

ERIA Research Project Report FY2023 No. 11

Rethinking the Growth of Creative Economy in Indonesia: The Music and Gaming Sub-sectors

By

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It should be noted that this study refers to video games as those played via PC and mobile only. The analysis excludes Esports, a subset of gaming that consists in playing video games competitively, as well as board games (e.g. chess, Alpha Go, etc.) and gambling (e.g. roulette, Black Jack, etc.).

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Methodology

The study aims to highlight the entrepreneurial skills required by musicians and game developers in Indonesia to thrive in digital economy. The study also seeks to gain insight into their economic activities and identify potential areas for growth, to encourage a shift from linear to circular economy thinking.

The research was carried out using a qualitative approach. The author drew on a variety of sources and methods briefly explained here. General information on creative economy and the gaming and music sectors in Indonesia was retrieved from publicly available sources, including articles from local newspapers, online news portals, as well as the Ministry of Communications and Information (KOMINFO) and the Ministry of Tourism and Creative Economy. However, as the gaming sector is new in Indonesia, data on the sector is scarce, whilst in the music sector, data is not made available by aggregators and digital platforms.

The primary sources for the report are first-hand interviews and observations collected by the author from January to March 2023. The author met personally with musicians; songwriters; music entrepreneurs; publishers; music recording studios; representatives of collective management organisations; publisher organisations; Indonesian Game Association; Telkom Indigo Incubator programme; mentors; and game developers and studios in Jakarta, Malang, Bandung, and Semarang. Additional interviews were conducted over the phone with game studios in Yogyakarta and Tangerang.

The secondary sources were publicly available data and output from Peta Ekosistem Game 2021 KOMINFO publications, the Indonesian Game Association (AGI), 2016 EIBN Sector Gaming Industry Report, Ekonomi Kreatif: Rencana Pengembangan Industri Musik Nasional 2015–2019, Kementerian Pariwisata dan Ekonomi Kreatif RI, Indonesian Recording Association, International Federation of the Phonographic Industry 2022 Report, an Asian Development Bank report (*Creative Economy 2030*), Statistik Ekonomi Kreatif Tahun 2020, South East Asia Game Industry Report 2021, and academic publications. Information gaps were filled using various sources, detailed above. If, for any reason, the latest official data had not yet been made available to the public, the latest data on hand were used. The report was developed using data available in March 2023 and any data included is specifically mentioned in the report.

Chapter 1

Introduction

Digital economy is changing the social environment and economic activities in Indonesia (ERIA, 2023), Southeast Asia's largest economy and one of the world's most biodiverse and culturally diverse countries. Whilst digital technologies drive innovation and fuel job opportunities and economic growth, they are also shaking up established economic models and ways of thinking about the economy (ERIA, 2023), particularly in the creative sectors. 'The creative economy can be a pillar to boost inclusive economic growth for all', remarked President Joko Widodo (Jokowi) at the 3rd World Creative Economy Conference, Nusa Dua, Bali, 6 October 2022. It was a side event of Indonesia's 2022 Group of Twenty (G20) Presidency, where he had stated that Indonesia had taken a leading role in building an inclusive creative economy ecosystem.

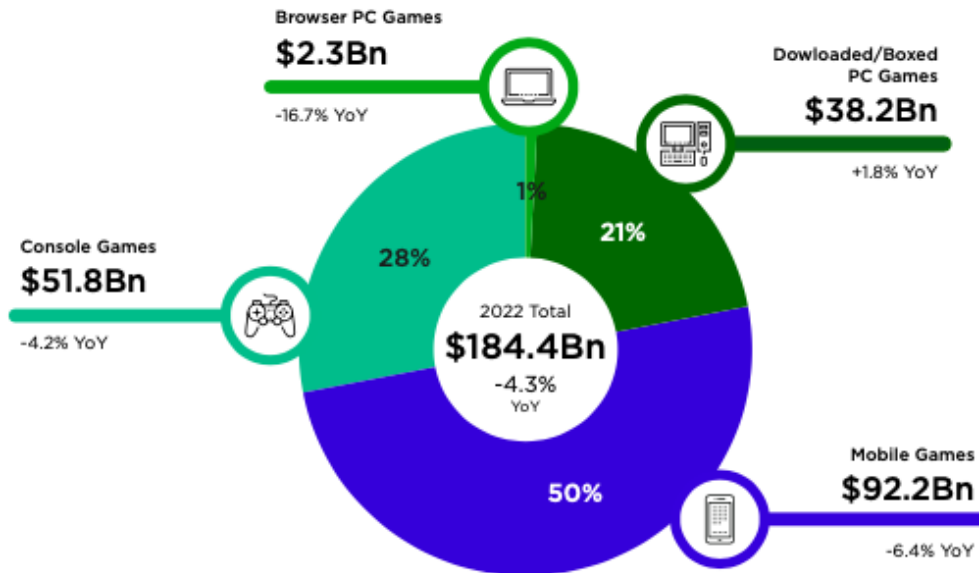
Indonesia's creative economy's growth in 2021 contributed 4.50% to the country's GDP (Kemlu, 2022). According to Tourism and Creative Economy Minister Sandiaga Uno, the creative industry sector employed 23.98 million people in 2022, a huge increase over 16.4 million people in 2017. In November 2022, the creative industry's export value reached US\$24.8 billion (Antara News, 2023) compared with US\$19.83 billion in 2017 (Kemlu, 2023). The creative industry's growth is in line with the rapid growth of e-commerce and the wide use of mobile technology. Other factors contributing to the growth of the creative economy are changes in lifestyles, especially amongst millennials.

The creative economy has 17 sub-sectors: architecture; interior design; visual communication; product design; film, animation, and video; photography; game; crafts; culinary arts; music; fashion; application; publishing; advertising; television and radio; performing arts; and fine arts. According to Indonesia's Directorate General of Multilateral Cooperation, the culinary arts, fashion, and crafts are the three largest subsectors in terms of numbers of workers. The culinary arts employ about 10.67 million workers, whilst fashion and crafts employ 3.84 million and 3.7 million, respectively. The sub-sectors that heavily use digital technology grew the fastest. The number of workers at application and gaming developers increased significantly from 46,990 in 2019 to 129,404 in 2020 (by more than 174%). The number of workers in the film, video, and animation subsectors rose significant by 58% to 66,466 in 2020 (Kemlu, 2022). Music and video games are gaining attention due to recent their growth and the growing market. The present study will, therefore, focus on them.

1. Overview of the Gaming Sector

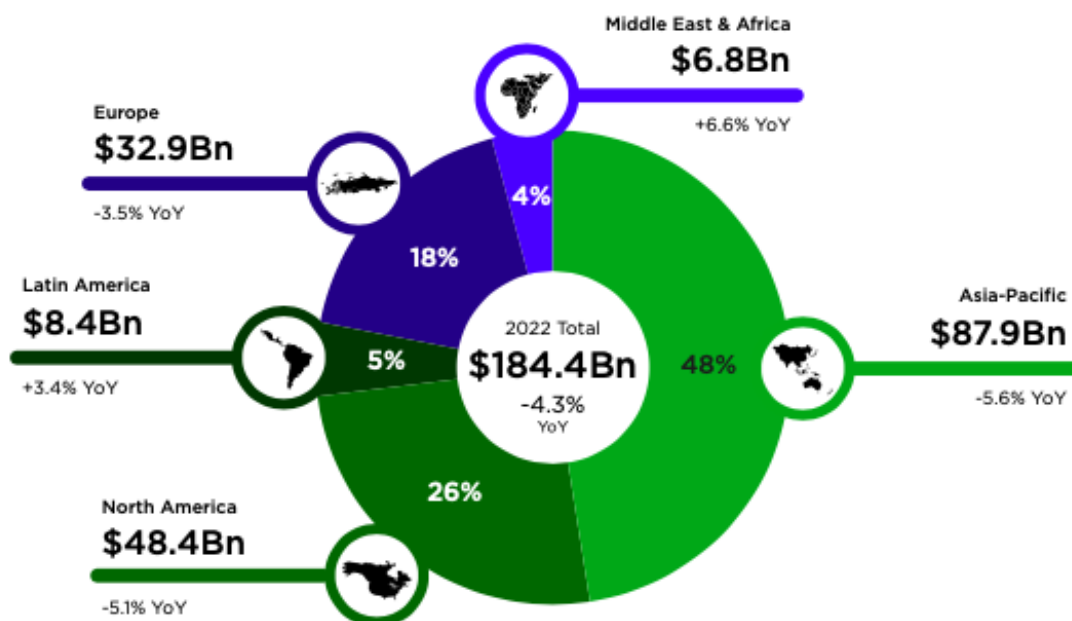
According to Newzoo (2022), the global gaming market in 2022 was worth US\$184.4 billion, with mobile games accounting for half of it (Figure 1.1), and with Asia and the Pacific representing 48%, almost half of the world's market share (Figure 1.2).

Figure 1.1. Global Game Market per Segment, 2022



Bn = billion, PC = personal computer, YoY = year on year.
Source: Global Games Market Report Newzoo (2022).

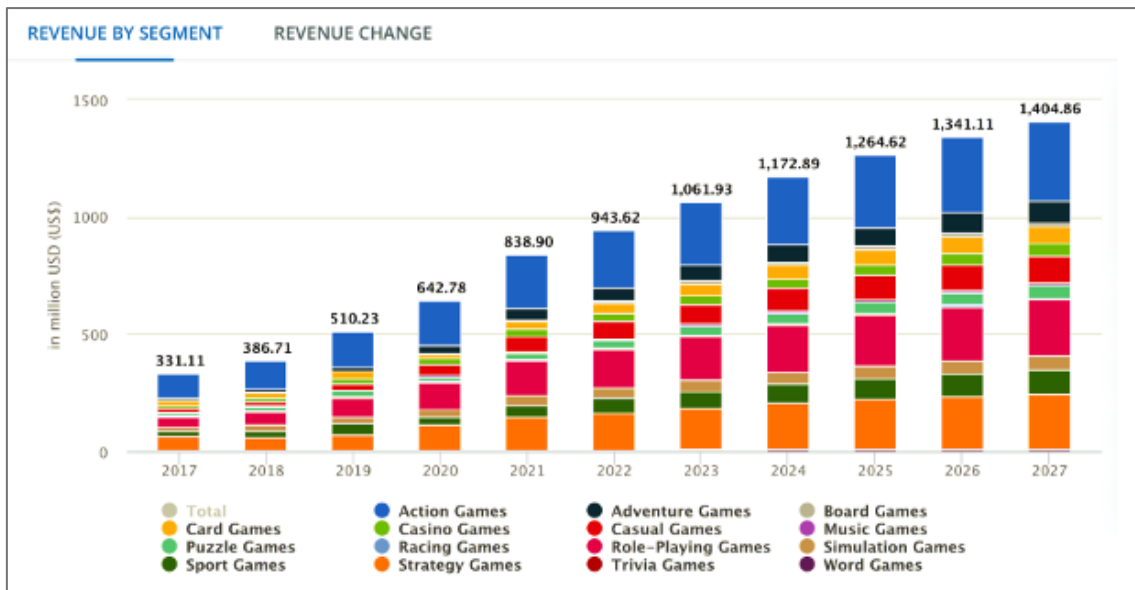
Figure 1.2. Global Gaming Market per Region, 2022



Bn = billion, PC = personal computer, YoY = year on year.
Source: Global Games Market Report Newzoo (2022).

Indonesia is the 17th-largest market for games and still one of the fastest-growing markets in the world, reaching over US\$1,000 million revenue at the beginning of 2023 and, following steady growth (Figure 3) (Statista, 2023), is one of the biggest game markets in Southeast Asia. Indonesians play a wide diversity of games, with more than twice as many people playing mobile games (121.7 million) than people playing personal computer (PC) games (53.4 million) in 2021 (KomInfo, 2021).

Figure 1.3. Evolution of Gaming Market in Indonesia per Type of Game, 2017–2027



Note: Data reflect market impact of the Russian invasion of Ukraine.

Source: Statista, most recent update February 2023.

Indonesia’s gaming industry is composed of business-to-business (B2B) services, outsourced services for foreign game companies, and video games played on mobile phones and PCs made by Indonesian game developers, who own the intellectual rights. No accurate data on the importance of each sub-sector are available. Considering the number of studios that mentioned receiving part of their revenue from B2B and outsourced services and the core business of Agate—the largest gaming company in Indonesia—we can conclude that B2B and outsourced services are important in the industry, providing revenue and employment as well as continuous exposure to game trends.

The number of game studios has been growing since 1999, from 1 to 75 in 2021. Much of the revenue is from exports as many local game developers tackle PCs and/or consoles first instead of entering the extremely competitive local mobile-centric market.

Companies are steadily growing into higher size brackets (AGI, 2021):

- Micro: < IDR300 million or about US\$20,000 yearly revenue
- Small: < IDR2.5 billion or about US\$165,000 yearly revenue
- Medium: < IDR50 billion or about US\$3,350,000 yearly revenue

- According to AGI, growth is driven by local initiatives to incubate amateur and/or individual developers into game development companies and/or businesses. Most games (50.77%) developed are small, with budgets of under IDR50 million (US\$3,500). Games of that scale are typically of amateur quality (student projects, etc.) and do not generate meaningful income.

Of games produced, 15% have budgets of IDR50 million–IDR200 million (US\$3,500–US\$14,000) and are typically either small prototypes by professional teams or budding developers who do not spend on labour.

Most games produced by professional teams and companies have budgets of IDR500 million–IDR2 billion (US\$35,000–US\$140,000) (AGI, 2021).

Most of the growth is driven by the success of PC game products in the international market, with almost triple the revenue from domestic sales. The gaming industry’s biggest challenge, however, is its low domestic market share, less than 2%, whilst its global market share is 0.4% (KomInfo, 2020).

2. Overview of the Music Sector

The music sector’s situation is the opposite of the gaming sector’s. The music market represents 80% of the domestic market.¹ The popularity of Indonesian music in Indonesia is reflected in Believe’s analysis (Believe, 2023).² According to Dahlia Wijaya, Indonesia Country Director of Believe, the digital music market consumption shifted from 70% international and 30% local in 2018 to 60% international and 40% local in 2023. The market has become much more local and people listen to a lot of Indonesian and Javanese songs.

Indonesia’s population is roughly equivalent to that of France, Germany, Spain, and the United Kingdom combined, but its music industry revenue is smaller than that of New Zealand, according to Musically (2021). However, it has plenty of potential. Firstly, the country is well served for streaming, with most online music listening taking place on YouTube, Joox, Spotify, Apple Music, and Resso, the music streaming service created in 2020 by TikTok owner ByteDance. Most of the digital service providers offer freemium and premium plans. Believe, a digital aggregator distributing music to streaming platforms, estimates that less than 1% of the entire population pays for premium plans. In comparison, Thailand has about 3% paid subscribers, China about 9%, and the United States more than 35% (Believe, 2023). Luminata noted that 74% of Indonesian music listeners engage with music that originates from outside their home country (Musically, 2023). But local music is highly popular in Indonesia as reflected in the fact that many of the top Spotify playlists are local. In some Asian markets, the big global playlists tend to dominate, but not in Indonesia (Musically, 2021).

