural heritage and its growing capacity to produce innovative and globally competitive products. According to Sari and Sukma (2023), the creative economy can be divided into 14 sectors, including advertising, architecture, arts, crafts, design, fashion, video, film, music, performing arts, publishing, and digital services like interactive games and software development. These sectors not only contribute to economic growth but also serve as vehicles for cultural expression and social cohesion (Iman and Wahyudi, 2023).

Despite the rapid growth of the creative economy in major urban centers, there remains a significant gap in terms of development across different regions. The creative economy in Indonesia is largely concentrated in cities like Jakarta, Yogyakarta, and Bali, while other areas, particularly in Eastern Indonesia, struggle to tap into this potential (Hayat and Sulaiman, 2023). The lack of infrastructure, skilled labor, and government support in these regions limits the growth of creative industries. Moreover, small and medium-sized enterprises (SMEs) in the creative

sector often face challenges in terms of market access, financing, and digital infrastructure. This has led to uneven development in the creative economy, with certain regions reaping the benefits while others remain underdeveloped (Fadli, 2024).

2.5 Relationships between Variables

The relationship between human development and economic growth is well established in the literature. Nasution et al. (2025) highlighted that education is one of the most important investments for economic development. An educated population is more likely to be productive, innovative, and capable of contributing to the economy. Furthermore, individuals with higher levels of education tend to earn higher incomes, which in turn boosts the overall economy. As the economy grows, there is more investment in education and skill development, which creates a feedback loop that drives further growth (Sari and Sukma, 2023).

Human development is closely linked to poverty reduction. According to Klasen in Qudsi and Ashar (2025), increasing access to essential assets, particularly human capital through education, is one of the most effective ways to reduce poverty. Their research found that the average length of schooling negatively correlated with the number of people living in poverty, indicating that investment in education can significantly reduce poverty rates (Dima and Nalle, 2025).

The creative economy also has a significant impact on economic development. Dellyana et al. (2023) argued that the creative economy is central to the development of local economies, particularly in underdeveloped regions. By fostering innovation and creativity, the creative economy can create jobs, attract investment, and improve local infrastructure. This has been demonstrated in various parts of the world, where creative industries have revitalized economically disadvantaged regions and provided new avenues for economic growth (Hayat and Sulaiman, 2023).

The relationship between the creative economy and poverty reduction is complex but promising. According to Purwadi and Satria (2024) the growth of micro, small, and medium-sized enterprises (MSMEs) is often closely tied to poverty. While MSMEs can be a source of income for the poor, their growth is often driven by the availability of demand in local markets. In many developing countries, including Indonesia, MSMEs have played a crucial role in reducing poverty by providing employment and economic opportunities. However, the effectiveness of MSMEs in poverty reduction depends on the availability of infrastructure, market access, and financial support from the government and private sectors (Ramadhan and Satria, 2025).

Economic development and poverty reduction are closely interconnected. Ramadhan and Satria (2025) emphasized that economic growth should not just be measured by increases in GDP but should also take into account the distribution of

income and its effects on the quality of life. Economic development, therefore, should focus not just on increasing wealth but on ensuring that the benefits of growth are shared widely across society. This approach requires policies that address inequality and provide opportunities for all segments of the population to improve their living standards.

3. Methods and Materials

The data analysis in this study follows the path analysis method, a powerful statistical technique used to examine the relationships between multiple endogenous and exogenous variables simultaneously. As outlined in the conceptual framework, this method is particularly well-suited for testing complex models that include several variables that may influence one another in various ways. Path analysis provides a clear and structured way to model these relationships by breaking down the process into smaller, more manageable steps, enabling researchers to evaluate the direct and indirect effects of different factors.

In the present study, the exogenous variables include human development (X1) and the creative economy (X2), while the endogenous variables are economic development (Y1) and poverty structure (Y2). The use of path analysis allows us to test the impact of both human development and the creative economy on economic development and poverty reduction, all while taking into account the interdependencies among these factors.

3.1 Exogenous Variables

The first exogenous variable, human development (X1), is measured using three indicators: expected length of schooling (X1.1), average length of schooling (X1.2), and life expectancy (X1.3). Human development is considered a fundamental aspect of national progress because it encapsulates both the education system and the overall health of the population. The indicators chosen reflect key areas in human development that are likely to have significant impacts on the broader economic landscape. Specifically, the expected length of schooling (X1.1) reflects the future opportunities available to the population, while the average length of schooling (X1.2) indicates the level of education currently attained. Life expectancy (X1.3) is a direct measure of the health outcomes within a population, which influences not only the productivity of individuals but also their ability to contribute effectively to the economy.

The second exogenous variable, the creative economy (X2), is also assessed through several indicators: gross regional domestic product (X2.1), exports (X2.2), the number of foreign tourists (X2.3), and the number of micro, small, and medium enterprises (X2.4). The creative economy is a critical factor in modern economies, especially for countries like Indonesia, where there is a rich cultural heritage and a growing market for creative goods and services. Gross regional domestic product (X2.1) serves as a general measure of the economic output generated within a

specific region, which is influenced by creative industries. Exports (X2.2) capture the global reach of creative products, which can stimulate economic growth and raise national income. The number of foreign tourists (X2.3) reflects the attractiveness of Indonesia's creative offerings, such as cultural tourism, arts, and entertainment, which further enhance economic prosperity. Lastly, the number of micro, small, and medium enterprises (X2.4) is an important indicator of the vibrancy and accessibility of the creative economy, particularly in terms of job creation and the empowerment of local communities.

