

# Optimizing the Socio-Economic Welfare Aspect of Communities in Rural Tourism Areas by Developing the Potencies of Indigenous Creative Economy

*Magisty Purboyo Priambodo\**, *Muhammad Hasyim Ibnu Abbas* and *Lustina Fajar Prastiwi*

Department of Development Economics, Universitas Negeri Malang, Malang, Indonesia

**Abstract.** Development activities in villages based on tourism activities can be a catalyst for economic activity and investment. There are still many villages that are less than optimal in developing their tourism activities. The innovation that can be made in the village is to increase creative economic activities that have the potential to support the development of tourism activities. This research aims to conduct in-depth identification related to various creative economic potentials and formulate a model for strengthening the creative economy that will support tourism attractions in rural areas. This research uses qualitative research methods with a participatory action research approach. Data were collected by conducting observations and structured interviews as well as triangulation to explore in-depth information. The research findings show that the rural areas studied have a variety of potential superior creative economic activities to support tourism activities. Strengthening creative economic activities in the village area received support from tourism stakeholders. The synergy built greatly influences the management and governance of creative economic development that supports the innovation of existing tourism activities. The level of socio-economic welfare of local communities has increased in the form of additional income and better access to education and information.

## 1 Introduction

Social justice for all Indonesian people is a noble goal of the Unitary State of the Republic of Indonesia (NKRI). Indonesia is the largest archipelagic country in the world with 16,056 islands and an area of 1,916,906.77 km<sup>2</sup> [1]. Ethnic and cultural diversity also makes the population have diversity consisting of 1,340 ethnic groups. Various kinds of local wisdom that exist, both in the fields of natural resources, customs, language, culture, traditions, and other aspects are potentials that can be developed to be able to improve people's welfare within the framework of sustainable development [2]. Among development issues that are important to pay attention to are inequality and poverty between regions in Indonesia, especially those that occur between villages and cities. Data from the Central Statistics

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\* Corresponding author: [magisty.purboyo.fe@um.ac.id](mailto:magisty.purboyo.fe@um.ac.id)

Agency for September 2020 shows that the percentage of poor people in rural areas is higher than in urban areas where the percentage of poor people in urban areas is 7.88% while in cases in rural areas it is 13.2% [1]. The data shows that there is an imbalance in spending among the poor. The Poverty Severity Index (IKK) shows that the poor in rural areas have a KPI score that is about two times higher, with 0.68 point, compared to the poor in urban areas, 0.31 point.

The government has made efforts to overcome these problems strategically contained in the 2020-2024 (RPJMN), which was: 1. Strengthening economic resilience that grows in a quality and fair manner; 2. Creating guaranteed equity; 3. Striving for a mental revolution and maintaining noble cultural values; and 4. improve human resources that have competitiveness and quality [3][4]. One sector that is currently growing rapidly to support this strategy is the creative economy. The creative economy sector which prioritizes creativity and originality of ideas can develop if it is supported by a good ecosystem. Rural areas have potential resources as well as urban areas. Preservation of culture, customs and language is an activity that is often found in rural areas and has a potential that can be optimized to improve people's welfare [5][6]. In aggregate, the overall contribution of creative economic activity and employment has grown quite well.

To establish an area as the hub for growth and the emergence of fresh sources of income in the creative industry. 17 sub-sectors that fall within the purview of the creative economy have been identified by the Ministry of Tourism and Creative Economy, including: 1) Architecture, 2) Interior Design, 3) Game Developer, 4) Music, 5) Fine Arts, 6) Product Design, 7) Fashion, 8) Culinary, and Photography, Visual Communication Design, Film, Animation, and Video, Television, and Radio round out the list [7]. Crafts, advertising, the performing arts, publishing, and applications are listed in order from 13 to 17. In 2016, the Creative Economy Gross Domestic Product (GDP) reached IDR 922.59 T and is projected to grow to more than IDR 1,100 T in 2022. In a summary report according to the United Nations Conference On Trade And Development (the main organization of the UN general assembly in dealing with issues trade and development) and the United Nations Development Program (the largest multilateral organization providing technical assistance and development in the world) creative economy has the potential to play a role in driving economic growth, where the creative economy can encourage income creation, job creation, and export earnings. In addition, the creative economy can also promote social aspects (social inclusion), cultural diversity, and development of human resources [9]. The creative economy is currently starting to grow and develop into an economic sector that has an important role for the economy in Indonesia. Under these conditions, currently many policies and strategies for regional economic development are carried out based on the development of a creative economy that refers to local potential, especially in rural areas.