Multiple music genres span the archipelago, from regional folk pop music reflecting the diversity of Indonesian culture and ethnicity, such as Pop Sunda, Pop Batak, Pop Melayu, Pop Ambon, and

¹ PT. Musica Studio. No recent data have been found besides Believe Indonesia’s analysis.

² <https://www.believe.com/blog/5-things-know-about-indonesias-music-market>

others, to Dangdut, Qasidah modern, Kroncong, Langgam Jawa, pop, rock, jazz fusion, and indie, to name just a few.

Videos account for about 50% of streaming revenue (Believe, 2023). The case of Dangdut, regional music generally sung in Javanese and mainly based around dancing, is fascinating. Dangdut fans love watching the video for the choreography as much as for the songs, which is why YouTube is their preferred platform and why it is contributing so much to regional music. In January 2023, Indonesia ranked third in the world for YouTube users and second for TikTok users (Datareportal, 2023).

Based on the 2017 Bekraf-BPS Creative Economy Survey, the contribution of music to creative economy GDP was still less than 1% until 2016. However, the music industry grew by 7.26% in 2017 and by 7.59% in 2018 (UNCTAD, 2019), making it one of the fastest-growing sub-sectors in those years. In 2021, during the coronavirus disease (COVID-19) pandemic, the music sub-sector grew by 3.94%. It has a value of US\$440 million and employs 70,755 people (Kemlu, 2022).

The secret behind the home-based market growth is the combination of innovative business models to survive or to take advantage of the changes brought about by the internet and its increasing use. The total number of internet users in Indonesia went from 133 million in 2018 to 210 million in 2022.³

Contributing to the industry's growth is the expansion of CD distribution channels through food outlets, retail supermarkets, bookstores, and cafés. They compensate for the declining number of record stores brought about by the internet's ascension, sale of mobile phone ringtones, and sale of synchronisation licenses for the use of music. Marketing channels have diversified as web platforms multiply. At the heart of record labels' strategy is repackaging music as part of a multimedia entertainment business that thrives not only on the music itself but also on strong visual elements, where media and social media play a central role. Besides being recording companies and selling music, they organise events and manage artists. Revenue is earned from a percentage share of the management deal with the artist (Dellyana and Simatupang, 2014).

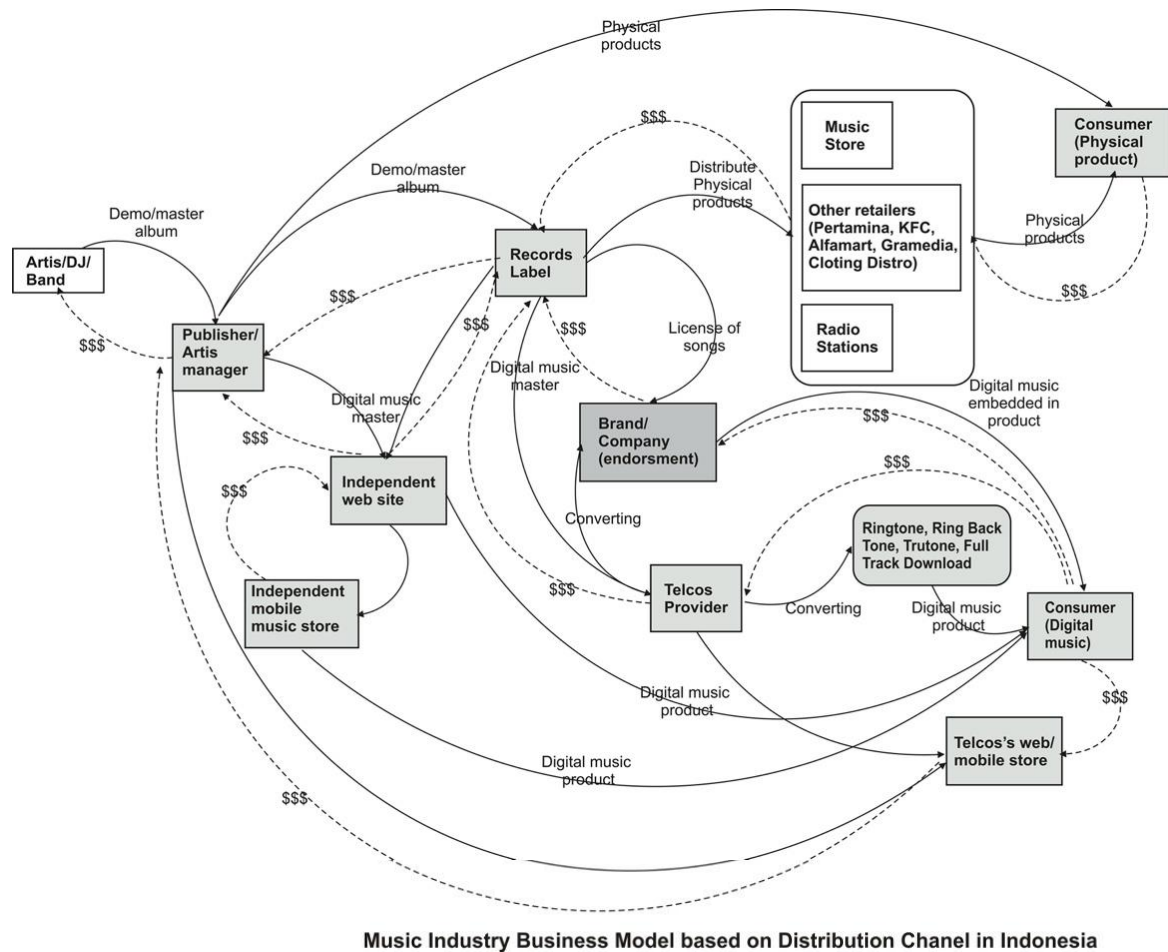
'Multi-platform channels act as an aid to promotion, helping the industry grow and creating employment. Music is no longer a single product that can only be enjoyed by listening to it or going to a live concert. It is beyond lyrics and music, becoming a total entertainment commodity that binds together music, showmanship, design, public relations, and marketing. Music shows dominate TV programmes', explains journalist Albert W. Nonto (Jakarta Globe, 2017). He continues: '*Indonesia Idol, Rising Stars, The Voice Indonesia* are franchised, whilst a home-grown programme such as *Indosiar's Kontes Dangdut Indonesia* consistently ranks at the top of the TV ratings. The quality of music may no longer be a dominant factor to measure success. The management of image is just as important, such as the clothes a performer wears in daily life. Every moment is showtime. Music fans are as important as ever, presenting niche markets for performers and determining their status in the ranks of the mass market. A host of reality shows for aspiring musicians present a launch-pad for new talent and nurture images and appeal, and with them the sales of albums or songs over the internet'.

³ Katadata and BPS quoted in <https://fulcrum.sg/the-state-of-indonesias-digital-economy-in-2022/>.

Wisnu Surjono of Universal Music Indonesia agrees that musicians' fans remain the most important factor in the market. Millions of fans still consider owning the physical album a matter of pride, binding them emotionally and intimately with the artist (Jakarta Globe, 2017).

The music industry business model is now based on a giant web of actors, who make money through different distribution channels (Figure 1.4).

Figure 1.4. Map of Indonesian Music Business Model Based on Distribution Channels in Indonesia



DJ = disc jockey, KFC = Kentucky Fried Chicken.
Source: Dellyana and Simatupang (2014).

Datareportal report 2022 (Datareportal, 2022) shows that Indonesian digital music consumption grew by 20.1% from the previous year, as quoted from Statista. The report also found that 56.7% of Indonesians are using the internet to listen to music and spend 1 hour and 40 minutes on average per day on music-streaming platforms. Streaming represented 90.6% of total music revenue in 2022 in Indonesia, accounting for US\$75.4 million, a figure that was up 36.7% from 2021 (IFPI, 2023).

Changes brought about in the music industry by internet disruption and the digital era are benefiting musicians by allowing them to easily market their music and upload video clips. Dahlia Wiyaya, Country Director of Believe, says that an interesting feature of the local music market is the incredible number of new songs, sometimes hundreds released every week. 'Regional labels can even release new videos every day, encouraged by the fact that YouTube algorithm will push the channel and its content to a larger audience if they are active and upload quality content consistently. Moreover, TikTok and Shorts' algorithms can draw attention to a music video and make people watch the full version on YouTube. In the Dangdut music scene, there has also been a trend in the last two or three years to do cover songs. The same song can be recorded by five different artists at the same time and released on five different labels. Dangdut bands and artists are looking for songs that will go viral and reach millions. And surprising as it may be, they often succeed, as each cover of the same song can easily reach millions of viewers', she adds (Believe, 2023).

Musicians' success today is as much a result of talent as it is of business creativity.

In the following chapters, the study questions current growth parameters used for the music and game industries. The main objective of the study is to explore the key role of financial and entrepreneurial inclusion in driving growth in the context of the new digital economy, with a focus on the livelihood of musicians and game developers. Ultimately, the study will engage the reader to rethink the growth of creative economy in Indonesia in light of circular economy.

Chapter 2

Analysis of the Growth of the Music and Gaming Sector

The evolution of the music and gaming sectors in Indonesia cannot be separated from the development of the industries worldwide and their impact. Examining growth from that perspective provides a framework to analyse the data. The chapter will first look at the music sector and then at the gaming sector.

1. Music Sector

From the 1950s onwards,⁴ music began to take shape as an industry based on the combination of several activities, such as music composition, music recording, promotion, and performances, which all generated money. Music recording formats were introduced, such as cassette tapes and vinyl records in the mid-1970s, and CDs in the 1990s, together with MP3, which facilitated reproduction. In 1995, the internet became available for commercial use, marking the elimination of geographic boundaries in the distribution of recorded music products. As digital music made its way, CD sales decreased significantly, and the music industry had adjusted to the changes.

In Indonesia, the 1950s and 1960s were dominated by the emergence of record companies and solutions to produce recordings in a simpler form and at a more affordable price, with the cassette as a new medium. Many changes occurred in the 1970s. More modern equipment began to appear, including tape recorders that could be used to record songs from radio broadcasts, as well as from vinyl records. As a result, sales of blank cassettes grew, further fuelling the 'recording' culture amongst Indonesians. Changes were occurring not only in technology but also in the Indonesian market. Most Indonesians preferred pop music, but many musicians refused to cater to market demand, resulting in a decline in their incomes and careers. As record companies began to feel the need to keep up with changing market tastes to survive, the role of the producer emerged.

In 1985, Indonesia's recording industry faced international criticism for the proliferation of unauthorised compilations of Western music. Bob Geldof called on Indonesia to remove all pirated copies of the Live Aid concert, which he had organised to help famine victims in Ethiopia. He also requested that the government donate the money collected from a tax on tapes that had already been sold.

After the controversy, new payment systems for recorded material began to emerge. The two main models were flat pay and non-flat pay. Under the flat pay model, the producer or owner of the master tapes would receive a set fee for the purchase of the tapes, including any profits.

⁴ The historical evolution related in this section is from Kementerian Pariwisata dan Ekonomi Kreatif RI, *Ekonomi Kreatif: Rencana Pengembangan Industri Musik Nasional 2015–2019* (Ministry of Tourism and Creative Economy of the Republic of Indonesia, 2014).

Artists would receive only a recording fee or a bonus if the album was successful. But many of the agreements were not recorded in writing, leading to disputes between the parties and their heirs.

To resolve the issues and curb copyright infringement, representatives from international record companies arrived in Indonesia in the 1990s. However, their presence was restricted by the government, which prompted them to join forces with local record companies. EMI collaborated with Aquarius Musikindo, Warner Music with Hemagita Tama Records, Universal Music with Suara Sentra Sejati, Sony Music Entertainment with Indosemar Sakti, and BMG with Musica Studio. Later, these international record labels were established under their own name, along with the development of the world music industry. Sony Music acquired all the shares of BMG after the two companies merged. EMI had to shut down its Indonesian office, resulting in the distribution of its catalogue between Warner Music and Universal Music. In the 1990s, several albums sold more than 1 million copies, such as Nike Ardilla's *Let Your Love Pass* (Music Plus, 1994), Yuni Shara's *Why No Sorry* (Blackboard, 1995), Junior's *Bujangan* (Billboard, 1996), Stinky's eponymous album (Buletin, 1997), and Sheila's eponymous album (Sony Music, 1999).

The advent of digital economy in the 2000s gave rise to the independent (indie) music industry, with many record labels and other players entering the market, producing music alongside the established record labels mentioned above or what are usually referred to as 'major labels'. The reason was that the major labels did not fully cater to the Indonesian music market, leaving many musicians without support. Thus, musicians began to produce their own music. As the number of musicians and their works across various genres grew, the independent music industry gained momentum, helped in part by mass media outlets such as MTV, which championed indie musicians and helped popularise their music in the wider community. A sign of indie music's success was the organisation of a competition, Indiefest, which aimed to produce an indie music compilation album. FFWD Records, an independent label from Bandung, was one of the competition's initiators. Some of the most successful indie record labels at the time included FFWD Records, Aksara Records, Sinjitos, Demajors, and Ivy Music League.

2006 was a turning point for the music industry in Indonesia, as music consumption shifted from physical products such as CDs and cassettes to digital formats. The internet has made it easier for music lovers to access and purchase music online. But cassette tapes and CDs remain popular, with some musicians still enjoying high sales. Mobile phone ringtones also became popular and were profitable for many musicians.

In the 2010s, the entry of global music services such as Nokia Comes with Music, YouTube, and Apple iTunes gave rise to a new business model. Local and foreign content aggregation and sub-aggregation services emerged to help Indonesian musicians distribute their works on streaming platforms such as Believe Digital, Tunecore, CD Baby, and others. Today, they provide various paid services to musicians, including recording, promotion, and local and global distribution of their music.

The digital market has changed the game and disrupted major labels by shaking up their traditional preserve. Social media has disrupted promotion, and technology and the 'do-it-yourself' approach have disrupted artists' repertoires. The internet and digital market have opened new opportunities for independent musicians and music entrepreneurs, and the market

has shifted towards aggregation. Major labels still hold an advantage because of their size, networks, established corporate sponsorship, and media contacts, but for how long will they have the upper hand? The industry is moving from a unit-based business model, which produces only a limited number of artists, to an access-based one, which is open to subscribers. Similarly, self-promotion on social media has shifted to an access-based approach.

Today, market updates are provided by the Indonesia Recording Industry Association (ASIRI) (2023), a trust established in 1978 to represent the recording industry's interests in Indonesia. Its members include 80% of active recording companies. Market updates do not include independent labels or the activities of indies, which operate on their own. The only source of information about indies is the digital platforms, which do not share their data.

ASIRI's market updates show a growing music industry, valued at US\$47,032,503 in 2019, US\$47,027,578 in 2020, and US\$61,699,644 in 2021, or an increase of 9.67% in 2020 and 19.62% in 2021. Per category, the market-size breakdown shows a net increase for audio and video streaming and a decrease for mobile phone ringtones.