3.2 Endogenous Variables

On the endogenous side, economic development (Y1) is represented by two indicators: per capita income (Y1.1) and economic growth (Y1.2). Economic development is a broader term that incorporates changes in both the level and distribution of income within a country. Per capita income (Y1.1) is a key indicator used to measure the average income of individuals in the country, which reflects the overall standard of living. Economic growth (Y1.2) is measured by the increase in GDP or the expansion of economic activity, which provides insight into the general health of the economy. Both indicators are crucial for understanding how well the country is progressing and whether the benefits of growth are being shared equitably across the population.

The second endogenous variable, poverty structure (Y2), includes five indicators that help provide a comprehensive view of poverty in the country: poor population growth (Y2.1), population size (Y2.2), poverty severity index (Y2.3), poverty depth index (Y2.4), and income distribution (Y2.5). These indicators allow for a nuanced understanding of poverty by considering both the extent of poverty (through population growth and poverty indices) and its intensity (through severity and depth indicators). Understanding poverty in terms of these dimensions is crucial for identifying specific areas of vulnerability within the population and creating targeted policies that address both the causes and consequences of poverty.

3.3 Mathematical Model and Pathways

Based on the conceptual framework and the use of path analysis, the relationships between the variables can be modeled mathematically. The first structural equation represents the relationship between economic development (Y_1) and the exogenous variables, human development (X_1) and creative economy (X_2):

$$Y_1 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \epsilon_1$$

In this equation, Y_1(economic development) is a function of X_1(human development) and X_2(creative economy). The coefficients α_1 and α_2 represent the direct effects of human development and the creative economy on economic development, while $\epsilon_1$is the error term, capturing all unmeasured factors affecting economic development.

The second structural equation describes the relationship between poverty structure (Y_2), the exogenous variables, and the endogenous variable economic development (Y_1):

$$Y_2 = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_7 Y_1 + \epsilon_2$$

This equation indicates that poverty structure (Y_2) is influenced not only by human development (X_1) and the creative economy (X_2) but also by economic development (Y_1). The inclusion of Y_1as an explanatory variable in this equation suggests that economic development can have an indirect effect on poverty, improving conditions and reducing poverty levels as the economy grows. The coefficient $\alpha_7$represents the strength of this indirect relationship, and ϵ_2 again captures the error term for the poverty structure model.

3.4 Software and Analysis

For the analysis of these structural equations, the study utilizes Warp Partial Least Squares (PLS), a powerful tool for estimating complex relationships between variables. Warp PLS is particularly suitable for path analysis, as it is capable of handling multiple endogenous and exogenous variables simultaneously. This software allows for the testing of the model's fit and the significance of the pathways between variables, providing valuable insights into the direct and indirect effects of human development, the creative economy, and economic development on poverty structure.

4. Results and Discussion

According to Hair et al. (2014: 92), *Outer loading* is a value that explains the relationship (correlation) between an indicator and its latent variables. The higher the *outer loading*, the closer the relationship between an indicator and its latent variables. Outer loading values of 0.4 - 0.7 are acceptable, while *outer loading* < 0.3 is permanently eliminated from the analysis process. In general, *outer loading* values of 0.4 - 0.7 can be considered for elimination, which increases the value of *composite reliability* or *average variance*. The following are the results of several indicators of Human Development, Creative Economy, Human Development, and Poverty Structure, which are as follows:

	X1	X2	Y1	Y2	Type (as defined)	SE	P value
X1.1	(0.883)	-0.085	0.081	0.220	Formative	0.046	<0.001
X1.2	(0.816)	0.018	0.004	-0.322	Formative	0.046	<0.001
X1.3	(0.606)	0.099	-0.122	0.114	Formative	0.047	<0.001
X2.1	0.055	(0.932)	-0.104	0.033	Formative	0.045	<0.001
X2.2	0.015	(0.808)	-0.321	-0.299	Formative	0.046	<0.001
X2.3	-0.435	(0.248)	0.470	0.034	Formative	0.050	<0.001
X2.4	0.075	(0.601)	0.398	0.336	Formative	0.048	<0.001
Y1.1	0.323	0.321	(0.669)	-0.412	Formative	0.047	<0.001
Y1.2	-0.323	-0.321	(0.669)	0.412	Formative	0.047	<0.001
Y2.1	-0.007	0.009	-0.019	(0.983)	Formative	0.045	<0.001
Y2.2	0.158	0.435	-0.387	(-0.183)	Formative	0.050	<0.001
Y2.3	0.030	0.054	-0.060	(0.977)	Formative	0.045	<0.001
Y2.4	0.007	0.019	0.007	(0.965)	Formative	0.045	<0.001

Figure 1. PLS Wrap Calculation Result: First Outer Loading
Source: Research finding.

It is known from the interpretation above that several indicators do not meet the requirements, namely the number of foreign tourists (X 2.3) and the number of residents ($Y_{2.2}$). Based on the *outer loading* results, it is retested for some qualified indicators, while unqualified indicators cannot be maintained or eliminated.

	X1	X2	Y1	Y2	Type (as defined)	SE	P value
X1.1	(0.883)	-0.082	0.074	0.217	Formative	0.046	<0.001
X1.2	(0.816)	0.009	0.081	-0.286	Formative	0.046	<0.001
X1.3	(0.606)	0.107	-0.216	0.068	Formative	0.047	<0.001
X2.1	0.002	(0.940)	-0.032	0.046	Formative	0.045	<0.001
X2.2	-0.037	(0.831)	-0.242	-0.271	Formative	0.046	<0.001
X2.4	0.050	(0.583)	0.396	0.312	Formative	0.048	<0.001
Y1.1	0.335	0.330	(0.669)	-0.426	Formative	0.047	<0.001
Y1.2	-0.335	-0.330	(0.669)	0.426	Formative	0.047	<0.001
Y2.1	-0.013	-0.017	-0.002	(0.983)	Formative	0.045	<0.001
Y2.3	0.014	0.026	-0.025	(0.981)	Formative	0.045	<0.001
Y2.4	-0.001	-0.009	0.027	(0.967)	Formative	0.045	<0.001

Figure 2. PLS Wrap Calculation Result: Second Outer Loading
Source: Research finding.

