
The Role of Business Incubators in Encouraging the Growth of Creative Entrepreneurs in Indonesia

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ABSTRACT

Business incubators have emerged as strategic instruments in developing Indonesia's creative entrepreneurship ecosystem. This study examines the role of business incubators in accelerating the growth of creative entrepreneurs, with a focus on their contributions to the creative economy sector, which contributed 7.8% to GDP (IDR 1.05 trillion) in 2023 and has grown the number of technology business incubators to 150 institutions in the past five years. Using a qualitative approach with secondary data analysis from official sources including the Ministry of Industry, the Coordinating Ministry for Economic Affairs, the Central Statistics Agency, and business incubator reports, this research identified that business incubators contribute significantly through access to capital, management coaching, network development, and enhanced digital technology capabilities. The findings reveal that the Creative Business Incubator program successfully increased participants' turnover and expanded market access both domestically and for exports, while digital incubation models have improved accessibility and scalability for creative entrepreneurs across Indonesia. This study concludes that business incubators play a strategic role in unlocking the creative economy's potential by transforming creative ideas into viable business models through the triple helix synergy between government, universities, and the private sector, recommending strengthened stakeholder collaboration and the development of incubation models adaptive to the dynamics of the creative industry in the digital era to achieve the national entrepreneurship ratio target of 3.95% by 2024.

Keywords: business incubator; creative entrepreneurship; creative economy; entrepreneurship; startup ecosystem

INTRODUCTION

Indonesia faces a strategic opportunity to develop the creative economy as a pillar of national economic growth (Amri et al., 2022; Ferdiansyah, 2025; Firmansyah et al., 2024; Meidyasari, 2024; Ramadhani & Adinugraha, 2025; Rizkiawan et al., 2025; Setiawan, 2018). The creative economy sector has proven its resilience amidst various global economic turmoil and contributes significantly to the Indonesian economy (Buchoud et al., 2021; Fahmi et al., 2023; Kusumaningrum et al., 2024; Mangku et al., 2023; Santoso & Aliffianto, 2022; Yuda et al., 2022). Data from the Ministry of Industry in 2023 shows that the creative economy sector contributed approximately 7.8% of the National Gross Domestic Product, with added value reaching IDR 1.05 trillion, reaching 82.1% of the 2023 target of IDR 1.28 trillion (Indonesia.go.id, 2023). This achievement demonstrates the creative sector's significant potential in driving sustainable economic growth. The creative economy's contribution is not limited to financial aspects, but also includes employment and export value creation. According to a 2018 publication by the Central Statistics Agency (BPS), the creative economy subsector contributed 14.28% of the workforce and 13.77% of national exports (Coordinating Ministry for Economic Affairs, 2021). More recent data indicate that Indonesia's creative economy has created more than 22 million jobs, with a GDP value exceeding IDR 1,300 trillion by 2023 (Databoks, 2024). These figures indicate that the creative economy is not merely a supporting sector but has become a strategic driver of the national economy.

Business incubators are a concept that evolved from the need to create a conducive environment for the growth of new entrepreneurs (Gaire & Tiwari, 2025; Indiran et al., 2021; Shepard, 2017). This concept was first introduced in New York, United States, in a building previously used for chicken incubation, which was then converted to incubate start-ups (Maleo Techno Center, 2020). Over time, this concept has been adopted by various countries as a means of implementing an effective business approach with the hope of creating potential businesses. In Indonesia, the history of business incubators began in 1993, when universities

established the first incubators. The majority of these business incubators accommodate students with promising business ideas capable of making a significant social impact (Maleo Techno Center, 2020). The development of business incubators in Indonesia reflects an awareness of the importance of a supportive ecosystem in fostering entrepreneurship as part of the national economic development strategy. The Indonesian Business Incubator Association currently has 94 member incubators located in various universities and Regional Research and Development Institutions (BPOM, 2024). The existence of AIBI demonstrates the importance of coordination and standardization in business incubator development to ensure the quality and effectiveness of incubation programs.