The village, or referred to rural site, is a legal community unit that has jurisdictional boundaries, has the power to regulate and manage the interests of the local community based on recognized local origins and customs, and is respected in the system of government of the Unitary State of the Republic of Indonesia, according to Law No. 32 of 2004 concerning Regional Government. Rural areas are those where the agricultural sector dominates economic activity. The main livelihoods of rural residents tend to be in agricultural activities, plantations and processing natural products that are available traditionally [8]. The welfare of rural residents tends to be minimal due to limited knowledge, productivity, and technology in processing various agricultural and natural products so that a touch of development is needed. The primary plan for rural development must include a number of comprehensive actions that are tied to one another [10]. First, boost rural areas' economies. The goal of this project is to enable and develop self-sufficient village communities. To that end, financial support, and advice on the use of technology and marketing are required. The second step is to raise the standard of rural

human resources so that they have a solid foundation upon which to build productivity and competitiveness. Third, rural infrastructure development. Fourth, creating formal and informal rural institutions in the form of communities or organizations with a vision and mission that are legally incorporated. Transportation infrastructure is a necessity for rural areas that must be provided. Road access infrastructure will support rural communities.

The establishment of quality institutions, particularly those that may boost the rural economy, such banking institutions, is something that rural communities require. Developing local economic potential to boost regional competitiveness mostly depends on effective governance in the sphere of development [11]. Village administration is an extension of the central government which can have a strategic role in managing village or sub-district communities to accelerate the success of national development. Rural development must be carried out with an approach that is appropriate to its nature and characteristics. One of the efforts that can be made to increase socio-economic capacity in villages is to increase village community empowerment in the form of tourism development based on local creative economic potential.

Various rural areas in the East Java region have tourism potential that can develop into something valuable for a commercial characteristic of the village. Currently ecotourism is a trend that has developed, especially in terms of cultural aspects and natural conditions that are different from other places. One such area is in Batu City. An urban area that relies on a variety of potential agrarian wealth and natural resources in the development of the prosperity of its people. The northern part of Batu City is an area in the highlands and at the foot of the mountain and is close to a national forest park.

Villages in these areas tend to utilize the agricultural sector as a driving force for their economy. But lately, with various efforts from the government's regional development program, many villages have begun to develop their regional advantages towards the tourism sector and the creative industry. Various tourist villages have been initiated to be able to explore and expose their advantages in efforts to improve the welfare of their people. Empowerment has begun to be carried out in various communities or social organizations to be able to support efforts to provide added value for strengthening socio-economic competitiveness in villages.

Based on regional origins and customs that are acknowledged and respected within the Unitary State of the Republic of Indonesia's system of government, a village is a legal community unit with territorial boundaries that has the power to regulate and manage the interests of the local community. In order to alleviate poverty and lessen development gaps between areas, rural development is a crucial component of regional development. One of the village potentials to be developed as the focus of discussion in this study is the creative economic potential that exists within a village. Based on this information, the Creative Village in this study can be interpreted as: "An area located in a village administrative area where the community has developed superior products in one or more of 17 creative economic sub-sectors that provide added value and benefits for village economic growth". Based on the definition above, a village can be classified as a Creative Village with the following main components: 1. Superior Creative Products in the form of goods or services that provide added value and benefits for village economic growth; 2. The development of local creative economy products has been implemented which includes 17 creative economy sub-sectors; and 3. There is active participation from the community and local creative economy actors [12].

Socio-economic welfare is a condition and order of a prosperous socio-economic life, which enables every person, group, or community to best fulfil their physical and spiritual needs which are known as basic human beings. In short, social welfare contains two meanings, the first is all rules or orders to make it easier for a person or group to meet their physical, spiritual, and social needs, while the second is a condition or condition that can

make it easier for a person, group or community to meet their needs [13]. food, clothing, shelter, education, health, social, and so forth. So, to assess the social welfare of a person or society can be seen in the prevailing order in society and the conditions of the community. In order to realize social welfare with social justice as stipulated in the 1945 Constitution, Article 27 paragraph 2 which reads: "Every citizen has the right to work and a decent living for humanity", overcoming unemployment is a top priority in national development, so that social welfare economy can be realized.

## **2 Methods**

In this study, the method used is more of a qualitative approach from the results of observations at the research location. To find out more about the condition of the village community, this research uses the Participatory Action Research (PAR) method. PAR is defined as a term that contains a set of assumptions that underlie a new paradigm of science and contradicts the paradigm of ancient traditional knowledge. The mentoring research process using the PAR method requires a mentoring strategy that must be carried out. As a basis in the way PAR works are ideas that come from the people, by carrying out movements. This mentoring strategy is a process that is carried out as an approach so that the process of research, learning and technical solutions to community social problems can be carried out in a planned, programmed and implemented manner with the community. The strategy used in empowering in the field includes initial observation, participation mapping, formulation of problems that occur, preparation of strategies, organizing stakeholders, carrying out actions and reflecting on activities. In this study PAR activities were carried out in 6 potential creative village locations in the Batu City area, namely, Junrejo, Songgokerto, Bumiaji, Punten, Sumbergondo and Gunung Sari Villages.