So, it can be concluded from the results of the interpretation above that all indicators of the variables of the construct of human development (X_1), creative economy (X_2), economic development (Y_1), and poverty structure (Y_2), are known to all get *an outer loading* value of > 0.4, which means that all indicators are maintained in the following analysis process.

According to Hair et al. (2014: 103), *Average* variance extracted (AVE) is a value (on average) that describes how much a latent variable or construct can explain the *variance* of its indicators. The higher the AVE, the better a latent variable or construct explains the *variance* of its indicators. An AVE value of >

0.5 means that a latent variable or construct has absorbed information from its indicators by more than 50%. The following is the result of the *average variance extracted* (AVE):

	X1	X2	Y1	Y2
R-squared			0.163	0.376
Adj. R-squared			0.159	0.371
Composite reliab.	0.817	0.836	0.618	0.984
Cronbach's alpha	0.661	0.698	-0.237	0.976
Avg. var. extrac.	0.604	0.638	0.447	0.954
Full collin. VIF	1.116	1.183	1.385	1.504
Q-squared			0.168	0.379
Min	-4.812	-2.277	-6.857	-2.169
Max	2.195	2.459	2.539	2.536
Median	0.092	0.015	0.090	-0.007
Mode	0.139	0.000	-2.055	-0.537
Skewness	-0.975	0.164	-1.251	0.225
Exc. kurtosis	1.815	-0.331	7.473	-0.514
Unimodal-RS	Yes	Yes	Yes	Yes
Unimodal-KMV	Yes	Yes	Yes	Yes
Normal-JB	No	Yes	No	No
Normal-RJB	No	Yes	No	No
Histogram	View	View	View	View

Figure 3. PLS Wrap Calculation Result: Average Variance Extracted (AVE)
Source: Research finding.

So, it can be concluded based on the above interpretation that the latent variables of human development (X_1), creative economy (X_2), and poverty structure (Y_2) have absorbed variance from each indicator > 50 percent. At the same time, the latent variable of economic development (Y_1) has absorbed *variance* from each indicator < 50 percent.

	X1	X2	Y1	Y2
R-squared			0.163	0.376
Adj. R-squared			0.159	0.371
Composite reliab.	0.817	0.836	0.618	0.984
Cronbach's alpha	0.661	0.698	-0.237	0.976
Avg. var. extrac.	0.604	0.638	0.447	0.954
Full collin. VIF	1.116	1.183	1.385	1.504
Q-squared			0.168	0.379
Min	-4.812	-2.277	-6.857	-2.169
Max	2.195	2.459	2.539	2.536
Median	0.092	0.015	0.090	-0.007
Mode	0.139	0.000	-2.055	-0.537
Skewness	-0.975	0.164	-1.251	0.225
Exc. kurtosis	1.815	-0.331	7.473	-0.514
Unimodal-RS	Yes	Yes	Yes	Yes
Unimodal-KMV	Yes	Yes	Yes	Yes
Normal-JB	No	Yes	No	No
Normal-RJB	No	Yes	No	No
Histogram	View	View	View	View

Figure 4. PLS Wrap Calculation Result: Composite Reliability
Source: Research finding.

Therefore, it can be concluded based on the above interpretation that the latent variables of human development, creative economy, economic development, and poverty structure are known to have composite reliability values of all> 0.6.

According to Hair et al. (2014: 104-105), discriminant validity tests the extent to which a construct completely differs from another construct. As for determining the validity of discrimination through a cross-loading approach. Compare the outer loading value of an indicator against its latent variable and the *outer loading* value of the indicator against other latent variables. In this approach, the outer loading value of an indicator against its latent variable must be greater than the *outer loading* value of the indicator against other latent variables. In this approach, test whether an indicator is better at testing its latent variable than other latent variables. In other words, it tests whether any indicators are swapped. The following are the results of testing the validity of cross-loading discriminants, which are as follows:

	X1	X2	Y1	Y2
X1.1	(0.883)	0.006	0.141	-0.093
X1.2	(0.816)	0.238	0.388	-0.497
X1.3	(0.606)	0.108	0.015	-0.098
X2.1	0.120	(0.940)	0.257	-0.295
X2.2	0.126	(0.831)	0.188	-0.403
X2.4	0.107	(0.583)	0.297	-0.167
Y1.1	0.507	0.546	(0.669)	-0.703
Y1.2	-0.175	-0.147	(0.669)	0.028
Y2.1	-0.312	-0.380	-0.511	(0.983)
Y2.3	-0.283	-0.343	-0.500	(0.981)
Y2.4	-0.290	-0.363	-0.467	(0.967)

Figure 5. PLS Wrap Calculation Result: Cross-Loading Discriminant Validity
Source: Research finding.

So, it can be concluded, based on the interpretation above, that the *loading* value between each indicator variable and its latent variable is higher when compared to other latent variables.