The IFPI Global Music Report 2022 (Figure 2.1) ranks Indonesia 33rd, with a market size of US\$66 million and a growth rate of +16.4 (+4.6% in 2020). The IFPI report is based on information collected from major labels only, members of ASIRI, and music hub [ASIRINDO](#).

Recorded music revenues by sector in 2021 (trade value) came mainly from streaming (83.3%) and downloading and other digital methods (15.0%). Physical sales (0.3%), performance rights (1.0%), and synchronisation or use of the original music (0.4%) remain marginal.

The data reflect a radical drop of CD and vinyl record sales (0.3%), whilst 1.0% for performing rights reveals a low trade value. Performing rights refer to the commercial use of songs and/or music in the form of commercial public services such as commercial seminars and conferences; restaurants, cafes, pubs, bars, bistros, nightclubs, and discotheques; music concerts; aircraft, buses, trains, and ships; exhibitions and bazaars; cinemas; private phone ringtones; banks and offices; shops; recreation centres; television broadcasting institutions; radio broadcasting institutions; hotels, hotel rooms, and hotel facilities; and karaoke businesses.

The management of performing rights—of composers, performers, and master owners and producers—has been an issue for the past 30 years with regard to royalty collection and distribution.

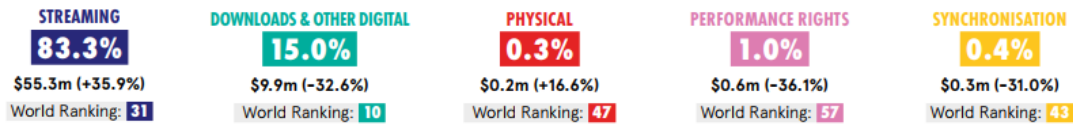
Figure 2.1. IFPI Global Music Report Indonesia, 2021

INDONESIA

GMR 2021 GLOBAL RANK **33** vs. 2020 **1**

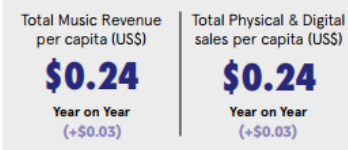
MARKET SIZE **US\$66.3 MILLION** | GMR 2021 GROWTH RATE **+16.4%** [2020 +4.6%]

RECORDED MUSIC REVENUES BY SECTOR 2021 (TRADE VALUE)



RECORDED MUSIC REVENUES BY FORMAT (US\$ MILLION, TRADE VALUE)

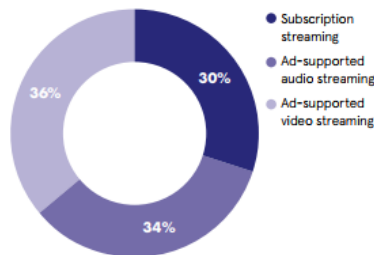
	2017	2018	2019	2020	2021	2021 YoY % change
Subscription streaming	7.9	10.6	13.4	16.5	16.8	+1.7%
Ad-supported audio streaming	2.3	4.5	7.8	12.2	18.7	+53.3%
Ad-supported video streaming	8.0	8.4	11.4	11.9	19.8	+65.5%
Streaming	18.2	23.4	32.6	40.7	55.3	+35.9%
Downloads	2.0	1.2	0.9	1.2	1.4	+25.4%
Mobile personalisation & other digital	20.7	20.1	17.0	13.6	8.5	-37.6%
Downloads & other digital	22.8	21.3	18.0	14.7	9.9	-32.6%
CD	1.2	0.6	1.1	0.2	0.2	+15.7%
Vinyl	0.0	-	-	-	0.0	-
Music video	-	-	-	-	-	-
Physical	1.2	0.6	1.1	0.2	0.2	+16.6%
Performance rights	1.5	2.1	2.3	1.0	0.6	-36.1%
Synchronisation	0.3	0.5	0.6	0.4	0.3	-31.0%
Total revenues	43.9	47.9	54.5	57.0	66.3	+16.4%



SOCIAL, ECONOMIC, AND TECHNOLOGY INDICATORS

Population (m):	277.7
Currency:	Indonesian Rupiah (IDR)
US\$ exchange rate:	14,316.80
GDP per capita (US\$) 2021:	\$3,811
Internet usage penetration:	74%
Mobile internet usage penetration:	69%
Median Fixed internet line speed (Mbps):	20.1 (+25.1% vs 2020)
Median Mobile internet speed (Mbps):	15.8 (+27.4% vs 2020)
Smartphone penetration rate:	69%
Mobile connections at 3G to 5G:	96.7%

STREAMING REVENUES CY 2021



TOP 5 DSPS BY NUMBER OF SUBSCRIBER USERS CY 2021 (ALPHABETICAL ORDER)

- Apple Music
- JOOX
- Langit Musik
- Spotify
- YouTube

INDUSTRY INFORMATION

Chart compiler and publisher information:

BMAT

www.bmat.com

Performance rights music licensing company:

ASIRINDO/SELMi

www.asirindo.org / www.selmi.id

National recording industry association:

ASIRI

www.asiri.co.id

Source: International Federation of the Phonographic Industry (2022).

Initially collected since 1991 by Yayasan Karya Cipta Indonesia, a composers' collective, license fees are now collected from commercial consumers by the National Collective Management Organization (LMKN), which then redistributes the royalties to the different collective management organisations (LMKs or CMOs) based on the following arrangement: 50% for composers, 25% for performers, and 25% for master owners or producers. The CMOs then distribute the royalties amongst members after retaining 20% for operational costs, shared equally by LMKN and CMOs.

The formal structure of LMKN and CMOs was defined by Copyright Law No. 28 of 2014, under which CMOs are non-profit and must obtain an operational license from the minister of law and human rights by fulfilling certain requirements.

The lack of distribution rules has resulted in disputes regarding the payment of royalties within the CMOs, which still use the portion-agreement system between members. To resolve the issue, Law Number 56 of 2021 on Management of Royalties for Songs and/or Music Copyright was passed in March 2021 to provide protection and legal security for creators, copyright holders, and owners of the economic rights of songs and/or music, as well as any person who makes commercial use of songs and/or music, especially to clarify what is meant by commercial public services that are subject to copyright royalties. The law was enacted to optimise the management function of copyright royalties for the use of works and related rights products in the field of songs and/or music. The regulation stipulates that royalties should be managed by LMKN based on integrated data in a song and/or music data centre. The minister should record the license agreement in accordance with the provisions of laws and regulations. The provision of the license is accompanied by the obligation to provide reports on the use of songs and/or music to LMKN through the Songs and/or Music Information System. The regulation, however, is being revised due to disagreements from LMKN and CMOs over two provisions contained in the regulation: (i) the fact that development cost for information technology should be paid by performers' rights royalties, and (ii) the private company appointed to run the technology.

LMKN and CMOs argue that both the database and the music information system are of public interest and should be funded by the government. They do not want to be trapped in corporate decisions on copyrights. They propose that the technology operator work as a sub-contracted operator and be selected according to transparent procedures.⁵

Wahana Musik Indonesia (WAMI), a CMO, has invested in a music data system that enables it to store music metadata and to better process distribution. It helps increase WAMI's membership as it traces artists whose music is played in public places but are not yet registered with any CMO.

Today, LMKN covers 20% of the 514 cities in Indonesia and collects payment of copyright royalties from commercial public services, but law enforcement issues arise if a commercial consumer does not pay.⁶ Technology would help resolve the issue and improve royalty distribution. A music database is key for payment of streaming royalties because the business model for music streaming differs from previous arrangements, by which the royalty paid to songwriters and performers was a percentage of sales. The music database will be the basis for determining the economic value of a piece of music as it has complete and precise information on how much, to whom, and how the copyright or royalties will be distributed. Copyright provides not only a basis for determining economic value but also protection for a work of music (WIPO, 2015; Andersen and Kozul-Wright, 2000).

Proper management of music industry data will lead to increased potential gains from the payment of the rights described above. Royalty revenue will contribute to the music sector's

⁵ Personal communication from LMKN and CMO representatives and members.

⁶ Personal communication from a representative of LMKN.

growth and to employment in related industries. It will build artists' confidence in the ecosystem and in music as a business. Equally important, it will facilitate the integration of independent artists and highlight their contribution to the music sector.

Current growth and market size estimates are biased by the lack of information about the indie movement and niche music contribution to creative economy, and by revenue generated from live performances, one of the main sources of income throughout the archipelago all year long. Artists say live performances are their most important source of income. For example, WAMI collected IDR955,538,136 or about US\$65,000 from 95 live events in 2022, representing 2% of the total value of the events or IDR47,777,906,800 or about US\$3,220,000.⁷

According to the mapping music sector ecology research (British Council, 2020), 'Indonesia has experienced an exponential development in its music industry within the past few years, with the arrival of new, hot-shot bands, emerging spaces where music-based communities gather, and a host of highly conceptual music festivals. The breadth of potential demonstrated by the Indonesian music industry is further boosted by the sheer enthusiasm of its youth, easily the country's biggest demographic. Amongst the most thriving music ecosystems in Indonesia is, without a doubt, its independent scene'.

Digital distribution of sound recordings via platforms has broken the established royalty deals based on sales, as streaming has become an increasingly dominant mode of access to music. Potential growth of the music sector should be looked at from the standpoint of the musician and not of the major label industry only, because musicians as composers and master owners are important contributors to the economy and a source of growth. Musicians' options used to be conditioned by contracts with major labels. But today, with the changing structure of the music industry, success depends on musicians' entrepreneurial spirit, i.e. their capacity to motivate themselves to fulfil their potential, and their willingness to adapt and learn how to profit from music in ways besides live performances. Musicians' understanding of how and where they can earn and manage money and with which key actors they should work is essential. Publishers are important as most songwriters grant to them all their rights, including mechanical, performing, synchronisation, and printing rights, which publishers use to allow CMOs to collect royalties for composers and songwriters. The arrangement makes music data management and music information systems even more important, as they ensure accurate royalty distribution for performing rights as well as mechanical rights paid by digital platforms and social media via publishers and aggregators.

2. Gaming Sector

The gaming industry in Indonesia is just over 20 years old but has produced many games that promote the country. The industry started in the late 1990s with Matahari Studios, which, according to Kris Antoni Hadiputra (Game Developer, 2020), founder of Toge Productions, was regarded as the grandfather of Indonesia's game development scene. The studio built an online community forum where game developers all over Indonesia could share knowledge, showcase games, and learn from each other. Game developers eventually started their own studios, and

⁷ WAMI personal communication from the director general.

the gaming community grew. Hadiputra's essay, 'Decade Retrospective: Indonesian Games 2010–2020' (Game Developer, 2020), provides an interesting glimpse into the evolution of the gaming sector.

Three phases marked the development of the industry:

- **1999–2011: A Glorious Start**

The period was a time when game developers were learning by making different types of games for outsourced projects. The main driver was Flash games and their sponsoring business, which enabled Indonesian developers to create games and earn a living from web-based games. The way it worked was simple: games were free, but for a fee, game creators would let several bidders put their logo and a link to their website. Sponsors would pay big money for licences and sponsorships to grow their audience using Flash games uploaded on a few big sites that would then propagate to hundreds or even thousands of smaller sites to be played by a potential audience of millions (Doucet, 2021). Many started their own studios and released successful games that were played worldwide. The *Epic War* series from Artlogic games, the *Infectonator* and *Necronator* series from Toge Productions, the *Valthirian Arc* series from Agate, and many more filled game developers with passion and pride. According to the 2010–2012 Flash Game Market Survey by the now-defunct Mochi Media, Indonesia was amongst the top-10 countries for Flash game production. More than 100 indie teams or studios were born around this time in Indonesia. Web-based gaming portals such as Newgrounds, Armor Games, and Kongregate gained visibility and revenue from millions of players worldwide. Flash provided game developers with not only a stable income but also a space for learning and experimentation. The conditions were perfect for the gaming industry ecosystem to grow and flourish. Small studios soon became medium-sized companies and expanded to include mobile games (Game Developer, 2020).

- **2011–2015: Brave Soldiers**

2011 was the beginning of the end for Flash, and with it the end of revenues from advertisements.

The price of game engines became more affordable with UNITY software, which encouraged game developers to turn to mobile and PC games. Mobile was predicted to be the new potential market.

Those years saw the birth of a few studios and mobile games that became international hits, such as *Icon Pop Quiz*, *Tebak Gambar*, *Mini Race Adventure*, and *Tahu Bulat*. Despite the successes, however, some developers could not continue their activities and were forced to close down. B2B services and game outsourcing became the solution to stay in the business.

In 2013, AGI was created to help grow the community and connect the gaming industry with the government. The same year, Steam was making it easier for indie developers to publish their games on their distribution platform, giving new hope to Indonesian game developers. Digital Happiness Studio seized its chance and raised funds via the Indiegogo crowdfund platform and released a game that remains one of the most successful in Indonesia.

- **2016–Present: Determination**

Steam provided game developers with an alternative to the crowded mobile phone market. Game developers began releasing their games to consoles. The first Multiplayer Online Battle Arena was made in Indonesia and became available for open beta in 2020, further diversifying Indonesia's offerings. Great Indonesian games are making their way to the top, with releases on Steam such as *Coffee Talk* by Toge Productions, *My Lovely Daughter* and *My Lovely Wife* by Gamechanger, and on Google Play with *Selera Nusantara* by Gambir Studio. According to VirtualSEA (Twitter, 2019), by 2019, more than 60% of all Southeast Asian Games on Steam are from Singapore and Indonesia.

The gaming industry received support from the government in the form of grants and exposure trips to international exhibitions and events, enabling game developers to feature local games at international expos, develop networks, establish contacts with publishers, and promote Indonesian skills for outsourced projects.

The local game industry, although growing fast, with a compound annual growth rate of 51%, is still considered small (AGI). In 2020, it was estimated to have received US\$8.64 million or 0.49% of the market. Its growth is estimated to maintain year-over-year growth of 51% and reach US\$67.8 million or 2.4% of the US\$2.79 billion industry by 2025. The growth strategy is guided by a 'push and pull' vision that simultaneously uses a bottom-up approach to build talent and organic scaling up, and top-down industry development through talent creation and start-ups. The objective of the gaming industry is to grow 12 times bigger than it was in 2020 by 2024–2025 and to generate annual revenue of US\$100 million through increased production.

Effort and investment go into creating talents, improving quality, and offering funding and mentoring programmes such as Agate Skylab, Telkom Indigo Incubator, and Toge Grant. Agate and AGI actively improve education programmes for game developers through universities and vocational colleges, as talent is still insufficient. Local game companies cannot compete with large foreign game companies, and schools and universities provide courses adapted to the industry's needs. Game studios either invest in training or take on side projects to level up their teams' skills by learning by doing.

Predicted growth is based on sales revenue and does not consider the process and the harsh reality of competing globally or the cost involved in creating a game.