## **3 Result and Discussion**

Growing a creative economic spirit in village communities is very good for economic progress. The development of an increasingly sophisticated era requires new innovations and creativity so that the economy continues, especially in villages. The community's view of the village is often wrong, many consider the village to be an underdeveloped area. This thinking is very wrong. The economic potential in the village is very large, it only depends on the resources of the village community whether they can manage this potential or not[14]. For this reason, an understanding of the creative economy in rural communities is needed. The creative economy and the tourism sector are two things that influence each other and can synergize with each other if managed well. The concept of tourism activities can be defined by three factors, namely there must be something to see, something to do, and something to buy. Something to see is related to attractions in tourist destination areas, something to do is related to tourist activities in tourist areas, while something to buy is related to typical souvenirs purchased in tourist areas as personal memorabilia of tourists. In these three components, the creative economy can enter through something to buy by creating innovative regional products.

### **3.1 Various creative economic potentials in the agropolitan village area of Batu City**

Several villages in Batu City have creative economic potential in the form of artistic cultural attractions and very interesting natural attractions. Junrejo Village has the potential for a handicraft business in the hamlet area which consists of 60 home industries that process handicrafts from wood, metal and special food made from soybeans. Most of the

people of Junrejo Village have livelihoods as farmers and some other craftsmen, traders, employees, entrepreneurs, employees, laborers, and others. Various post-harvest products are produced well, this can be seen from the existence of medium and small home industries. The medium home industry category includes souvenirs and household equipment. Meanwhile, the small home industry category is in the form of woven plastic bags, sweet potato snacks, tempeh chips and making agricultural equipment. Some of these business sectors have produced quite good results, this can be seen from the large number of shipments of products out of town and even across islands. From several diversity of livelihoods, the people of Junrejo Village can be concluded that the people of Junrejo have Heterogeneous nature. Diversity is what makes life The people of Junrejo Village become harmonious and can foster a sense of solidarity between residents with a sense of mutual respect regardless of race, ethnicity, religion, and class.

Songgokerto Village has various SMEs engaged in apple picking tourism services and the arts of banteng. This village also has several locations that support the development of ecotourism with the potential of various natural resources because it is close to the slopes of Mount Arjuno. Located in a mountainous area, Songgoriti offers the charm of exotic mountain nature as well as hot springs and baths recreational park. Songgoriti Hamlet is a major tourist location. The supporting facilities for getting to Songgoriti are quite adequate, such as public transportation, taxis and tourist motorbike taxis which are always available for tourists who want to visit Songgoriti. Its geographical location of it is at an altitude of  $\pm$  1700 meters above sea level with air temperatures still below 19°C, making the area comfortable to visit as one of Batu City's mainstay tourist destinations.

Bumiaji Village, which is a traditional village has the potential for guava and orange plantations which have distinctive characteristics that do not exist elsewhere. The performing arts of local Javanese dance traditions and unique religious rituals can be an attraction for the development of the village's creative economy.

Punten Village has various locations for cultivating various ornamental plants and freshwater ornamental fish such as koi and carp. Punten Village, which is at the center of the Bumiaji District Government, has become an independent village with human resources, natural resources and SDB contained therein. The management structure of the Punten Village Government has also been able to be developed to become an institution in administering government in a quality, efficient and effective manner. Various infrastructure government has been established in order to provide adequate services optimal for the people of Punten Village.

Sumbergondo Village is an environmentally friendly village because it has educational tours on waste management and various cafes that offer the charm of natural scenery. Nearly 90% of the residents of Sumbergondo Village earn their livelihood as farmers or farm laborers, whether vegetable farmers, apple farmers or livestock farmers. Approximately 10% are teachers or civil servants. hotel employees, and traders.

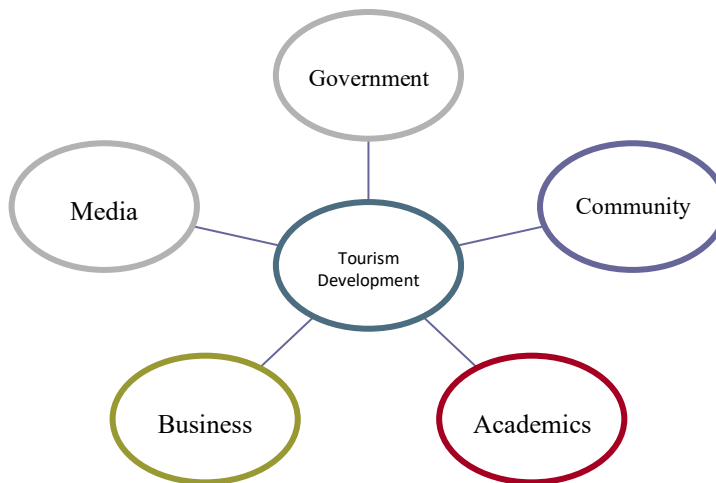
Gunungsari village is a location that produces flowers and ornamental plants which are growing very rapidly. The production of high-quality ornamental flowers is the advantage of this design so that orders from outside the area are very large, but no added value has been produced.