The *r-squared* value is a value that expresses how much the free variable can explain the *variance* of the non-free variable. The following are the results of the coefficient of determination (*r-squared*) test, which are as follows:

	X1	X2	Y1	Y2
R-squared			0.163	0.376
Adj. R-squared			0.159	0.371
Composite reliab.	0.817	0.836	0.618	0.984
Cronbach's alpha	0.661	0.698	-0.237	0.976
Avg. var. extrac.	0.604	0.638	0.447	0.954
Full collin. VIF	1.116	1.183	1.385	1.504
Q-squared			0.168	0.379
Min	-4.812	-2.277	-6.857	-2.169
Max	2.195	2.459	2.539	2.536
Median	0.092	0.015	0.090	-0.007
Mode	0.139	0.000	-2.055	-0.537
Skewness	-0.975	0.164	-1.251	0.225
Exc. kurtosis	1.815	-0.331	7.473	-0.514
Unimodal-RS	Yes	Yes	Yes	Yes
Unimodal-KMV	Yes	Yes	Yes	Yes
Normal-JB	No	Yes	No	No
Normal-RJB	No	Yes	No	No
Histogram	View	View	View	View

Figure 6. PLS Wrap Calculation Result: Coefficient of Determination (r-squared)
Source: Research finding.

Based on Figure 6, the results of the coefficient of determination (*r-squared*) of several latent variables are as follows:

1. The *r-squared* value of the latent variable of economic development (Y_1) is 0.163, meaning that the latent variable of human development (X_1) and creative economy (X_2) can explain the *variance* of the latent variable of economic development (Y_1) of 16.3 percent.
2. The *r-squared* value of the latent variable of poverty structure (Y_2) is 0.376, meaning that the latent variables of human development (X_1), creative economy (X_2), and economic development (Y_1) can explain the *variance* of the latent variable of poverty structure (Y_2) of 37.6 percent.

Path coefficients

	X1	X2	Y1	Y2
X1				
X2				
Y1	0.249	0.292		
Y2	-0.206	-0.207	-0.428	

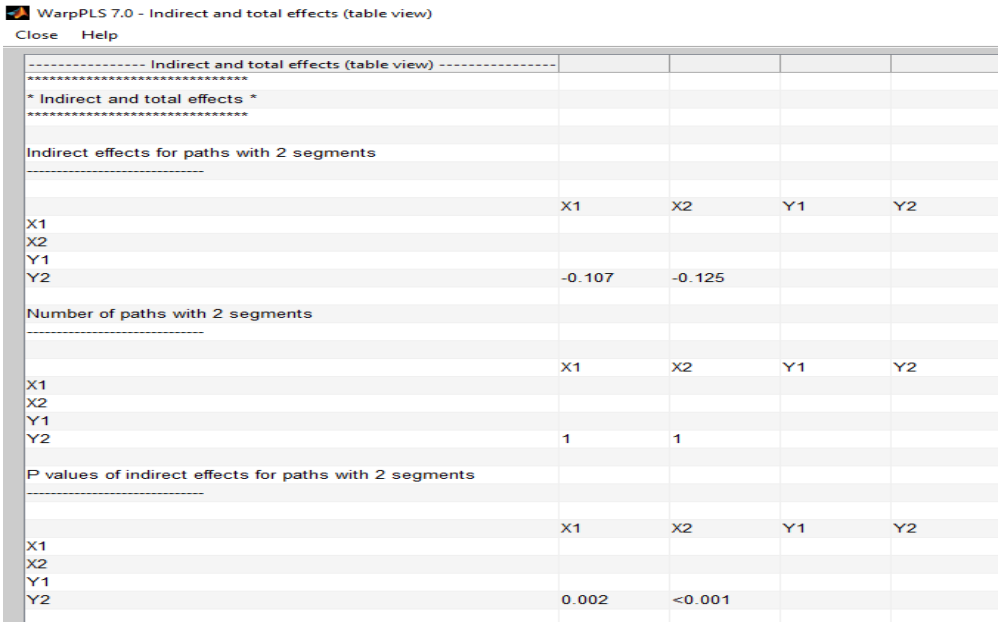
P values

	X1	X2	Y1	Y2
X1				
X2				
Y1	<0.001	<0.001		
Y2	<0.001	<0.001	<0.001	

Figure 7. PLS Wrap Calculation Results: Direct Effect Significance Test
Source: Research finding.

Based on Figure 7, the results of the direct *effect* significance test are as follows:

1. The value of *the path coefficients* of human development (X_1) to economic development (Y_1) of 0.249 is positive, meaning that human development (X_1) has a positive effect on economic development (Y_1). It is known that the *p-values* < 0.001, which means < 0.05, it can be concluded that human development (X_1) has a positive and significant effect on economic development (Y_1) (Hypothesis Accepted).
2. The value of *the path coefficients* of the creative economy (X_2) to economic development (Y_1) of 0.292 is positive, meaning that the creative economy (X_2) has a positive effect on economic development (Y_1). It is known that the *p-values* < 0.001, which means < 0.05, it can be concluded that the creative economy (X_2) has a positive and significant effect on economic development (Y_1) (Hypothesis Accepted).
3. The value of *the path coefficients* of human development (X_1) to the poverty structure (Y_2) of -0.206 is negative, meaning that human development (X_1) negatively affects the structure of poverty (Y_2). It is known that the *p-values* < 0.001, which means < 0.05, it can be concluded that human development (X_1) has a negative and significant effect on the structure of poverty (Y_2) (Hypothesis Rejected).
4. The value of the *path coefficients* of the creative economy (X_2) to the poverty structure (Y_2) of – 0.207 is negative, which means that the creative economy (X_2) hurts the poverty structure (Y_2). It is known that the *p-values* < 0.001, which means < 0.05, it can be concluded that the creative economy (X_2) has a negative and significant effect on the poverty structure (Y_2) (Hypothesis Accepted).
5. The value of the *path coefficient* of economic development (Y_1) to the poverty structure (Y_2) of -0.428 is negative, meaning that economic development (Y_1) negatively affects the poverty structure (Y_2). It is known that the *p-values* < 0.001, which means < 0.05, it can be concluded that economic development (Y_1) has a negative and significant effect on the structure of poverty (Y_2) (Hypothesis Accepted).