A creative entrepreneur is an individual or group that develops a business based on creativity, skills, and talents, with the potential to create prosperity and jobs through the creation and exploitation of creative and inventive power (Ministry of Tourism and Creative Economy, 2021). Key characteristics of creative entrepreneurs include identifying untapped market opportunities, innovating in product or service development, and integrating local cultural aspects with modern market needs. Indonesia's creative economy encompasses 16 subsectors: architecture, interior design, visual design, product design, film, animation and video, photography, crafts, culinary arts, music, fashion, application and game development, publishing, advertising, television and radio, and the performing arts (Databoks, 2024). The diversity of these subsectors demonstrates the broad spectrum of creative entrepreneurship and the complexities faced in its development.

Business incubators serve as catalysts in the entrepreneurial ecosystem through the 3C principle: Create, Connect, and Catalyze (Ministry of Industry, 2024). The Create function refers to the incubator's role as a platform for entrepreneurs to learn and hone their skills. The Connect function demonstrates the incubator's role as a platform connecting various creative industry stakeholders. Meanwhile, the Catalyze function refers to the incubator's role as an accelerator and booster of the creative industry's growth and development. The incubation process encompasses various stages, from business idea selection, initial capital provision, business development mentoring and coaching, to access to a network of experienced producers and practitioners (Maleo Techno Center, 2020). An example of a successful incubation program is Fahrian Agam, who developed the Godream Sleeping Bag and Startupki.com products through the University of Indonesia's business incubation program during the 2009/2010 period. With an initial capital of IDR 8 million and a year of mentoring, his business successfully grew and won various entrepreneurship competitions.

Various business incubator models are emerging in Indonesia, ranging from university-based incubators to government-run and private incubators. University-based incubators, such as LPIK ITB (Institute for the Study of Indonesian Institute of Sciences), provide academic resources, research facilities, and access to alumni networks to support startup development (ITB, 2024). This model offers advantages in terms of technology transfer and the development of research-based innovations. Government incubators, such as the Creative Business Incubator, organized by the Ministry of Industry, focus on developing creative SMEs, particularly in the fashion and craft sectors, through structured mentoring programs (Kemenperin, 2024). The CBI program has successfully helped participants achieve their targets and increase turnover by expanding market potential, both nationally and for export.

Studies show that business incubators have a significant positive impact on the success rate of new entrepreneurs. Through business incubators, aspiring entrepreneurs gain access to an incubation process that includes mentoring, training, product development facilities, and access to financial institutions (Maleo Techno Center, 2020). This process enhances the business capabilities and competitiveness of entrepreneurial products. Data show that many CBI alumni have successfully expanded their businesses by developing products that are

popular and well accepted by the market (Ministry of Industry, 2024). This success is measured not only financially but also by their ability to create jobs and contribute to the local economy.

The export performance of the creative industry also showed a positive trend, reaching USD 17.4 billion in the third quarter of 2023, with the fashion subsector contributing USD 9.88 billion and the crafts subsector USD 6.26 billion (Indonesia.go.id, 2023). This achievement further strengthens Indonesia's position as a producer of creative products with global market competitiveness. The diversity of Indonesian creative products, based on the richness of local culture, provides a competitive advantage that is difficult for other countries to replicate. Despite showing encouraging growth, Indonesia's creative economy sector still faces various obstacles in the entrepreneurial development process. Empirical research shows that 70 to 90 percent of creative ideas fail to transform into business innovations due to a weak supporting ecosystem (Maleo Techno Center, 2020). This phenomenon indicates a gap between the creative potential of the Indonesian people and their ability to translate that creativity into viable, sustainable businesses.

In response to this situation, business incubators emerge as a strategic solution to bridge the gap between creative ideas and successful business implementation. A business incubator is defined as an institution engaged in providing facilities and business development, both management and technology, for Small and Medium Enterprises (SMEs) to enhance and expand their business activities and develop new products, enabling them to develop into resilient entrepreneurs and competitive new products within a specified timeframe (Ministry of Cooperatives and SMEs, 2002).