### **3.2 Collaboration to support the development of creative economy-based tourist villages**

Each village has various basic potentials, such as animal husbandry, plantations, fisheries, agriculture, tourism, culture, superior commodities, and others. Creative actors then determine what products will be developed and given added value so as to generate economic value. For example, a village has potential in tourism and culture. Creative groups can determine two categories of development, namely culture and creative activities

so that tourists can do many things both actively and passively. They can buy handicrafts and souvenirs or see art and performances. To provide more experience, tourists can also participate in activities such as batik, weaving or enjoying typical village culinary delights. The type of Creative Village can be adjusted to the creative economy sub-sector being developed. In the example above, the development of the Creative Village overlaps with several fields at once: fashion, craft, and culinary. However, of course there is one sub-sector that is the most dominant and becomes a village specialty, for example performing arts as the main sector. Furthermore, based on the level of development, Creative Villages are divided into four categories, namely: 1. Initiative Villages; 2. Productive Village; 3. Innovative Village; and 4. Sustainable Village.

The Penta helix concept is a collaboration of five stakeholder elements namely, government, academics, business actors, community, and the media in a development agenda [15] (Figure 1). Specifically, the Ministry of Tourism uses this concept as an effort to ensure the quality of activities, facilities and all services effectively support the development of the Indonesian tourism sector. In the context of developing Creative Villages, academics have a role in providing relevant concepts and theories in the development of Creative Villages based on studies that have been conducted. Business actors provide input regarding market trends and needs so that the products produced can provide added value and are needed by consumers. The local community or in this case the Creative Group is the executor and initiator at the local level where the Creative Village concept is implemented. The government as a regulator provides policies and regulations that accelerate and encourage the creation of Creative Villages in various regions in Indonesia. Finally, the media helps promote and publicize creative tourism activities and destinations to attract tourists to visit.



**Fig. 1.** Penta helix model in tourism development

### 3.3 The impact that arises in improving the socio-economic welfare of village communities

The impact that arises from strengthening the creative economy to create a creative tourism village can be seen from several aspects that are experiencing changes in these rural communities.

Aspects of Economic are increasing people's income from creative businesses, adding jobs, increasing visitors to creative villages. Basically, the people in these villages have realized the benefits of various businesses run by their MSMEs, especially to increase income. With the increasing activity of tourist visits, the needs that need to be provided will certainly increase. The development of various businesses cannot be separated from creative economic innovation which is sought to capture existing opportunities. Local communities see a domino effect from the interaction of supply and demand related to tourism activities that occur where they live.

Aspects of Creative Products and Target Markets/Consumers Product innovation, Intellectual Property Rights (IPR) for creative products developed. The increasing number of tourist activities will give rise to various product innovations and tourist attractions owned by local communities. Various packages of cultural and artistic attractions are one sector that accelerates tourist visits because of their uniqueness and different experiences. It is realized that this is an opportunity to enrich the creative products that village tourism can offer to visitors.

Aspects of Business Processes carried out are in the form of Assistance and collaboration, Increased production/service capacity, Increased marketing. Through the application of the Penta helix concept that has been developed between stakeholders, a formula for business activities can be obtained that can be carried out effectively and efficiently. Stakeholders supporting tourism activities can communicate and deliberate with each other to agree on the flow of tourism activities provided and find various solutions to any problems or challenges that may arise.

Aspects of institutional capacity, namely increasing the capacity of human resources for creative economy actors, improving infrastructure, increasing institutional aspects, using digital technology. The increase in tourism activity must of course be balanced with strengthening the capacity of business actors and human resources involved in it. Apart from that, all suggestions for tourism activity infrastructure need to receive attention relating to the elements that need to be in place in relation to visitors. The regulations and rules of the game between tourism activity providers and tourism consumers must be clear and mutually beneficial.

## 4 Conclusion

The research findings show that the rural area under study has a variety of potential creative economic activities in the form of performing arts attractions, unique community cultural rituals, as well as specific handicraft workshops. Strengthening creative economic activities in the agropolitan village area has the support of tourism stakeholders who carry out the functions of contribution, activity, and legal protection. The synergy that is built greatly influences the management and governance of the development of the creative economy which supports the innovation of existing tourism activities. With the development of tourism activities, the level of socio-economic welfare of local communities has increased in the form of additional income and access to education and information.

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