Interviews with game developers reveal that developing and releasing a game do not guarantee success. Games are often not profitable. Table 1 provides an example of the performance of a small sample of PC games on Steam, with or without the support of a publisher. The comparative US\$100,000 threshold reference is used as the average cost of production for a medium-sized PC game made in Indonesia, serving as a breakeven reference point.

Table 2.1. Distribution of Game Revenue in Relation to Publisher or Self-publishing

> US\$100,000 with Publisher	< US\$100,000 with Publisher	> US\$100,000 Self-published	< US\$100,000 Self-published
<i>Coral Island</i>	<i>Ghost Parade</i>	<i>Coffee Talk</i>	<i>DreadEye VR</i>
<i>Potion Permit</i>	<i>Rising Hell</i>	<i>DreadOut</i>	<i>Azure Saga: Pathfinder</i>
<i>Space for the Unbound</i>	<i>Ultra Space Battle Braw</i>	<i>DreadOut 2</i>	<i>Forged of Blood</i>
<i>When the Past was around</i>	<i>She and the Light Bearer</i>	<i>DreadOut: Keepers of the Dark</i>	<i>Orbiz</i>
<i>My Lovely Daughter</i>	<i>Rage in Peace</i>	<i>Legrand Legacy: Tale of the Fatebounds</i>	<i>A Day Without Me</i>
<i>My Lovely Wife</i>	<i>MagiCat</i>		<i>Babol the Walking Box</i>
<i>Necronator:Dead Wrong</i>	<i>Run Roll Rumble</i>		<i>Lobster Empire</i>
<i>Infectionator 3: Apocalypse</i>	<i>Valthirian Arc: Hero School story</i>		<i>Perang Laut – Maritime Warfare</i>
	<i>Valthirian Arc: Hero School Story 2</i>		<i>Oracle of Forgotten Testament</i>
	<i>Celestian Tales: Realms Beyond</i>		<i>Lastone: Behind the Choice</i>
	<i>Celestian Tales: Old North</i>		
	<i>Motte Island</i>		

Source: Author, based on sample distribution based on STEAM Revenue Calculator and public information in 2023.

Of the 35 games listed, 13 are financially successful and 22 are not. Although more successful games were released with a publisher, the difference between the unsuccessful self-published games and those with a publisher is not striking. Thus, a publisher does not guarantee success.

Revenue growth is attributed to the value of the successful games and does not consider the unsuccessful ones. We can conclude that the evolution of Indonesian games consists of success stories. Future studies are required to analyse net revenue calculated in relation to production cost of all games released on Steam, including the unsuccessful ones. The industry is still finding its place amongst a huge global offering of games. Whilst the successful games may keep young game developers' spirit and determination alive, developing games remains challenging (Table 2.1). The question is: How do game developers manage to survive?

Multiplying the number of games by a percentage of those that might succeed gives the impression that, in the long run, the sector will be healthy. In reality, however, many studios could be facing difficulties or are growing slowly.

The next chapter analyses the livelihood of game developers to gain insight into how their capacity can be further developed and complement the current strategy. The next chapter also explores the economic life of musicians in the digital era.

Chapter 3

Livelihood of Musicians and Game Developers

Passion and artistic production are two things that musicians and game developers have in common. They pour their hearts and time into their creative works. But an irregular income and uncertain success also come with the territory. Living off their art has always been a challenge to artists all over the world, whether they live in developed or developing countries. Even those who may have experienced fame at some point in their careers could end up growing old and poor. The stigma persists that a creative career is not a viable livelihood or that artists need to dedicate themselves fully to their art.

It is no different with Indonesian artists. Whilst some musicians and game developers have built entrepreneurial strategies, they still depend on family, friends, and intermediaries to promote their work. Or they pursue art as a hobby whilst working at another job. Their predicament is a result of financial limitations, lack of knowledge and exposure, and the fact that not all artists are natural entrepreneurs. However, digital economy has brought new opportunities and possibilities for independent game developers and musicians to market their work. But they need adaptable and social qualities, creativity, and innovation—all key entrepreneurial skills—beyond just artistic skills (Hermawan and Abiyusug, 2021).

To better understand the economic lives of independent game developers and musicians, it is important to analyse the different dimensions of their work, such as production, the costs involved, their income sources, and their participation in the market. Then areas can be identified that need to be addressed to further unleash game developers' and musicians' potential for growth.

1. Economic Lives of Independent Game Developers

An indie game developer is a person or a small group of people working on their own projects without the backing of investors or venture capital. Indie Game Group Indonesia, for example, has over 2,000 members (IGGI, 2023) with diverse backgrounds: audio artists, businesspeople, game designers, visual artists, programmers, and students. They all share a deep passion for video games and typically begin developing games as a hobby or alongside their professional activities.

Depending on their background and experience, game starters typically make a living in fields such as web design, app creation, teaching, art and photography, or custom character creation. Some are employed by established game studios whilst students are usually supported by their families. Some developers can build small capital through crowdfunding or by investing their personal savings from money earned at previous jobs.

In most cases, game development is done in parallel to working until one game sells well. Typically, developers create many game prototypes before finally releasing a game. Making

games is a way to gain experience. Riris, co-founder of GameChanger, said *My Lovely Wife* is her 33rd game. She self-published three games and did not earn enough to break even. She decided to work with a publisher for *My Lovely Daughter* and *My Lovely Wife*. She and her game studio co-founder spent their own money until *My Lovely Daughter* became a success 1 day after its release. She then left her job as a librarian to dedicate herself to game development. The other 25 games and prototypes are dormant.

Game publishers play an important role in positioning games in the market. They should be able to calculate, predict, and analyse players' behaviour and advise on changes that need to be made for the game to sell well. Equally important, they must have good promotional skills. Self-publishing a game is not easy, whether in Indonesia or globally. With increasing competition, releasing a game requires a huge promotional budget. According to Game Developer (2022), 6,000 new PC games were released during the first half of 2022, averaging more than 34 a day. However, finding a willing publisher requires an appealing game for the international audience, a convincing pitch, and skilful financial negotiation. It is even more challenging for those who live and work outside Jakarta, do not have industry contacts, or cannot speak English fluently because, except for one Indonesian PC game publisher, all publishers are non-Indonesians based in the United States, Europe, Singapore, China, and the Republic of Korea.

The mobile game market is different. In 2020 (Play Today, 2023), there were 477,877 and 957,390 mobile gaming apps on the Android and the App Store platforms, respectively. The fierce competition is due to the largest gaming companies dominating the market. As most mobile publishers ask game developers to first demonstrate the economic profitability of a game before committing to its release, the game must be released and running to allow data and statistics collection. Yet, some game developers have managed to penetrate the local market. Indonesia has some highly successful games such as *Bus Simulator*, *Educa Studio*, *Epic Conquest*, *Happy Glass*, *Lokapala*, *Selera Nusantara*, and *Tahu Bulat*.

Box 3.1. *Selera Nusantara* by Gambir Studio

Gambir Studio was created in 2016 by a small team of friends who started off with the viral success of a small crossword mobile game, *TTS Lontong*. It was created in 3 days by two developers and generated IDR2 million in 2 months.

The team reinvested the earnings in three unsuccessful games before releasing *Bubur Ayam Express*, which was downloaded over a million times.

In 2021, Gambir Studio released *Selera Nusantara*, which was downloaded over five million times, winning the following awards:

[Selera Nusantara a Best Indies Game, GooglePlay for 2021!](#)

[#GooglePlayBestOf.](#)

[Nominated for Google Play Users Choice 2021](#)

[Best Indonesian Mobile Game, The Lazy Award 2021](#)

Best Indonesian Game Developer, The Lazy Award 2021

Selera Nusantara is a wonderful example of a successful Indonesian mobile game inspired by local culture.



About this game

Help Siska in her journey to be a MASTER CHEF in *Selera Nusantara*, the award-winning cooking game. Simply tap away and enjoy the fun and fast-paced gameplay in this chef simulator.

Explore the rich tapestry of authentic Indonesian food in this game. Pecel Lele, Nasi Goreng, Sate Ayam & Kambing, Mi Rebus, Mie Goreng, Bakso, Mie Ayam, Bubur, Ketupat, Martabak, Seblak, and so much more. New menu items to come!

Source: Gambir Game Studio.

<https://play.google.com/store/apps/details?id=com.gambirstudio.makanan>

With a financially successful game, indie developers are considered 'good to go' and can invest in another game. If a game generates more than the return on investment, developers reinvest the profits into new projects. If the game fails, developers usually return to their side activities until they earn enough money to invest in a new game.

Rage in Peace, the first game of Damas from RollingGlory Studio, just managed to break even, and so the studio went back to making websites and apps. The second game the studio self-published 2 years later was a success, and since then it has focused on game production using its savings.

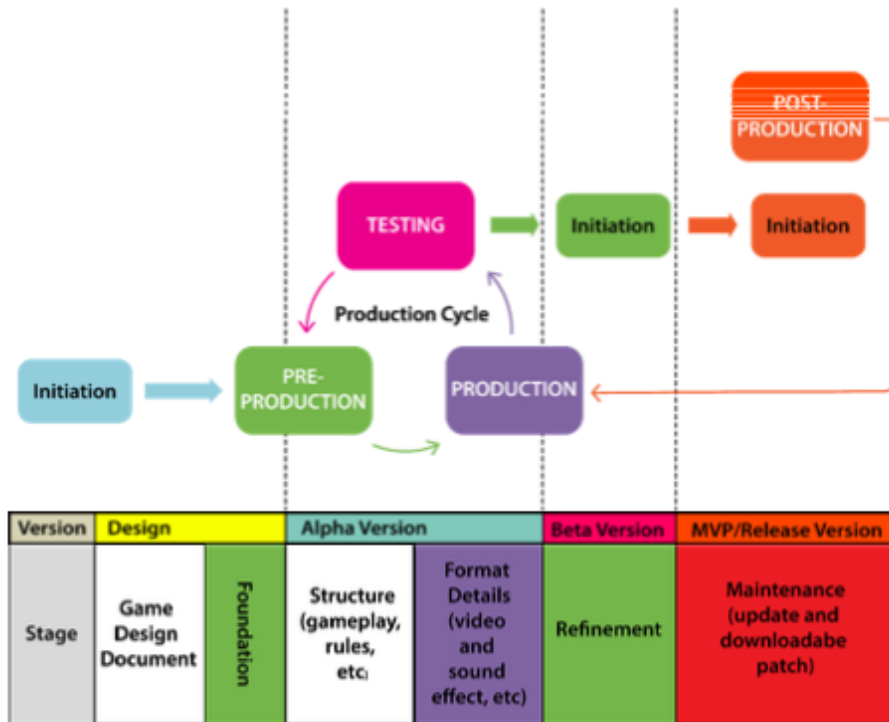
Many studios are bootstrap companies and rely on their own resources. B2B services to make games for corporates willing to advertise their product, or educational games for non-governmental organisations, and outsourced contracts from foreign game companies are important in the gaming industry. B2B services for bigger studios help bridge the financial gap and offer the possibility of using invoice orders as collateral. Whilst they are Agate International's core business, B2B and outsourced services provide revenue to many game developers and game studios either working directly with foreign companies or sub-contracting with studios in Indonesia.

Because of market context, many game developers opt to make PC games. Whether on PC or mobile platforms, the success of a game is unpredictable. Many excellent games have been developed over several years, with beautiful artwork, but failed to make it, whilst a small mobile game developed by two or three people in 2 days could go viral, like *TTS Longtong*, developed by Gambir Studio.

Some developers use strategies such as funding the production and releasing a part of a self-published game and reinvesting the first profit in the production of the second part of the game. Following the strategy, Digital Happiness Studio has invested steadily using crowdfunding and personal savings since 2013. Many studios fund the prototypes and then look for a publisher. Besides having knowledge of the industry and the market, publishers will generally advance the money needed to produce and market the game, with the understanding that their investment will be recouped from the first sales. Depending on the arrangements between game developers and publishers, sales revenues after the advance has been recouped will be shared on a 40%–60% or 50%–50% basis for the publisher, or even 30%–70% in some cases. The advanced funds allow developers to survive and to dedicate themselves to making another game. Riris from GameChanger makes it a point to negotiate above 50% for GameChanger. She abides by the following rule: Development cost should be as small as possible and her own percentage should be as big as possible.

Regardless of type, game production involves a complex set of stages (Figure 3.1).

Figure 3.1. Cycle and Process of Game Production



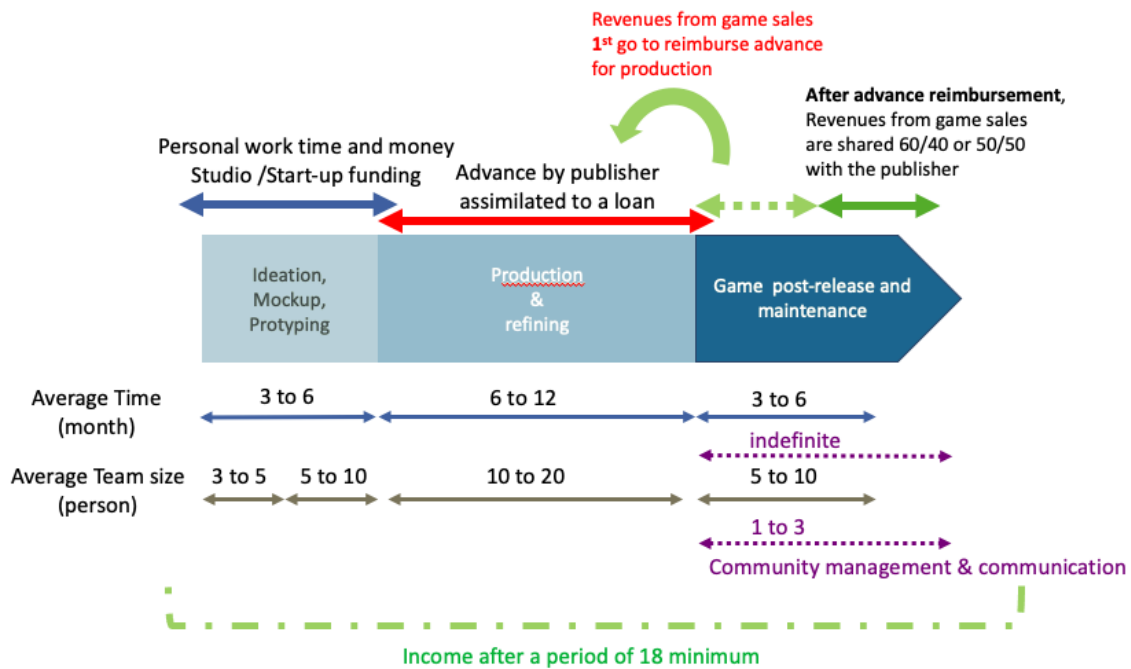
MVP = Minimum Valuable Product
 Source: Basori, Mardiana, and Setiawan (2018).

Game designers and developers use a large set of skills throughout initiation, pre-production, and production. Their activities include market analysis, and development of gameplay design plans, mechanics, and game levels, all culminating in the creation of a game design document and a prototype. A PC game prototype is pitched to publishers, whilst a mobile game prototype is used to test the game. Depending on the scope of the game, each stage can involve teams ranging from three people to a larger number of designers, artists, and technicians.