The development of business incubators in Indonesia has shown significant growth over the past five years. Data from the Indonesian Business Incubator Association shows that the number of technology business incubators has now reached 150, a drastic increase from the very low number five years prior (Maleo Techno Center, 2020). This growth is not only quantitative but also qualitative, with business incubators now capable of producing numerous technology-based start-ups across various fields. The contribution of business incubators to the creative entrepreneurship ecosystem is further strengthened by government policy support. Through Law 11/2020 concerning Job Creation and its derivative, Government Regulation 7/2021 concerning Facilitation, Protection, and Empowerment of Cooperatives and MSMEs, the government has mandated the strengthening of entrepreneurial incubators as part of its creative economy development strategy (Coordinating Ministry for Economic Affairs, 2021). This regulation provides a strong legal foundation for the development of business incubators throughout Indonesia.

Recent data shows that the number of MSMEs in Indonesia has reached 64.2 million units, but only 17.45% have an entrepreneurial spirit, while the remaining 82.15% do not (DISKOPUKM, 2022). This situation indicates that despite the enormous potential of MSMEs, systematic efforts are still needed to improve the quality and capabilities of entrepreneurs, particularly in the creative economy sector, which requires a specialized approach to its development. Indonesia's demographic bonus in 2030 provides a strategic opportunity to develop creative entrepreneurial potential by empowering the younger generation. With a large, productive-age population and a high rate of digital technology adoption, Indonesia has a strong foundation for developing technology-based creative entrepreneurship. However, this potential can only be optimized through an effective supporting ecosystem, with business incubators playing a central role in nurturing and accelerating creative entrepreneurship.

Previous studies on business incubators and creative entrepreneurship have been conducted across various contexts. Research has shown that business incubators have a significant positive impact on the success rate of new entrepreneurs through mentoring, training, and access to financial institutions (Maleo Techno Center, 2020). Studies on the Creative Business Incubator program demonstrate that structured incubation effectively

increases participant turnover and expands market access (Ministry of Industry, 2024). However, these studies remain limited in several aspects: they primarily focus on measuring short-term outcomes rather than long-term sustainability, do not specifically examine the unique characteristics of creative entrepreneurship compared to conventional startups, and have not comprehensively analyzed the adaptation of incubation models to the digital era. Additionally, most previous research has not simultaneously examined the synergy between various stakeholders in the incubation ecosystem and its impact on creative entrepreneur growth in the Indonesian context.

The novelty of this research lies in examining the role of business incubators in encouraging creative entrepreneur growth in Indonesia, focusing on the creative sector's unique characteristics low barriers to entry, high innovation levels, and flexible business models that differentiate it from conventional entrepreneurship. This study analyzes the development of business incubation models adapted to the digital era, including online incubation systems and technology integration in mentoring processes, while filling the gap in incubation literature regarding the creative economy sector's specific needs. The research provides a comprehensive analysis of stakeholder synergy through the triple helix model, identifying how collaboration between government, universities, and the private sector creates an effective ecosystem for creative entrepreneurs. The practical contributions include identifying key success factors for incubation programs to inform evidence-based policy recommendations for strengthening incubator institutions across Indonesia.

Based on the background above, this study aims to analyze the role of business incubators in encouraging the growth of creative entrepreneurs in Indonesia, focusing on how incubation programs contribute to accelerating creative entrepreneurship development through access to capital, management coaching, network development, and enhanced digital technology capabilities. This research is expected to provide theoretical benefits by enriching the study of business incubation and creative entrepreneurship, particularly regarding the effectiveness of incubation models in the creative economy sector in developing countries. Practically, this research offers benefits as evaluative material for policymakers in formulating more effective incubation programs, as a reference for incubator managers in designing adaptive incubation models, and as a foundation for future researchers studying business incubation and creative economy development across various regions in Indonesia.

METHOD

This study used a qualitative approach with secondary data analysis to examine the role of business incubators in encouraging the growth of creative entrepreneurship in Indonesia. A qualitative approach was chosen because it allows researchers to understand the phenomenon in depth and explore the dynamics of the relationship between business incubators and the creative entrepreneurship ecosystem. Secondary data were collected from various official sources, including publications from the Ministry of Industry, the Coordinating Ministry for Economic Affairs, the Ministry of Cooperatives and SMEs, the Central Statistics Agency, and reports from business incubator institutions in Indonesia. Data collection also involved documenting implemented incubation programs and evaluating their impact on the growth of creative entrepreneurs.