WarpPLS 7.0 - Indirect and total effects (table view)

Close Help

---------- Indirect and total effects (table view) ----------

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* Indirect and total effects *

****

Indirect effects for paths with 2 segments

	X1	X2	Y1	Y2
X1				
X2				
Y1				
Y2	-0.107	-0.125		

Number of paths with 2 segments

	X1	X2	Y1	Y2
X1				
X2				
Y1				
Y2	1	1		

P values of indirect effects for paths with 2 segments

	X1	X2	Y1	Y2
X1				
X2				
Y1				
Y2	0.002	<0.001		

Figure 8. PLS Wrap Calculation Results: Mediation Testing (Indirect Effect)

Source: Research finding.

Based on figure 8 of the mediation test (*indirect effect*) is as follows:

1. The indirect effect of human development (X_1) on the structure of poverty (Y_2) through economic development (Y_1) is -0.107. It is known that the p-values<0.002, which means 0.05. This means that economic development (Y_1) has a significant influence in mediating the relationship between human development (X_1) and poverty structure (Y_2). In other words, human development (X_1) indirectly has a significant effect on the structure of poverty (Y_2) through economic development (Y_1).
2. The indirect influence of the creative economy (X_2) on the poverty structure (Y_2) through economic development (Y_1) is – 0.125. The *p-value* < 0.001, which means 0.05. This means that economic development (Y_1) has a significant influence in mediating the relationship between the creative economy (X_2) and the poverty structure (Y_2). In other words, the creative economy (X_2) indirectly has a significant effect on the structure of poverty (Y_2) through economic development (Y_1).

Kock's overall model fit test (2021:78-29) states as follows:

1. Model fit testing is not essential if a study only intends or aims to be limited to hypothesis testing.
2. If you want to check the suitability of the model to the data, several indicators can be used, such as average *path coefficient* (APC), average r-squared (ARS), average *adjusted R-squared* (AARS), average *block variance inflation factor* (AVIF), *average full collinearity VIF* (AFVIF), and *Tenenhaus* GoF (GoF)

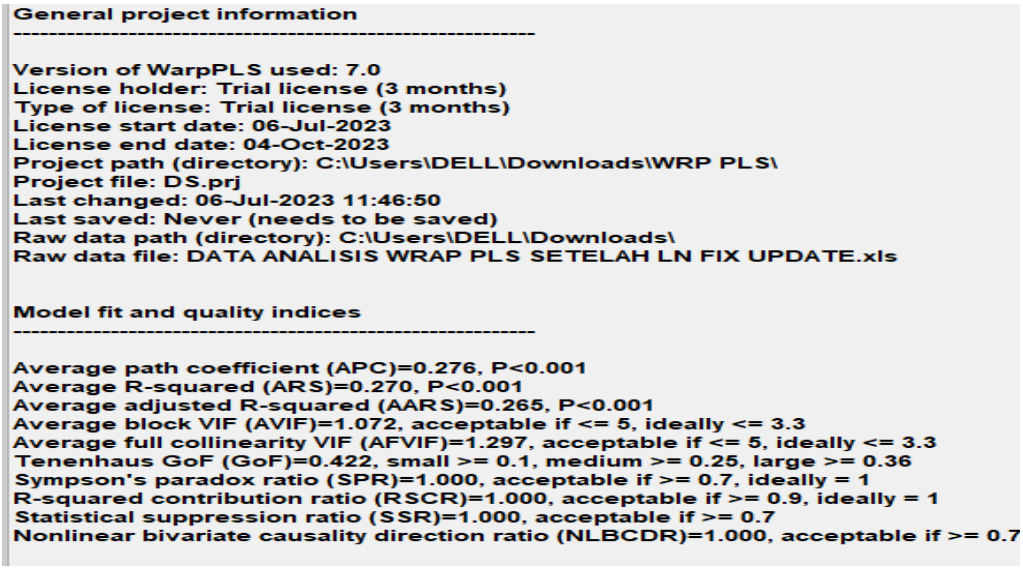

Figure 9. PLS Wrap Calculation Result: Model Fit Testing (Global Model Fit)
Source: Research finding.

Based on Figure 9 of the model fit test (*global model fit*), which is as follows:
1- Based on *the average path coefficient* (APC) indicator, it is known that the APC value is 0.276 with *a p-value* of < 0.001, which means 0.05. This means that the *average path coefficient* (APC) indicator of model fit testing has been met.
2- Based on the *average r-squared* (ARS) indicator, it is known that the ARS value is 0.270 with *a p-value* of < 0.001, which means < 0.05. This means the *average r-squared* indicator (ARS) of model fit testing is fit.
3- Based on the *average adjusted R-squared* (AARS) indicator, it is known that the AARS value is 0.265, with *a p-value* of < 0.001, which means < 0.05. This means that the *average adjusted R-squared* (AARS) indicator of model fit testing has been fitted.
4- Based on *the average block variance inflation factor* (AVIF) indicator, it is known that the AVIF value is 1.072, with *an ideal* value of <= 3.3, which means <= 5. This means that the model fit test has been fitted.
5- Based on the *average full collinearity VIF* (AFVIF) indicator, it is known that the AFVIF value is 1,297 with *an ideal* <= 3.3 value, which means <= 5. This means that the model fit test has been fitted.
6- Based on the *Tenenhaus* GoF (GoF) indicator, it is known that the GoF value is 0.422. This means that the model fit test is included in the *large* group.