Creating a game can take from 2–3 days, 4 months, or 1 year for small projects, and up to several years for more ambitious projects. For comparative purposes, the study focuses on medium-sized PC and mobile games.

Figure 3.2 shows an overview of standard production process requirements and a funding mechanism for a publisher-supported medium-sized PC game released on a digital platform.

Figure 3.2. Overview of Production and Funding Mechanism for a Publisher-supported Medium-sized PC Game



Source: Author, based on information collected during the interviews.

Creating a medium-sized PC game may involve, on average, depending on the project, 3–10 people over 3–6 months for ideation, mock-up, and prototyping, typically funded by game developers.

The production stage, which involves up to 20 people, can last 6–12 months, depending on the complexity of the work, and the team’s experience and efficiency. In the best-case scenario, the game will be ready for release within 12 months, at which point, it can begin making money.

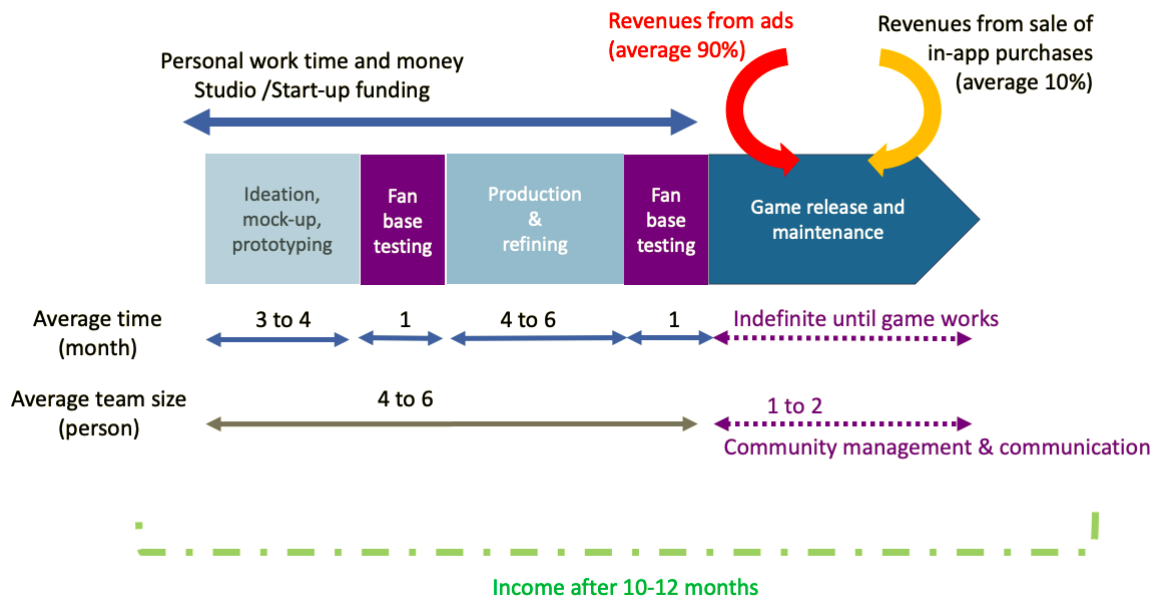
A game’s success is known immediately after its release and can last many years depending on the game’s popularity. Game studios receive regular monthly payments from their publishers.

The time required to produce a medium-sized mobile game is about the same but with only four to six people. However, PC game developers who have a publisher typically receive a development advance fund from their publisher, which covers their living expenses and enables them to fully focus on game development. In contrast, mobile game developers must fund the production themselves before they can release the game (Figure 3.3).

Mobile game developers, however, have the advantage of earning money immediately upon their game’s release, without having to wait for an advance recoupment. The business model for mobile games also differs from that of PC games. Whilst PC games earn from downloads on platforms such as Steam, free-to-play mobile games, which are popular in Indonesia, earn revenues from advertisements and in-app purchases, such as extra lives, coins, weapons, unlocking levels, etc. Spending money on in-app purchases provides players with a premium gameplay experience whilst providing a valuable and popular revenue source for game publishers in many countries. In Indonesia, however, players do not spend as much on in-app

purchases. According to Gyan from Gambir Studio, in-app purchases account for only 10% of revenue generated by their mobile game whilst 90% comes from advertisements.

Figure 3.3. Example for a Medium-size Mobile Game



Source: Author, based on information collected during the interviews.

A comparison between a PC game developer who has a publisher and a self-published mobile game developer, both starters, shows the considerable impact of cost recoupment and publisher's cost on game developers' revenue. Hence, game developers need effective negotiation skills. The amount advanced by the publisher to make and promote the game entitles the publisher to a percentage of the net revenue made from the sale of the game. If the publisher provides all the money required to develop and promote the game, the game developer will not be in an advantageous position to negotiate the percentage to give to the publisher. On average, the percentage varies from 50% to 60%, and some game developers mentioned a 70% share for the publisher. Whilst a PC game developer can recoup expenses from sales if it is successful, revenue is less important for the PC game developer compared to a mobile game due to publisher's cost (Figure 3.4).

Figure 3.4. Comparative Gains for Starters of Successful PC and Mobile Games



Average net revenue accord to gross revenue	
US\$ 200 000	US\$ 500 000
- 30% (Steam)	- 30% (Steam)
- 11% (Tax)	- 11% (Tax)
= 118 000	= 205 000
- 100 000 (advance)	- 50% (Publisher)
= 18 000	
- 50% (Publisher)	
= 9 000	= 102 500

Average net revenue accord to gross revenue	
US\$ 200 000	US\$ 500 000
- 30% (Google/Apple)	- 30% (Google/Apple)
- 11% (Tax)	- 11% (Tax)
= 118 000	= 295 000

Note: PC games have a publisher.

Source: Author, based on information collected during the interviews.

In both cases, game developers, as they gain experience, improve their chances of releasing successful games and making more money. PC game developers use tools to test and optimise their games, which can help reduce risks. Working with a publisher can provide an indication of the value of the game since the advance development fund is like a guarantee. In the case of small and medium-sized mobile games, some developers minimise the risks by testing the game on a large sample of players before producing it. If the testing results are positive and the developers decide to proceed with production, they will make the changes suggested by players and test the games again to ensure that the final product works properly. If the results are negative, the developers can go back to the drawing board and create a new game prototype, repeating the process.

2. Economic Lives of Indie Musicians

The music sector in Indonesia is a large and diverse community of performers, cover singers, songwriters, composers, and producers across a wide range of genres. Whether pursuing their craft as a hobby or striving for recognition on social media, many musicians work independently whilst others work with major labels. The lines between indie and label-affiliated musicians are seldom fixed, as a major label artist can decide to become independent, and an independent artist may choose to collaborate with a major label to produce a single or an album.

An Indonesian artist can earn and make money from many streams. The first is work for hire, where one is paid to perform for a gig or a concert or to record songs. Writing songs is another stream. When an artist works with a major label, profits from concerts and music sales are

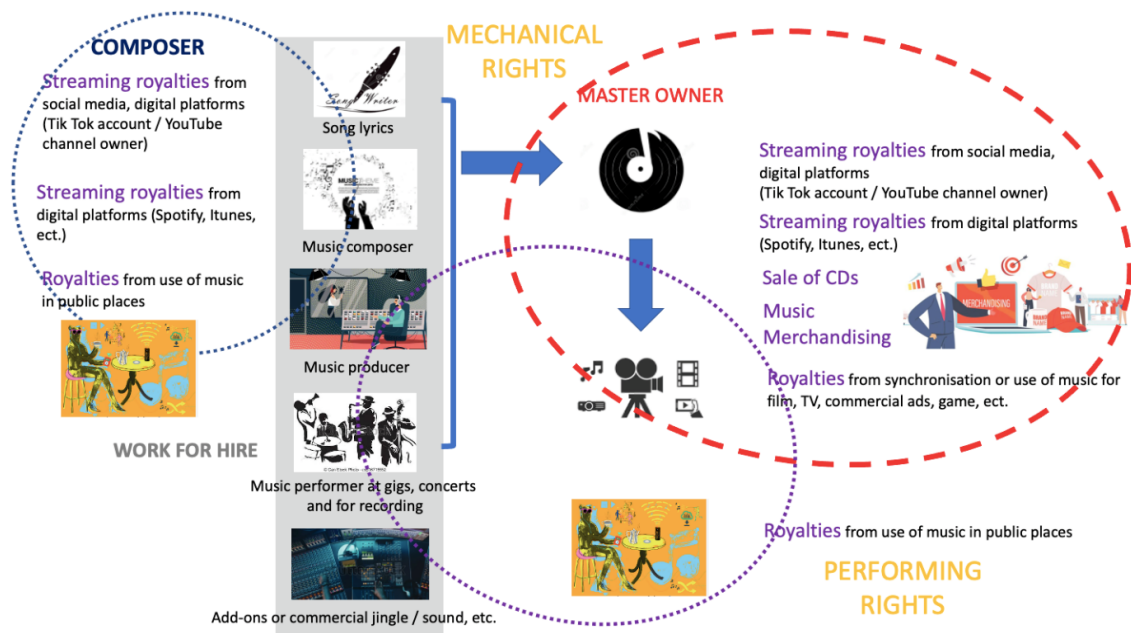
usually split between the artist and the label. When independent artists work together, profits are shared amongst themselves. Indie artists and musicians may include an autonomous, do-it-yourself approach to recording and publishing. Whilst major labels have long occupied a central place in the music sector in Indonesia, digital platforms now see an increasing number of indie musicians and independent labels releasing their music. Most indie music is registered with Believe, an aggregator offering artists a range of distribution and marketing services. However, the number of artists and their streaming performances remains unknown, as Believe has not released the data. Major label artists, however, are usually registered with the labels' aggregators, such as Ingrooves for UMI, Orchard for Sony, and Ada for Warner.

The study will focus on indie musicians and record labels, the first to take advantage of digital technology, yet whose importance is underestimated.

The biggest chunk of indie musicians' income comes from playing at gigs and concerts. The ability to build a large fan base and network is key to musicians' success. Through social media, regular concerts, and special events, indie musicians maintain constant communication with their fans and promote their merchandise, such as tee-shirts, caps, tote bags, CDs, etc. Fans show great support to the musicians they love and play a major role their livelihood.

Figure 3.5 provides an overview of the multiple income streams available to musicians.

Figure 3.5. Main Revenue Streams for Indie Musicians in Indonesia



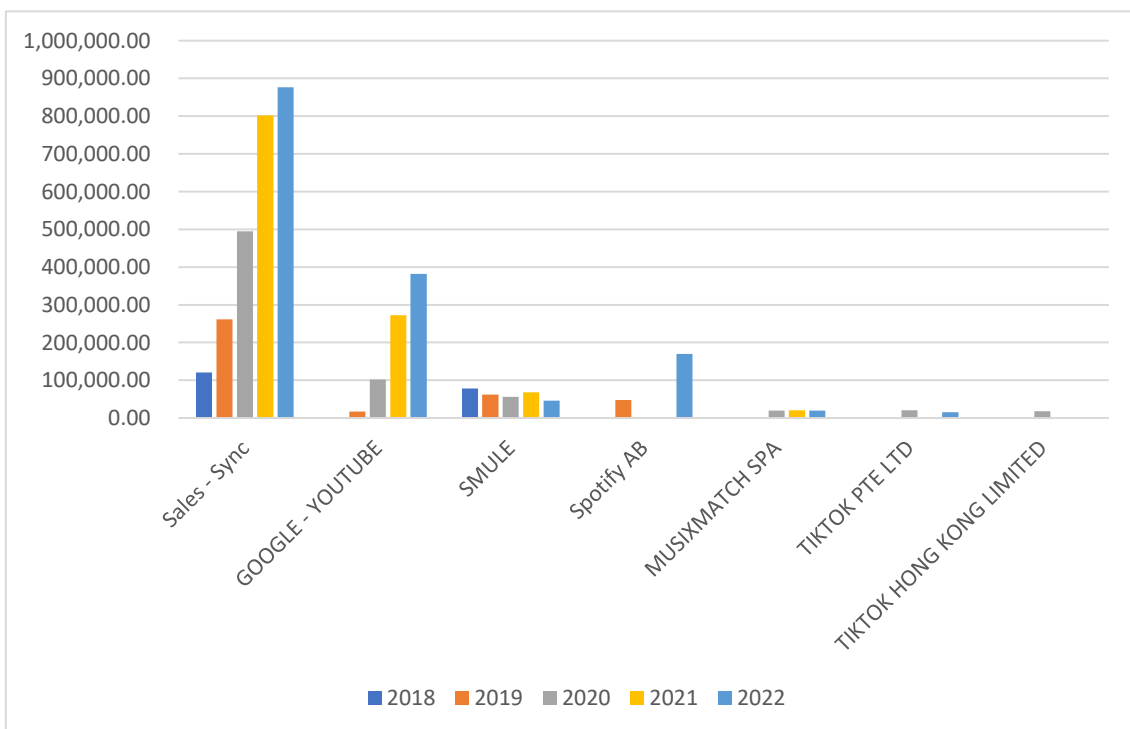
Source: Author, based on information collected during the interviews.

Musicians earn money if they are hired or commissioned to write songs, compose music, produce music, perform at gigs and concerts, record songs, and/or make add-ons or commercial jingles. However, the most important income source for composers, songwriters, and master owners is royalties. The active and passive use of a musician's work generates royalties with

each performance, play, or streaming. Social media and digital platforms, synchronisation licenses, and performing rights (use of artists' music for film, TV, commercial ads, etc. and in public places such as restaurants, cafes, pubs, bars, music concerts, airplanes, buses, trains, exhibitions, commercial conferences, malls, karaoke, etc.) provide songwriters and composers with royalty earnings. Master owners earn streaming royalties from social media and digital platforms as well as from synchronisation and performing rights. The general income comes from various streams but, for composers, royalties are the only source of income directly connected to their craft. For some, commercial and financial success means living on the sales and royalties and not having to rely on external activities such as performing or teaching.