Data analysis was conducted through source triangulation to ensure the validity and reliability of the findings. The analysis process included identifying patterns and themes in the data, categorizing findings by key aspects of the business incubator ecosystem, and synthesizing them to generate a comprehensive understanding of the role of business incubators in fostering the growth of creative entrepreneurs. The research period covered data from 2020 to 2024 to capture the current dynamics of the business incubator ecosystem and its impact on the growth of Indonesia's creative economy. This temporal focus allowed the research to

analyze the evolution of incubation programs and their adaptation to changes in the business environment, particularly in the digital era and post-pandemic. The validity of the research was strengthened through the use of multiple sources of evidence and cross-verification of data from various government agencies and private institutions. Limitations of the study include reliance on secondary data and limited access to confidential internal data from incubator institutions.

RESULTS AND DISCUSSION

Development of Business Incubators in Indonesia

Research shows significant growth in the number and quality of business incubators in Indonesia. Data from the Indonesian Business Incubator Association shows an increase in the number of technology business incubators to 150 institutions, up from a very small number five years earlier. This growth reflects a growing awareness of the importance of a supportive ecosystem in developing technology-based entrepreneurship and creativity. AIBI currently has 94 business incubator members located in various universities and regional research and development centers, indicating an increasingly equitable geographic distribution. The RIDI platform developed by LPDB-KUMKM indicates that 23 new partner incubators will be operational by 2024, spread across various provinces, including Aceh, South Sumatra, West Java, Central Java, Yogyakarta, East Java, Bali, and Lampung. This distribution indicates the democratization of access to business incubation services throughout Indonesia. The quality of business incubators has also improved significantly. Business incubators are now capable of producing many technology-based start-ups across various fields, not just conventional sectors. This is evident in the diversification of incubation programs that focus not only on capital but also on developing digital technology capabilities, market access, and building business networks.

Creative Business Incubator Program and Its Impact

The Creative Business Incubator Program, organized by the Ministry of Industry through the Directorate General of Small, Medium, and Miscellaneous Industries, has demonstrated encouraging results. The program has entered the coaching presentation stage, with 30 SME participants successfully achieving their targets and presenting the results of their mentoring. The CBI program is designed to improve the skills and abilities of fashion and craft SMEs and address business challenges. Through this program, many CBI participants have successfully increased their turnover by expanding their market potential, both nationally and for export. This success demonstrates the effectiveness of a structured incubation model in developing the business capabilities of creative entrepreneurs. CBI alumni have expanded their businesses, producing products that are popular and well-received by the market. This achievement contributes not only to individual economic growth but also to the development of the creative industry ecosystem as a whole through the resulting multiplier effect.

Contribution of the Creative Economy and the Role of Incubators

Data shows that the creative economy sector contributed 7.8% of the National GDP in 2023, with added value reaching IDR 1.05 trillion. This figure represents 82.1% of the 2023 target of IDR 1.28 trillion, demonstrating positive growth momentum for this sector. Creative industry exports in the third quarter of 2023 reached USD 17.4 billion, with the fashion subsector contributing USD 9.88 billion and the crafts subsector USD 6.26 billion. The creative economy's contribution to employment is also significant. 2018 Statistics Indonesia (BPS) data indicate that this sector absorbed 14.28% of the national workforce, while the most recent data indicates that it has created more than 22 million jobs. These figures demonstrate the creative economy sector's significant potential to address unemployment and create quality employment

opportunities. Business incubators play a strategic role in optimizing the potential of the creative economy by improving the quality and competitiveness of entrepreneurs. Incubation programs help transform creative ideas into viable and scalable business models, thereby maximizing their contribution to national economic growth.