This summary is the overall result of both exogenous and endogenous variables. The following is a summary of the calculation results of PLS Wrap version 7 made in the table version, which is as follows:

Table 1. A Summary of Hypothesis Test Results

Influence of Variables	Coefisies ß	*P-value*	Conclusion
X 1 to Y_1	0.246	0.001	Positive and Significant
X_2 to Y_1	0.292	0.001	Positive and Significant
X_1 to Y_2	- 0.206	0.001	Negative and Significant
X 2 to Y_2	- 0.207	0.001	Negative and Significant
Y_1 to Y_2	- 0.428	0.001	Negative and Significant
Y_1 mediates X_1 against Y_2	- 0.107	0.002	Negative and Significant
Y_1 mediates X_2 against Y_2	- 0.125	0.001	Negative and Significant

Source: Research finding.

4.1 Human Development for Economic Development in Indonesia

The analysis of human development in the context of economic development in Indonesia reveals a significant and positive relationship between the two. This means that improvements in human development, such as better education, healthcare, and skill acquisition, directly contribute to the economic growth of regions across Indonesia (Qudsi and Ashar, 2025). Human development is recognized as an essential pillar for accelerating economic growth, particularly in emerging economies like Indonesia, where human capital plays a crucial role in determining the pace of economic transformation (Asmara et al., 2024). As human development improves, it helps to create a more productive, educated, and healthier workforce, which ultimately drives economic development by increasing productivity, enhancing innovation, and fostering a more competitive economy (Rizkiawan et al., 2024).

The new growth theory provides a valuable framework for understanding the importance of human development in promoting economic growth (Fahmi, 2016). According to the theory, both physical and human capital are critical for long-term economic growth, with human capital playing a particularly significant role in developing nations. Human capital refers to the knowledge, skills, and abilities that individuals acquire, typically through education, training, and experience (Purwono, 2021). In the case of Indonesia, the development of human capital is crucial for its economic advancement, as it can lead to a more skilled and productive workforce capable of adopting new technologies and driving growth in various sectors (Komariyah, 2023). Moreover, public policies that focus on investing in human capital are fundamental to fostering productivity growth, which serves as a key engine for long-term economic development. Education, as an integral component of human capital, directly influences a nation's ability to absorb modern technology and enhance production capacity, thereby facilitating sustained economic development (Hali, 2025).

In Indonesia, where education and skill levels vary widely across regions, the government has a critical role in fostering human capital development (Gahari, 2024). Education not only equips individuals with the necessary skills to participate in the job market but also enhances their ability to adapt to

technological advancements, which are essential for improving productivity and economic output (Dairoby, 2024). As regions invest in the development of their human capital, they simultaneously create opportunities for economic growth. In essence, human development is not just about improving the quality of life for individuals but also about ensuring that the economy as a whole benefits from a more skilled, educated, and capable workforce (Permana, 2024).

4.2 Creative Economy for Economic Development in Indonesia

The analysis results show a clear and significant positive relationship between the creative economy and economic development in Indonesia. This signifies that the creative economy, which encompasses industries such as arts, design, fashion, film, music, and digital media, can make substantial contributions to the country's economic growth (Dairoby, 2024). The creative economy is increasingly seen as a driver of economic progress, as it provides both direct and indirect opportunities for job creation, income generation, and export opportunities. As Indonesia continues to develop its creative sectors, it is positioned to tap into the growing global demand for creative products and services, further enhancing its economic competitiveness (Arianto and Cahyono, 2025).

In his influential book *The Creative Economy: How People Make Money From Ideas*, John Howkins highlighted the transformative potential of the creative economy, noting that it involves more than just the production of goods and services it centers on the generation of ideas (Putra, 2024). Creative industries are characterized by innovation, originality, and the ability to add value to both local and global markets. In Indonesia, the creative economy has proven to be a significant income generator, contributing to the country's GDP and creating numerous employment opportunities (Nasution et al., 2025). Artists, designers, filmmakers, musicians, and other creatives are essential contributors to this dynamic sector. The growth of the creative economy in Indonesia not only helps diversify the economy but also fosters cultural exchange, enhances global visibility, and drives social development (Murtadi and Hadi, 2024).

The expansion of the creative economy in Indonesia can be seen in the increasing number of small businesses and entrepreneurs that are emerging within the sector. These businesses, whether in fashion, digital media, or tourism, provide jobs for a wide range of workers with varying skill levels and educational backgrounds (Soegiarso, 2022). By nurturing creativity and innovation, the creative economy also encourages entrepreneurship, which is essential for regional economic growth. In addition to providing new business opportunities, the creative economy fosters economic diversification by introducing new industries and revenue streams, particularly in regions that are underserved by traditional industries (Soegiarso, 2022).

As countries increasingly recognize the importance of the creative economy, Indonesia has the opportunity to capitalize on its diverse cultural assets (Iman and

Wahyudi, 2023). The unique blend of Indonesian traditions, arts, and modern innovation offers immense potential for growth within creative sectors such as tourism, crafts, and design. With targeted government support and investments in infrastructure, education, and technology, Indonesia can further unlock the potential of its creative industries, driving sustainable economic development and creating jobs across the nation (Hayat and Sulaiman, 2023).

4.3 Human Development on the Structure of Poverty in Indonesia

The results of the study indicate that human development has a negative and significant effect on the structure of poverty in Indonesia (Dellyana et al., 2023). This relationship highlights the importance of improving access to quality education, healthcare, and other essential services as a means of alleviating poverty. In particular, education is seen as one of the most effective tools for breaking the cycle of poverty (Susanti and Silvia, 2024). By acquiring skills and knowledge, individuals are better equipped to enter the labor market and secure higher-paying jobs. Education provides individuals with the opportunity to improve their standard of living, which ultimately contributes to reducing poverty at both the individual and societal levels (Purwadi and Satria, 2024).