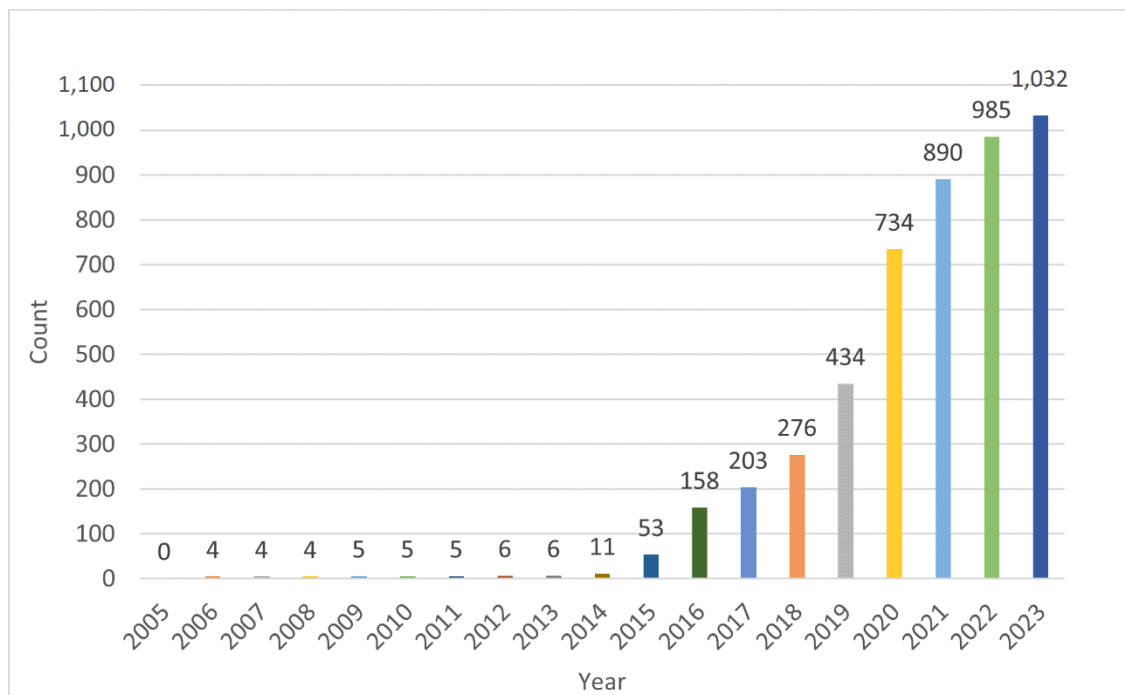
Massive Music Entertainment holds 58% of the music publisher market share. The rise of revenue for digital streaming (from more than US\$126,000 in 2017 to US\$633,000 in 2022) and synchronisation (from US\$100,000 in 2018 to nearly US\$900,000 in 2022) gives an idea of the importance of royalties for composers (Figure 3.6). The rise follows the number of composers who registered their music with Massive Music Entertainment (Figure 3.7), from 4 in 2005 to 1,032 in March 2023.

Figure 3.6. Evolution of Revenue from Synchronisation and Digital Service Providers from 2018 to 2022 at Massive Music Entertainment



Source: Massive Music Entertainment, Jakarta, Indonesia.

Figure 3.7. Number of Composers Registered with Massive Music Entertainment



Source: Massive Music Entertainment, Jakarta, Indonesia.

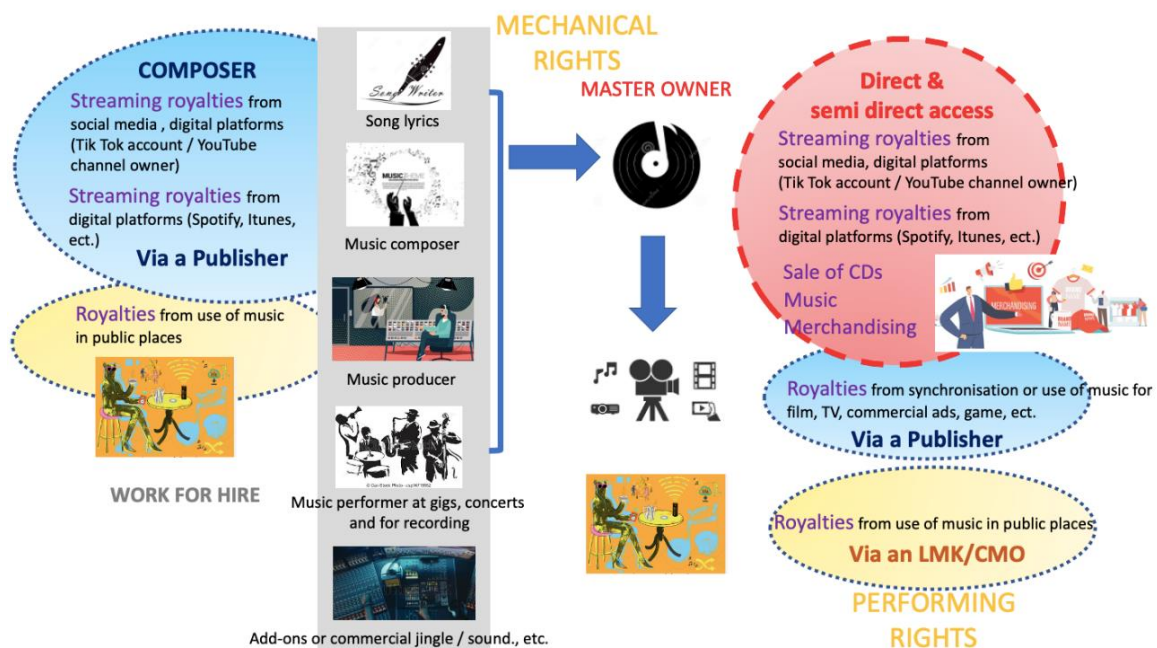
Accessing the various royalties requires the artists to understand the business, work with a publisher, and join one or several CMOs, depending on the role of the artist in the music industry: composer, performer, master owner, or all three.

Figure 3.8 provides an overview of the industry's complexity. All composers' royalties from social media and digital platform streaming, performing rights, and synchronisation rights can be accessed via a publisher who takes a commission. Master owners can access streaming royalties from social media and digital platforms via a sub-aggregator, which takes a percentage on the sale. Some artists with a deeper understanding of the process may opt to access their streaming royalties directly by subscribing to an aggregator such as TuneCore, allowing them to keep 100% of their royalties. Master owners can directly access streaming royalties from social media platforms (YouTube, Tik Tok). All royalties from the use of music in public places or performing rights are accessed via an LMK or a CMO, which takes a 20% operation cost commission.

The significant change brought about by the digital economy, coupled with the failure of some publishers and sub-aggregators to be transparent and professional, has exacerbated already existing challenges faced by artists. Record labels are grappling with unclear payment of performing rights royalties by CMOs, further contributing to much confusion and lack of confidence amongst artists.

CMOs have three categories: composers, performers, and record producers. In 2022, the four composer CMOs had 6,745 members, the five performer CMOs had 1,253, and two record producer CMOs had 167 (Figure 3.9). Membership is slowly increasing. The information collected suggests that many indie artists still mistrust CMOs and are reluctant to join them, therefore depriving themselves of their share of royalties.

Figure 3.8. Access to Income Streams



CMO = collective management organisation, LMK = lembaga manajemen kolektif (CMO).
 Source: Author, based on information collected during interviews.

Figure 3.9. Collective Management Organisation Membership Distribution According to Composer CMO, Performer CMO, and Record Producer CMO in 2016 and 2022



Source: LMKN (National Collective Management Society).

The livelihood of musicians depends on how active they are. Whilst no data are available music The musicians are highly organised and can access different royalties, except, in many cases, those related to performing rights, for reasons explained earlier. They organise concerts, record and produce their music, and publish. They are called 'artists with a 360 strategy'. The Endak Soekamti band and Iksan Skuter, a solo artist, are two well-known indie examples. (All three videos will be provided on ERIA's YouTube channel.) Another example is Float Band, which has developed a unique concept that enables its members to sell tickets for self-organised events without relying on sponsors. Each of the artists has carved out their own niche and fan base.

The advent of the digital economy has made it possible for indie artists to earn from the sale of their music on social media and digital platforms. However, the activity requires knowledge about royalties, algorithms, social media marketing, and an entrepreneurial mindset. Indie composers tend to work with people they know well and trust, but those people are not necessarily familiar with the nuances of the royalty system. Musicians must fully understand copyright issues and digital economy to ensure they receive fair payment.

The interviews for the study show that most indie artists are still confused about composer royalties and the role of publishers. Many are not aware of the importance of intellectual property rights and how such rights can help musicians derive economic value from their works. They often refer to the aggregator without knowing that an aggregator and a publisher have different functions. Older artists, especially, lack information and understanding about the various marketing options on digital platforms, the different types of royalties, how to access them, or from whom they should claim what is due them. In 2022, Koalisi Seni (Koalisi Seni, 2022) conducted research that showed a lack of information and knowledge about royalties amongst musicians and performing artists. Its data showed that 59.6% of respondents did not know who was responsible for collecting their royalties, whilst 77.9% admitted they had not joined a CMO.

Indie artists are developing a taste for freedom as they earn money from different streams and support themselves solely through their art. Although most may not have a clear idea about their career path, the determination and success of some of the most prominent artists, such as Arian 13, lead vocalist of Seringai Band and owner of Lawless Burger restaurants, are beginning to project a new image, without the stigma attached to creative careers. The most successful and entrepreneurial ones become inspiring role models for other musicians and artists, introducing a new perspective.

Equally spirited, game developers are willing to take risks and invest time and money to live their dream. But merely being skilled in music or game development does not turn musicians and game developers into businesspeople overnight. Growth and sustainability require that they prove that their art can make money and capture the interest of decision-makers and financial institutions. Only then will the video game and music sectors be vibrant and thrive.

Chapter 4

The Key Role of Entrepreneurship and Financial Inclusion as a Driver for Growth

Providing banking services to musicians and game developers is not so risky after all. They earn and make money from their art.

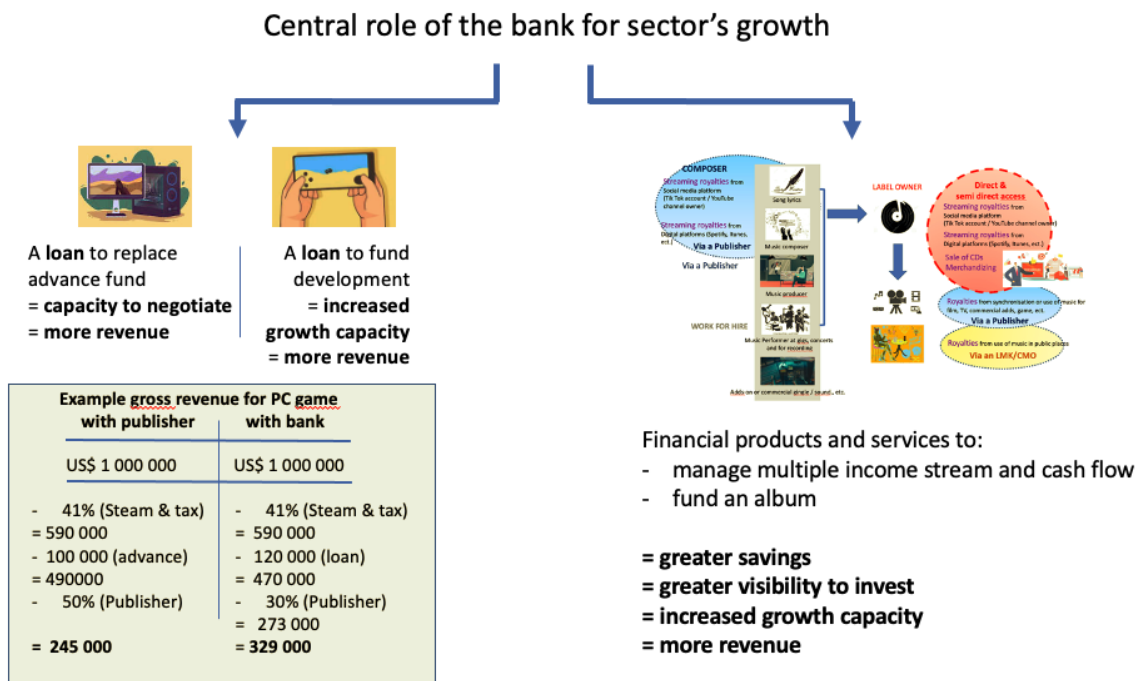
Earning money and making money are different things. Earning money is the result of exchanging time for payment. You earn money by performing work for someone else: a business owner, employer, or client. Making money is different from earning money because it is an alternative to earning a pay cheque. Making money is using your time to create a product or a service that continues to make money for you (Hester, 2019). Musicians earn money as performers or music producers, for example, and they make money by creating music and receiving royalties from its distribution. Similarly, game developers earn money providing B2B or outsourced services, or working on paid projects, and they make money when they release a successful game.

Digital economy and creative freedom give rise to entrepreneurship in the music and gaming sectors. Recent developments offer financial institutions new client segment opportunities. The interviews showed how banks could grow their business serving musicians and game developers. Not only would they have clients with income but they could also help them earn more money than they do now.

Financial products and services are central to enable artists to earn and to make money. Firstly, they enable artists to apply basic financial education to manage their living expenses and to save and build wealth. In the process, the artist builds a relationship with the banker. Secondly, access to loans can help the artist make more money and build financial independence.

Figure 4.1 provides an overview of the importance of financial inclusion for the music and gaming sectors based on examples of revenue of successful games.

Figure 4.1. The Importance of Financial Inclusion for the Music and Gaming Sectors



Note: The figure is based on examples of revenue of successful games.
Source: Author, based on interviews.

1. Bankers and Game Developers

Gross revenue from the sale of PC games may be large, but the net revenue for a developer engaged with a publisher after recoupment of the advanced development and marketing fund and after deduction of the publisher's and Steam's percentage is about 25% (calculated assuming US\$1 million gross revenue). Interviewees said that some developers still find the current system satisfactory since the revenue earned is in US dollars and production costs and cost of living in Indonesia are relatively low. However, the system still has room for improvement to allow artists to earn more. From an economic development perspective, the biggest part of capital flow remains outside Indonesia since digital platforms and most publishers are non-Indonesians. Thus, the above reasoning only limits and/or slows down the game developer's capacity to grow. According to the analysis, the current system disproportionately benefits publishers (and/or investors). They are the ones who grow their capital whilst game developers make money more slowly, progressively reinvesting their gains. It takes at least 1 year to work on a game before its release. Whilst some games enjoy quick success, some studios must repeat the process a couple of times, forcing them to engage in other activities such as B2B and outsourcing services. The sector is limited by the publisher's interest and capacity. Compared with an ecosystem with greater financial inclusion, the environment is less favourable for growth. Self-published mobile games generate 59% from gross revenue.

If a game developer had access to a loan at 20%, for example, to fund the development phase, the game developer's capacity to negotiate with the publisher would be stronger and increase revenue by 35% on the hypothetical sale of US\$1 million. Once the loan is reimbursed, all

subsequent revenue will increase because the developer was able, thanks to the loan, to negotiate a larger share of the profit.

Mobile game developers' access to loans could enable investment in capacity building, development of more games, and diversification of games, which would, in turn, generate revenue and contribute to the sector's growth and employment.

Financial inclusion of game developers and studios alone will not transform the sector. Bankers need to learn and understand the sector and the way developers work and their cash flow. They need to understand intellectual property and the business that can be developed from it. Game developers need to receive financial and entrepreneurial education to manage their activities. Even if they are not motivated to become entrepreneurs, they must understand the business to make decisions and to discuss it with business managers, to manage their own money and to build personal wealth, and to build a solid relationship with their bankers.