Digital Incubation Models and Adaptation to the Digital Era

The development of digital technology has driven the evolution of business incubation models. The Creative Economy Actors Incubator Program, developed by the Ministry of Tourism and Creative Economy, demonstrates innovation in an online incubation system specifically designed for creative economy actors. This program incubates 300 participants across three subsectors (fashion, culinary, and crafts) for a full month through an online platform. This digital incubation system offers advantages in terms of accessibility and scalability. There are two mentoring sessions each week and two study tours per month, with systematically designed training materials covering everything from creation, production, distribution, and systemization. This model allows for broader reach and greater cost efficiency than conventional incubation models. Digital adaptation is also evident in other incubation programs that integrate technology into the mentoring process. This aligns with the government's target of increasing the number of MSMEs entering the digital market to 30 million units by 2024, up from 24 million units in 2023.

Stakeholder Synergy in the Incubation Ecosystem

Research findings highlight the importance of synergy between various stakeholders in the business incubation ecosystem. The Ministry of Cooperatives and SMEs has partnered with 11 incubator institutions from eight universities and three selected regional governments through the Incubator Institution Development Facilitation and Business Incubation Facilitation programs for startups, incubating approximately 284 tenants. Regulation PP 7/2021 mandates that regional governments establish and develop at least one incubator institution in each province and one in each regency/city, and facilitate the incubation of a minimum of 50 tenants per year in each province and 20 per year in each regency/city. Implementing this regulation will strengthen incubation infrastructure across Indonesia. Collaboration between universities, the government, and the private sector creates a conducive ecosystem for the growth of creative entrepreneurs. This triple helix model enables the combination of academic resources, policy support, and market access necessary to accelerate the growth of creative startups.

Impact on National Entrepreneurship

Data shows that of the 64.2 million MSMEs in Indonesia, only 17.45% have an entrepreneurial spirit, while the remaining 82.15% do not. This situation demonstrates significant untapped potential and underscores the urgent need for business incubators to develop an entrepreneurial mindset and capabilities. The government's target in the 2020-2024 National Medium-Term Development Plan (RPJMN) of 4% growth in the number of new entrepreneurs and an increase in the national entrepreneurship ratio to 3.95% by 2024 requires a significant contribution from incubation programs. With numerous incubator institutions established and synergizing with the Ministry of Cooperatives and SMEs, it is hoped that they can incubate as many resilient, creative, and professional tenants/start-ups as possible. The demographic bonus opportunity in 2030 provides strategic momentum to develop entrepreneurial potential through empowering the younger generation. Incubation programs specifically designed for millennials and Gen Z can leverage their strengths in digital technology adoption and creativity to develop innovative business models.

CONCLUSION

This research confirms that business incubators play a strategic role in driving the growth of creative entrepreneurship in Indonesia. The growth in the number of technology business incubators to 150 institutions in the past five years, coupled with improvements in the quality of incubation programs, has created a conducive ecosystem for the development of creative entrepreneurship. The Creative Business Incubator program has proven effective in increasing participant turnover and expanding market access, both domestically and for export. The creative economy's contribution, which reached 7.8% of GDP and totaled IDR 1.05 trillion by 2023, demonstrates the sector's significant potential to drive national economic growth. Business incubators play a vital role in unlocking this potential by transforming creative ideas into viable, scalable business models. The adaptation of the digital incubation model demonstrates the ecosystem's ability to adapt to technological developments and reach entrepreneurs across Indonesia. Synergy among stakeholders, including the government, universities, and the private sector, has created an effective triple helix model to support the growth of creative entrepreneurship. The implementation of Government Regulation (PP) 7/2021, which mandates the establishment of incubator institutions at the provincial and district/city levels, will strengthen the national incubation infrastructure. Despite various advances, a significant gap persists in developing an entrepreneurial spirit, with only 17.45% of the 64.2 million MSMEs demonstrating it. This situation underscores the importance of expanding and strengthening incubation programs to achieve the national entrepreneurship ratio target of 3.95% by 2024. The demographic bonus opportunity of 2030 provides strategic momentum that must be utilized through incubation programs specifically designed for the younger generation. The study recommends strengthening stakeholder synergies, developing incubation models that adapt to the dynamics of the creative industry in the digital era, and expanding access to incubation programs to reach entrepreneurs across Indonesia. The development of more comprehensive performance indicators is also needed to measure the long-term impact of incubation programs on the growth of the national creative economy.

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