Dima and Nalle (2025) emphasized that education is a key mechanism for lifting people out of poverty. He argued that for individuals to secure well-paying jobs and improve their income, they must first have access to quality education. However, in many developing countries, including Indonesia, access to higher education remains limited for the poor (Yuslin, 2024). The financial barriers to education, such as tuition fees, transportation costs, and the lack of access to quality schools, often prevent low-income families from pursuing higher levels of education (Qudsi and Ashar, 2025). This creates a cycle where the poor remain uneducated, limiting their ability to access better job opportunities and improving their overall standard of living (Rizkiawan et al., 2024).

Moreover, education plays a fundamental role in the broader development agenda, as it enhances a country’s ability to absorb modern technology and create sustainable economic growth. In Indonesia, improving access to quality education and skill development is crucial to reducing poverty (Rizkiawan et al., 2024). As human development improves, individuals are better positioned to escape poverty, thereby reducing the proportion of the population living below the poverty line. The government's focus on expanding education opportunities and improving healthcare can contribute to long-term poverty reduction, particularly in underdeveloped regions where poverty is most prevalent (Hali, 2025).

4.4 Creative Economy on the Structure of Poverty in Indonesia

The study also highlights an important finding regarding the relationship between the creative economy and poverty structure in Indonesia. While the creative economy certainly holds promise in generating jobs and creating wealth, its impact

on poverty reduction has been limited (Arianto and Cahyono, 2025). This limitation arises from the uneven distribution of benefits across different segments of the population. While the creative economy can offer a wide array of employment opportunities, particularly in sectors like art, fashion, digital media, and design, these opportunities are not equally accessible to everyone, especially in rural or underserved areas (Dairoby, 2024). One of the key barriers to accessing the creative economy is the higher level of education, skills, and capital required to participate in many of its sectors. For instance, art and design industries often demand a certain level of formal education or specialized training, which may be out of reach for individuals in poverty or those living in remote regions with limited access to quality education (Nasution et al., 2025).

The creative economy's potential to reduce poverty is also constrained by the unequal distribution of resources and opportunities across regions. Urban centers like Jakarta, Bali, and Yogyakarta have seen significant growth in creative industries, benefiting from better access to infrastructure, markets, and networks. In contrast, rural areas face challenges in accessing the necessary resources to foster a thriving creative economy (Nasution et al., 2025). Despite the sector's potential to contribute to inclusive growth, the unequal access to resources and opportunities prevents the creative economy from reaching its full poverty-reducing potential (Soegiarso, 2022).

To ensure that the creative economy has a more significant and widespread impact on poverty reduction, targeted policies and initiatives are needed. The government must play a proactive role in creating an enabling environment for creative entrepreneurs, particularly in underserved regions (Iman and Wahyudi, 2023). This can be achieved by focusing on increasing access to training and skills development programs, which would equip individuals with the necessary expertise to participate in the creative economy. Additionally, greater investment in infrastructure such as digital connectivity, transportation, and local creative hubs can help reduce the barriers to entry for entrepreneurs in rural areas (Iman and Wahyudi, 2023). Providing easier access to funding, through microloans or government-backed programs, would also allow creative businesses to grow and create more jobs. Finally, fostering partnerships between local governments, educational institutions, and the private sector can ensure that creative industries have the support they need to thrive (Hayat and Sulaiman, 2023). By implementing these measures, Indonesia can unlock the full potential of the creative economy, ensuring that its benefits are more equitably shared and contribute to reducing poverty across the nation (Fadli, 2024).

4.5 Economic Development on the Structure of Poverty in Indonesia

The results of this study clearly demonstrate that economic development has a significant and negative effect on Indonesia's poverty structure, highlighting the crucial role that sustained economic development plays in poverty reduction

(Adriansyah and Prastika, 2023). As the economy grows, it creates new opportunities in various sectors, which can, in theory, reduce poverty levels (Sari and Sukma, 2023). Increased economic activity can lead to more job creation, improved access to essential services, and a higher standard of living for the population at large (Dima and Nalle, 2025). However, this effect is contingent on how equitably the benefits of economic growth are distributed across different regions and social groups. When economic benefits are shared broadly, poverty tends to decrease, as more individuals are able to access the opportunities generated by growth (Hayat and Sulaiman, 2023).

However, the analysis also sheds light on a significant challenge facing Indonesia: uneven economic development across the country. While some regions have experienced rapid economic growth, others have remained relatively stagnant, which exacerbates regional disparities (Permana, 2024). This uneven development can lead to widening income gaps, where only a small proportion of the population in certain areas benefits from economic progress, while the majority remains trapped in poverty. Such disparities between regions not only hinder the overall reduction in poverty but also contribute to a deepening of socio-economic inequalities. In some regions, economic growth has not been inclusive, and large sections of the population are left without access to the opportunities that growth provides. This situation highlights the importance of ensuring that the benefits of economic development are distributed more equally, so that no region or group is left behind.