The money advanced by publishers for the production phase varies depending on the scope of the game. Interviews have mentioned an average of US\$80,000 to US\$100,000 for a medium-sized game. Firstly, most although not all young developers have never handled such amounts. Secondly, most of the expenses are for team salaries and sub-contracted human resources. Many of the interviewees see the fund as an advance on revenue and not a loan, not realising that they must pay back the amount from gross revenue. What if the game is unsuccessful? What if they take more time than planned? The study revealed that few developers keep accounting Excel sheets and that they pay themselves salaries as high as those received by experienced developers. Even if some game developers save carefully, not knowing about or not performing a cash burn analysis and understanding the burn rate can make or break their next round if the game does not succeed. The risk is that the start-ups fails because they run out of money. Another risk comes with lack of experience, resulting in underestimating some costs or expenses and negotiating less than the amount needed to produce the game. Finally, because the amount in US dollars seems big, game developers do not necessarily calculate how they could make more money by keeping the development fund low to negotiate a higher percentage rate as does Riris from GameChanger Studio, for example.

Most game developers have a background in computer sciences, information technology and communication, and arts. Some have just graduated from high school. Most are self-taught. Some have worked for game studios. Except for a couple, the interviewed game developers come from middle-class or well-off families. They do not have business background and they have been relatively protected financially. Many just want to make games and are not interested in the business side or in marketing-related aspects that involve investing in community building and social media to retain and attract new players.

Whilst they are grateful for the opportunity, even the alumni of the Telkom Indigo Game Startup Incubator, an integrated programme providing funding, mentoring, networking events, publishing support, and PC coworking space, regretted they had to become entrepreneurs and/or a studio CEO. They said they just want to focus on making games. Telkom Indigo Game Startup Incubator has nurtured 35 talented game start-ups since 2019. The selection process follows different steps from those of creation. Developers are provided IDR3 million per person to help them focus on developing their project. Thereafter, they must pass several thresholds

and at each they will receive an investment fund to develop the Alpha, Beta and Gold versions of the game. In exchange, Telkom holds convertible note shares in the studios. The studios might have to reimburse the investment.

For this reason, experienced developers advise new ones to work with publishers rather than self-publish. Publishers create the conditions for the game to be released and to succeed, thanks to their experience and advice as well as their access to platform owners and media.

Game developers need time to enjoy their achievements, to learn and gain confidence. It is a progressive process and making games takes time. Turning all game developers into businesspeople may not be the right solution. Encouraging them to include someone with a business and marketing background as part of their team or sharing the cost of a business manager amongst several game developers could be an alternative worth exploring. When game developers released *TTS Lontong* mobile game and it became viral, they recruited a friend with a business and marketing background as the CEO and founded Gambir Studio. Riris from GameChanger Studio partnered with her publisher to make up for her weakness in community management and promotion. The solutions come with increased knowledge and understanding, and maturity.

2. Bankers and Musicians

Musicians must deal with many different revenue streams. Whilst some may be regular, such as monthly or quarterly digital platform streaming royalties, gigs, concerts, and work for hire are likely to be irregular even if scheduled. A banker can make a difference by providing financial products and services adapted to the needs of artists and to enable them to have regular cash flow despite irregular income. By developing a customer-centred service, the banker could advise artists on how to best manage and invest their revenue to build financial independence and sustainability. The artist could become wealthier whilst the banker would earn on products and services and on savings.

Musicians become clients, but with multiple revenue streams. Risks associated with artists have always been the origin, uncertainty, and irregularity of income because they have been dependent on grants, sponsors, concerts, and major labels. In Indonesia, the risk is largely minimised today as artists find creative entrepreneurial ways to make a living from music without relying on sponsors or major labels, and through diversified sources. They invest in their community of fans as the basis of a sustainable livelihood. Financial and entrepreneurial education and inclusion would make a difference and unleash growth potential.

The major hindrance to financial inclusion remains bankers' perception of musicians and of financial inclusion, which suggest a lot of work for no return. If bankers knew more about the sector and artists' livelihoods, they would see the commercial value of serving musicians.

Government Regulation Number 24 of 2022 on creative economy provides a platform for intellectual property assets to become objects of guarantee for financial institutions, through bank and non-bank financial institutions to maximise their business applications.

However, according to Maulida Anggun Nur Rahmi (Rahmi and Aminah, 2022), '[t]he imposition of intellectual property assets (copyright) as objects of fiduciary collateral is hampered by: a) lack of legal support for the mechanisms and procedures for regulating intellectual property as

collateral; b) lack of preparation from stakeholders related to both financial institutions and the Indonesian Notary Association (INI); c) lack of independent appraisal agencies; d) lack of a clear regulatory concept regarding intellectual property as collateral; and e) intellectual property reforms are required, particularly in terms of legal substance, legal structure, and legal culture’.

Using intellectual property assets because they are objects of economic value is a laudable initiative. However, it should not condition or delay financial inclusion of musicians: They pay tax on their income and contribute to the livelihoods of many people directly or indirectly involved in the music sector. Bankers have a vested interest in getting to know the artists and their sector, and to learn about intellectual property business opportunities by serving them now and by designing products and services that help build musicians’ financial and entrepreneurial capacities. Bankers and musicians can use copyright as a tool for further growth. The development of creative economy and digital economy require everyone, including bankers, to adapt.

Artists’ capacity to save or to produce proof of incoming payment, such as sold tickets for a tour, concert, or event, or a streaming royalty report, can serve as a guarantee to reduce the risk. In creative industry, the best collateral remains the capacity of clients to earn and make money because they will be able to pay a loan.

Like game developers, artists, whether independent or affiliated with a major label, need financial and entrepreneurship education. Making a budget to organise a tour, calculating returns, managing expenses—all require financial education and notions of accounting. Many indie artists and their managers do not use Excel sheets because, they say, they ‘have everything in their head’. Financial education is necessary to understand how a decision impacts livelihoods and business sustainability. Major label artists need to manage revenue during the best years of their careers to prepare for the future. Entrepreneurship education is required to support the development artists’ micro and medium-sized business, from merchandising to creative projects such as the *Float to Nature* initiative by Float Band, for example. The idea is great and promotes music as well as tourism, but the musicians do not know how to take the idea forward, how to turn it into a sustainable business.⁸ Whilst aiming to upload their music on digital platforms, many have engaged with music digital service providers offering packages (recording, releasing, promotion) in exchange for shared profits due to the complexity and lack of knowledge about digital sales and streaming royalties. But musicians have been discouraged by unprofessional behaviour or poor returns and have given up and concentrate on live performances. Entrepreneurship includes understanding intellectual property and business possibilities, as well as being able to negotiate a service for its true value with a publisher, an aggregator, or a label. The government could support and protect artists by regulating music service providers.

Not every musician wants to become a businessperson. Not everyone needs to be an entrepreneur, but everyone needs to have an entrepreneurial mindset to advance their career. All musicians must know something about finance and entrepreneurship, firstly, to make the right decision about their career, their future, and the future of their family, and, secondly, to be able to discuss the business with the person they have entrusted to run it. Artists’ lack of interest in the business could create opportunities for business managers, community

⁸ <https://tinyurl.com/9x64mhrh>

managers, marketing experts, intellectual property lawyers, accountants, and tax specialists to offer their services to artists.

Financial and entrepreneurial inclusion of game developers and musicians is required to enable them to grow. Working with them should be regarded as a business and not a social responsibility. If game developers and musicians grow, banks grow. The question is: Can bankers become entrepreneurs? Creative economy is fast emerging. Many executives now find themselves needing to gain the knowledge, creativity, and problem-solving skills to adapt to the changing landscape. Adopting an entrepreneurial mindset may require adjusting default mindsets and changing decades-long rigid processes. Doing so will result in innovation. Just as artists are beginning to project a new image, so can bankers by being open to experimenting with new ideas and ways of working. As the saying goes, 'It takes two to tango'.

The Cuhlia pilot project could inspire Indonesian artists and bankers (Box 4.1).

Box 4.1. Cuhlia: An Innovative and Strategic Approach to Financial Inclusion and Entrepreneurship

For the first time, a bank in Cameroon, La Régionale d'Épargne et de Crédit, is offering a financial product (Progress Pack) and a bank loan that does not need collateral to artists to drive their careers. Involving a bank frees the whole music industry: Recording studios, art designers, and photographers work and the music flourishes.

The bank demonstrates that financial inclusion of traditionally non-bankable people—those with irregular income—is a possible win-win.

Pilot Project Achievements: A First in the World

Nineteen Cameroonian artists have opened current and a saving accounts at the bank; they took out loans, 13 to produce their music, 1 to help finance his music tour, and 1 to set up his restaurant. All have produced and uploaded their music on digital platforms (Spotify, iTunes, Boomplay, etc.).

The project has helped build a relationship between the bank and artists through joint training that enables everyone to get to know and understand each other better whilst providing a platform for the banker to learn about the music sector and artists' multiple income streams.

The first results are promising and show that a bank can evolve into a customer-centric service and that financial and entrepreneurial education helps artists live with dignity by diversifying and managing their income streams. Today, the bank's slogan is, 'If the client grows, the bank grows!'

Djoguy and Daniel Onbogo are two Cuhlia artists who have just started micro-businesses. Inspired by the DSIK business games and the experience of Senegalese superstar Didier Awadi, they decided to diversify their sources of income.

Daniel invested his savings in poultry farming. He now earns from making music (performances, streaming royalties, other royalties), holding voice coaching classes to a dozen students, and selling chicken.

Djoguy paid for his own subscription to Afrotunes and the recording of his album. He took out a loan to open a restaurant to diversify his sources of income and to have a place where he can perform.

The bank is starting to offer the Progress Pack to other clients in the informal sector.

Cuhlia is a pioneering approach to bring down financial entry barriers to the music industry and to promote entrepreneurship so that artists can live without being dependent on grants and sponsorship or other support. Cuhlia is designed to build the confidence of bankers and artists in artists' capacity to repay loans. Such confidence is strengthened when artists gain financial independence by selling their music on digital platforms, developing income-generating activities, and using savings and current accounts in clever ways so that they have a regular income despite irregular earnings.

The pilot project was designed and implemented by the author (Isabelle Antunès) for the German Sparkassenstiftung for International Cooperation (DSIK) with funding from the German Development Cooperation, from October 2021 to September 2022.

DSIK provided training to the bank in the cash flow approach, client-centred service, and development of financial products that cater to the specific needs of clients with irregular income. DSIK gave financial and entrepreneurship education to musicians and their managers, using its unique simulation business games; a 2-year subscription to Afrotunes, a digital service provider aggregator; and training in copyrights and royalties and social media marketing.

Cuhlia goes beyond supporting the development of the creative industry value chain. The bank is applying the approach to other sectors, helping change financial institutions' business models by shifting from money trading to entrepreneurial finance whilst investing in clients who have the potential to earn money and grow, thanks to access to productive-use loans, instead of targeting clients with collateral only.

Supported by artist entrepreneurs such as Didier Awadi, Cuhlia aims to become a global movement uniting artists, bankers, and mentors to connect people and countries through music whilst offering visibility and access to new markets, supporting the development of creative industries.

Sources: [Cuhlia](#); [Instagram campaign](#).

Chapter 5

Circular Creative Economy Growth: The New Strategy to Thrive

‘Skills are cheap, passion is priceless’. Gary Vaynerchuk’s famous quote must be taken seriously when designing a strategy for creative economy growth. Although a primary goal of intellectual property law is to promote creativity in technology and the arts, current creative economy development in Indonesia pays remarkably little attention to how to advance creativity, particularly in the gaming sector. The country focuses more on production, job creation, and contribution to GDP. However, without creativity, business is limited and sustainability is not guaranteed. Integrating the dimension of creativity forces us to rethink the current growth model. The study draws attention to the importance of creativity to help the gaming industry face the challenge of winning a bigger share of the domestic market and to increase export sales.

The evolution of the gaming industry has tracked the growing global market and changing trends. Platforms have been evolving rapidly, from the early years of console games to hundreds of new mobile games available each day on our phones, and cloud streaming and new PlayStation 5 and Xbox series console platforms. According to Agate, Indonesia’s most prominent game studio, expansion depends on how locally made games are marketed rather than on how games evolve with technology. In the beginning, many developers created mobile games because they were more accessible and making PC games or buying consoles was still expensive. Even so, the mobile market turned out to be top-heavy, making it difficult for new mobile games to catch up. As a result, Indonesian developers eventually switched to PC and console games, which were exported because PC and console players were more open to trying new games.

Other aspects influenced the decision to focus on the export market. According to Peta Ekosistem 2021, most Indonesian players prefer freemium mobile and laptop games, and consoles are not as widespread as mobile phones. Another reason is that making a PC game for the Indonesian or the global market requires the same investment of time and money, but games sell at a higher price on the global market. Finally, many developers are not interested in targeting the local market and say so openly. They have played global games and want to make games for global players. They would be happy to see their games sell in Indonesia, too, and are confident that Indonesians will play their games once they are popular globally.

Today, the industry advocates for more capital and funds to grow capabilities and products and to win market share. ‘Indonesia ranks 16th in the world for the gaming industry, which, in 2020 reached US\$1.6 billion in value. The challenge is to increase the local game market share significantly by managing the gaming industry ecosystem, starting from talent, design, development, funding, then monetisation and growth and sustainability’, said Hari Sungkari, an Agate advisory board member, during the launching of the Agate Skylab Fund by Agate International.

But will more products manage to win market share? What if prices on Steam were to suddenly drop? Indonesia's gaming industry is driven by classic linear thinking. The value of its economy is produced by making games and selling products. It has brought many benefits. It has created a pool of skilled developers; seen the growth of game studios; and connected Indonesia to game developers, publishers, and players around the world. Such development was possible only because Indonesian game developers followed and adapted to market trends and to what consumers liked by analysing reviews and taking international publishers' advice. The downfall of the approach is that it has conditioned the intellectual process of making games on global gamers' consumption patterns. When asked about their source of inspiration, young Indonesian game developers all reply that first, they wanted to make a game that made them happy, but that after releasing their first game, they analysed the market and reviews and looked at websites analysing Steam for insights. That is where they get ideas. Then they discuss them with their team until they can visualise a game project, and look for references in books, films, games, music, places, etc. to develop it. They say they try to find a balance between market satisfaction and team pleasure because the game will engage their time for 2 to 3 years. Another reason is to be on the safe side to ensure their studio's sustainability.

That approach is closer to product development than to 'creativity'.

Hundreds of definitions can be found in the literature in several disciplines—psychology, business studies, cognitive science education, and the humanities and social sciences—elaborating on the context (field, organisation, environment, etc.) that determines the originality and/or appropriateness of the created object, and the processes through which it came about (Peter, 2009). The commonly accepted definition of creativity is a phenomenon whereby something new and valuable is formed (Mumford, 2003; Sternberg, 2011). Creativity is generally distinguished from innovation, where the emphasis is on implementation. For example, Teresa Amabile and Michael Pratt, psychologists and professors at Harvard Business School and Boston College, define creativity as production of novel and useful ideas and innovation as implementation of creative ideas (Amabile and Pratt, 2016). The Organisation for Economic Co-operation and Development (OECD) and Eurostat state: 'Innovation is more than a new idea or an invention. An innovation requires implementation, either by being put into active use or by being made available for use by other parties, firms, individuals or organisations' (OECD, 2018).