Economic inequality remains one of the most pressing challenges to achieving sustainable development in Indonesia. As Kuncoro (2000) notes, economic development should not only focus on increasing Gross Regional Domestic Product (GDP), but also on how the growth is distributed among the population (Arianto and Cahyono, 2025). Simply increasing GDP without addressing the disparities in wealth and income can lead to growing social divisions and reinforce existing poverty structures. To address this, Indonesia needs to adopt inclusive policies that prioritize the equitable distribution of wealth. These policies should focus on improving access to education, healthcare, and social services, particularly for the poorest and most marginalized communities (Arianto and Cahyono, 2025). By ensuring that the benefits of economic growth reach all sectors of society, Indonesia can reduce inequality and create a more sustainable, inclusive economy. If growth continues to leave certain segments of the population behind, it will only perpetuate cycles of poverty and inequality, undermining long-term social and economic stability. Therefore, a comprehensive approach that tackles both economic growth and income distribution is essential for reducing poverty and promoting a fairer society in Indonesia (Arianto and Cahyono, 2025).

4.6 Economic Development Mediates the Relationship between Human Development and Indonesia's Poverty Structure

The mediation role of economic development in the relationship between human development and poverty reduction is a critical finding in this study (Chollisni et al., 2022). The results indicate that improvements in human development particularly in education, skills, and healthcare directly contribute to economic development, which then plays a key role in alleviating poverty. As human development enhances the quality of education and equips individuals with the necessary skills to enter the labor market, it fosters a more productive and competitive workforce. This, in turn, leads to higher economic growth (Purwono, 2021). As the economy grows, the creation of more job opportunities becomes a natural outcome, providing individuals with the means to escape poverty and improve their quality of life. The study highlights the importance of human development as a foundational element for driving economic growth and reducing poverty.

This mediation effect emphasizes the need for a coordinated approach to human and economic development policies. For human development to have a lasting impact on economic progress, investments in education, healthcare, and skill development must be coupled with policies that promote economic growth (Asmara et al., 2024). Governments and other key stakeholders must create an environment that not only supports human capital development but also ensures that such development is effectively channeled into productive economic activities (Hali, 2025; Asmara et al., 2024). By strengthening human capital through education and skills training, governments can facilitate the creation of high-value industries and jobs that drive sustainable growth, ultimately benefiting the entire population, particularly the most vulnerable groups (Fahmi, 2016).

In Indonesia, this integrated approach is particularly important given the country’s diverse socio-economic landscape. While some regions are experiencing rapid economic growth, others remain significantly underdeveloped. For economic growth to be truly inclusive, policies must focus on ensuring that the benefits of development reach all areas of the country, especially rural and marginalized communities (Rizkiawan et al., 2024). By aligning human development with economic development strategies, Indonesia can foster a more equitable distribution of wealth and opportunities. Strengthening human capital will not only stimulate economic growth but also ensure that the fruits of growth are shared more equally, thereby reducing poverty and promoting long-term social stability (Fahmi, 2016).

4.7 Economic Development Mediates Creative Economy's Relationship to Indonesia's Poverty Structure

Economic development plays a crucial mediating role in the relationship between the creative economy and poverty reduction in Indonesia (Dellyana et al., 2023).

While the creative economy holds significant potential to generate jobs and stimulate economic growth, its impact on poverty alleviation can only be realized if it is supported by sustained economic development (A. Ramadhan and Satria, 2025). As the creative economy grows, it creates new business opportunities and employment avenues for marginalized communities, but this potential remains largely untapped in regions that lack sufficient economic infrastructure and access to resources (A. Ramadhan and Satria, 2025). Economic development provides the necessary environment through investments in infrastructure, education, and technology that allows the creative economy to thrive. Without such a foundation, the creative sectors cannot reach their full potential, limiting their ability to reduce poverty and contribute to the overall economic prosperity of the country (A. Ramadhan and Satria, 2025).

To maximize the impact of the creative economy on poverty reduction, strategic government policies are essential (Fourqoniah et al., 2024). These policies should focus on improving access to resources for creative entrepreneurs, particularly in underserved regions (Fadilla et al., 2024). Many creative businesses face barriers to financing, technology, and market access, which prevent them from scaling and reaching broader audiences. The government must implement policies that provide financial support, such as grants and low-interest loans, and invest in digital infrastructure to enable creative industries to expand beyond local markets (Dima and Nalle, 2025). By enhancing market access and creating an enabling environment, the government can help creative businesses grow, generate more employment, and ultimately improve the welfare of individuals, particularly those in marginalized communities (Fadilla et al., 2024).

The development of human capital is crucial for the success of the creative economy in reducing poverty. Education and skill development in creative fields are necessary to equip the workforce with the expertise required for the sector's growth (A. Ramadhan and Satria, 2025). By investing in creative education and training programs, particularly in rural and underserved areas, the government can ensure that individuals have the skills needed to thrive in the creative industries (Dellyana et al., 2023). Additionally, partnerships between educational institutions and creative businesses can help align training programs with industry needs, ensuring that graduates are well-prepared to enter the workforce. Through these efforts, the creative economy can become a key driver of inclusive economic development, offering new opportunities for individuals across Indonesia to escape poverty and improve their livelihoods (Susanti and Silvia, 2024).

5. Conclusion

The significant role of human development and the creative economy in driving economic growth and reducing poverty in Indonesia, with economic development serving as a crucial mediator between these factors. The findings underscore the importance of inclusive policies that enhance human capital and support the

growth of creative industries, especially in underdeveloped regions, to ensure equitable economic development. For future research, it is recommended to explore the specific regional variations in the impact of the creative economy, considering the diverse challenges and opportunities across Indonesia. The implications of this research suggest that policy-makers should focus on creating an enabling environment for creative entrepreneurship and invest in education and infrastructure to foster sustainable and inclusive economic growth.

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Cite this article: Rizkiawan, Amalia, S. A., & Mire, M. S. (2025). Unlocking Growth: The Impact of Human Development and the Creative Economy on Economic Prosperity and Poverty Reduction in Indonesia. *Iranian Economic Review, 29*(4), 1497-1525.