Peter Meusburger (2009, pp.97–8) provides the following comprehensive explanation, with solid references, about the creative process:

A greater number of scholars accepted that creativity is not an innate attribute of a single individual, no matter how intelligent and talented that person might be. It was recognized that creative ideas emerge and develop in complex, dynamic interaction between the creator and his or her environments (Amabile et al., 1996; Amabile, 1996; Csikszentmihalyi, 1988; Csikszentmihalyi, 1999; Ericsson, 1996; Feldman, Csikszentmihalyi and Gardner, 1994; Gardner, 1988; Gardner, 1993; Gardner, 1995; Mayer, 1999; Mumford, 1995; Sternberg and Lubart, 1999). It was realized that creative ideas arise from a large set of well-developed skills and a rich body of domain-relevant knowledge that must be acquired through laborious apprenticeship (Simonton, 2000). Creativity, in other words, requires time and certain environmental conditions.

Second, viewing creativity from an interactional perspective accentuates the relevance of situational, contextual, and cultural determinants and various layers of existential dimensions. Place matters, because a stimulating environment and talented individual must come together and interact before a creative process can occur (Sternberg and Lubart, 1991). That process requires preparation through learning, gaining experience, and identifying and solving problems. It takes cognitive skills and results from complex and dynamic interaction between the actor and his or her surroundings. This individual potential for creativity has to be actualised and cultivated by the family, the school environment, role models, organisational structures, challenges, disciplinary cultures, and chance opportunities in professional careers. As this viewpoint suggests, interaction of this sort is not mechanistic. Creative, talented people are not just raised, trained, and embedded in particular milieus. In their careers, they tend to be attracted to certain institutions and places where they can develop their abilities and ideas have the occasion to interact with other knowledgeable agents, procure the necessary support, be inspired tackle challenges and command the necessary resources. Complex problem solving implies the efficient interaction between a solver and the situational requirements of the task and involves a solver's cognitive, emotional, personal, and social abilities and knowledge (Frensch and Funke, 1995).

Thus, according to Meusburger (2009, pp.97–98), 'The interactional perspective posits that the social and material environment, with its ability to promote or hinder such development, is an important constituent of creativity'. That raises the question of creativity and innovation dimension in the linear economic model but also partly explains the low market share in Indonesia. What would attract an Indonesian player to play a global game made by an Indonesian rather than a global game made by a Turk or a German?

If developing countries follow the global market trend without regenerating creativity, if they follow the global market, then their creative process cannot differentiate itself and make its own place, and it cannot be sustained. If a country wants to develop, it needs a new system. The Republic of Korea (Shin, 2017) as an entertainment trendsetter and Bombay, India with Bollywood (Hong, 2021) did precisely that. They did what they wanted and chose to exploit their local assets and comparative advantage; they did not follow the trend. And they are supported by incredible local demand. They built on their creativity, constantly reinventing, re-enchanting their culture, heritage, social challenges, and sense of humour that fuelled their imagination in the first place.

The second downfall of the linear development approach is that it does not see past the sale, except for the merchandising or derived products made from the intellectual property of the game—tee-shirts, bags, figurines, and manga—primarily to monetise the game. Games are not made to be reused or to be made into something new.

Two Indonesian horror games—*DreadOut* by Digital Happiness and *Pamali* by StoryTale studios—inspired by Indonesian superstition and supernatural culture were made into films.⁹

⁹ <https://tinyurl.com/4r38fypa>

Unlike merchandising that is initiated by the studios, the idea came from film directors inspired by the games. The games encourage a new way to think about the sector's growth, in tune with current mainstream thinking, based on the circular economy approach.

People associate circular economy mostly with waste management and recycling as strategies for sustainability. In the study, the author proposes to use it to manage creativity. The rationale behind a circular economy approach is to make the fullest use of resources through reuse and recycling. According to the Ellen MacArthur Foundation, 'Circular economy is a systemic approach to economic development designed to benefit businesses, society and the environment. In contrast to the "take-make-waste" linear model, a circular economy is regenerative by design and aims to gradually decouple growth from the consumption of finite resources' (Ellen MacArthur Foundation, 2023).

The same logic guiding growth and innovation can be transposed to creative economy to revive and boost creative production. Instead of using creativity to make a game that will ultimately sell on the market and become obsolete after a while, creative circular economy recognises the value of creativity. In creative circular economy, games are designed with a long-term vision of durability, reuse, and recycling that will give birth to new products by other creators and keep products circulating in the economy whilst generating revenue for the first developer. In its initial stage, the design can build on the reusing and recycling culture or a social feature, for example, that the local, regional, or global market can identify with because it will, in turn, inspire other creative people to develop new products. Thus, in creative circular economy, production builds and regenerates the creative process.

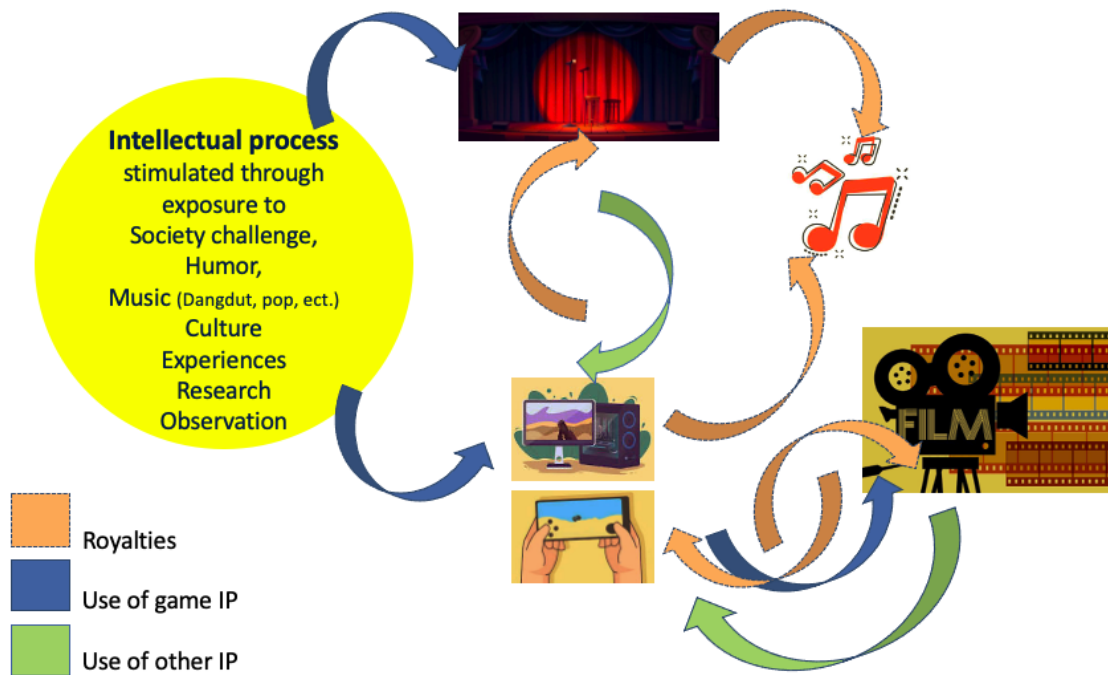
That is what happened in the case of DreadOut and Pamali. They inspired Indonesian filmmakers and, in return, receive royalties for the use of their intellectual property as well as publicity for their game.¹⁰ It was possible because the studios had a vision and both stories were inspired by something unique: Indonesian culture and society, to which the audience could relate because of its universal dimension (superstition, ghosts, etc.). The film had a local market and, by being distributed on Netflix, it reached out to the global market, further creating publicity for the game. A foreign filmmaker would probably not make a film based on an Indonesian game. But, thanks to the film, the global audience can discover Indonesian culture. Thus, a virtuous circle begins feeding the intellectual process whilst royalties contribute to the production of new games. Filmmakers earn from the sale of their films and continue to produce new ones. The circle can be endless. Films, music, shows, stand-up comedy acts, all can, in turn, inspire new games, new films, and so on.

Advancing creativity should be seen as at least as important as capital because it expands possibilities and generates capital flow between many actors. In the process, the virtuous circle regenerates the image of the game. It is now seen as an Indonesian game, encouraging players to pay for it because it has become the new trend and can help reduce parents' anxiety about its impact. The circular creative regenerative growth approach (Figure 5.1) enables different sub-sectors of creative economy to work and to grow. The story of a game will inspire a filmmaker to make a film and a musician will earn royalties for writing the game and show soundtracks. The story of a show will inspire others to make a new game. In the process, everyone creates

¹⁰ <https://tinyurl.com/4r38fypa>

and earns directly from the sale of their art and from the royalties generated from the use of their intellectual property by others. The model has more chances to be sustainable because it rests on relations between creators.

Figure 5.1. Circular Creative Regenerative Growth Approach



IP = intellectual property.
Source: Author.

That is not to say that Indonesian game developers must no longer target the global market or make games only with Indonesian visuals and cultural elements. What will change is the time spent in a quality intellectual process through exposure to Indonesian social challenges, humour, music, stories, people, research, observation, travels, etc. to create something new, to innovate, not to please a market. Only then will the game be different, unique, and inspire other creators. Most game developers have played foreign games and learnt to make games by making foreign games. Many mostly interact with the gaming community and are disconnected from Indonesian cultural and social diversity. Re-establishing links with people from different walks of life and social backgrounds will be essential to reconnect and to build a community of players. It will require an action plan to progressively shift from a linear to a circular model in which game developers will gain confidence when they realise that game studios can make money from the sale of their games in Indonesia. Game developers will also gain the entrepreneurial skills to envision and manage revenue from different sources. The Indonesian domestic and regional markets are large enough for innovations to grow, regenerate, and rejuvenate, ensuring sustainability and a vibrant creative economy.

1. Musicians and Circular Creative Growth

The music industry has long embraced circularity thinking in different ways, through sampling, for example, that reuses a segment of sound recording in another recording, or through synchronisation use of music in films, TV, and advertisements. Music is used for another purpose than just listening, and the royalties earned from it enable musicians to produce new music. Music inspires new music. And it does not stop there. For example, soloist Iksan Skuter, who started his career as a songwriter and guitar player, is now also a singer. In 2023, he will record the songs he wrote 10 years ago in a new album, reusing songs sung by another singer. The new indie bands have done so and the relationship they develop with their fans is fuelling their creativity with business ideas that have a positive impact on local development and other sectors. Float Band's annual concert in the middle of nature in remote places in Indonesia is an example. The band not only strengthens its relationship with fans through the time they spend together but also gets new ideas. The idea of playing in nature came from a fan, and doing so encourages tourism in the region where the band plays, ensuring the sustainability of its business model and the band's livelihood. The band is not dependent on commercial trends; it helps create trends supported by fans, to whom it provides a unique emotional experience.

An examination of the music and the gaming sectors offers a thought-provoking perspective. The music industry never anticipated the disruptions it faces today with the arrival of digital economy. The digital economy has given musicians the opportunity to break free from a rigid commercial model that conditioned their creativity and livelihood and to grow a parallel industry. Major labels are forced to rethink their strategies to keep their market advantage. One way is to collaborate with indie labels but in a more balanced manner because they have a name, bring new creativity, and have an audience. The gaming industry could learn from the music industry in many ways, particularly from the indie movement, with its adaptative and creative entrepreneurial capacities, and its growing momentum because of its being anchored in Indonesian society. The domestic market is the Indonesian music sector's strength. Support from the community of fans is a unique asset. The gaming industry has already benefitted from it. Rachman Imron, Digital Happiness CEO, likes to say that Indonesians' support was key to crowdfunding. Although the financial contribution of fans was small, their great number attracted world funders to projects.

By investing time in the creative process, game developers will connect or reconnect with their own people and culture and, in the process, build unshakable supportive communities. Collaborating with musicians on game soundtracks is a first step towards connecting with communities.

The cases of music and game sub-sectors encourage us to rethink the growth of creative economy in Indonesia, by focusing on the growth of the artists through financial and entrepreneurial inclusion and a creativity process that spurs circular creative growth.

Chapter 6

The Way Forward

Indonesian artists and creative entrepreneurs need awareness and capacity building. The music and gaming sectors could benefit from financial literacy and entrepreneurship training designed to meet their needs and from the creative circular economy approach: training on intellectual property and copyrights issues, social media marketing, community development, and event-based marketing; understanding of contract terms; and awareness raising about the ecosystem, either to collect revenue and/or to pay for services that will generate revenue. Who does what? Which institution is public or private? What are their mandates? Their services? What is the role of a member or a leader of the institutions in advancing the sector? What are the institutions' governance rules?

Financial institutions need to invest in Indonesian artists and realise they are bankable. Considering the adaptability and ingenuity of Indonesian artists, training alone will enable greater gaming start-ups and musicians to become better entrepreneurs. But training coupled with financial inclusion and bankers' capacity building in the creative sectors and client-centred services will promote the growth of creative economy and of small and medium-sized enterprises in other sectors through investment of money earned from creative economy.

The Indonesian gaming industry needs to invest in and value creativity to expand its share of domestic, regional, and international markets. Creative ideas emerge and develop in complex, dynamic interactions between creators and their environments. Investment in the creative process is essential for the gaming sector to win a larger share of the domestic market and to differentiate Indonesian games in the global market, whilst inspiring other creative economy sub-sectors to use, reuse, or recycle game stories in other forms. Game developers must be exposed to and connect with Indonesian social and cultural diversity, and gain knowledge through reading, and meeting scientists, professionals, and other artists.

The Indonesian music sector needs a reliable song and copyright management and information system. Law Number 56 of 2021 on Management of Royalties for Songs and/or Music Copyright provides for the use of technology to collect and store data on copyright information and music-related rights, facilitating direct and easy access to data and information. The data and information could be used to determine the economic value of copyright and/or rights related to the music industry. They will provide greater transparency and help build trust amongst stakeholders in the music sector, motivating musicians to become entrepreneurs. The quicker the technology is put in place, the quicker the music sector will thrive.

Indonesia needs creative circular economy. The creative circular economy approach, a term coined by the author, is an opportunity for Indonesia to rethink its creative economy growth strategy and to lead in the ASEAN region through demonstration. Creative circular economy recognises the value of creativity and products designed for long-term durability, reuse, recycling, and reinterpretation of long-standing cultural assets. They will give birth to new products by other creators and keep products circulating in the economy whilst generating

revenue for the initial developer. Creativity and innovation are natural resources worth managing. The approach enables different sub-sectors of creative economy to work and to grow.

All stakeholders in the Indonesian creative circular economy must adapt and collaborate.

Implementing the above recommendations will require the participation of all actors in the creative economy ecosystem, including financial institutions. The changes brought about by digital economy require adaption and innovation from all. Linear growth benefits only a few, but growth resulting from exponential interdependence led by creative inspiration will provide employment and opportunities to many. The vision could be the basis of a project supporting Indonesia's music and gaming sectors.

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