Chapter 6
Silver Production in Kotagede

Introduction

Kotagede is one of the important tourist attractions in the Yogyakarta region and is included in most tour packages of travel agencies in Yogyakarta. It is an old town about five kilometers southeast of Yogyakarta and is famous for its silver products. Tourists are interested in Kotagede especially for its abundant silver workshops where they can observe the manufacture process of silver jewelry and art works and where they can buy the products at attractive prices. In addition to that, tourists also have the option to visit the Royal Cemetery in Kotagede where the Kings of Mataram are buried (Dahles, 2001:68).

With the development of tourism, the silver products from Kotagede have become increasingly popular on the world market. Studies have revealed the important role of tourism in encouraging handicraft production (Cook, 1993:77). Along with the increasing popularity of the silver craft commodity in Kotagede, the market for the silver crafts is not limited to tourists who buy the products as souvenirs but the manufacturers have also been able gradually to operate on the export market.

Responding to the needs and the tastes of the global market for silver craft products, designs and production techniques have changed over time. In this process, the roles of various types of intermediaries cannot be ignored. They regularly visit the workshops, bring samples, pictures, or sketches, and help the producers with their choices of popular designs.

Undoubtedly, the expansion of the markets has had positive impacts on the livelihood of the silver producers in Kotagede. They gradually managed to invest their money in property and business expansion – to hire more laborers, to build more workshops, and to produce more. However, these golden years are now a thing of the past and they have been replaced by many years of prolonged crisis since 1997.
The glow of silver has apparently hindered the producers to foresee the economic crisis of 1997. The downfall of the national currency was a windfall for some producers, since they enjoyed unexpected incomes from their silver-craft exports overseas. This was the story of the situation at the beginning of the crisis. However, as the crisis continued, the market crumbled and the glow of silver slowly faded away. The producers found themselves trapped in a situation they never ever expected they would be in: a limping market for silver-crafts. The difficulties were building up between reducing production costs, slashing the number of workers, and losing talented workers. In such a situation, most producers in the area put in every effort to keep their skilled workers as long as possible.

In this chapter, I will provide a detailed discussion of the silver business situation in Kotagede before and after the crises. In order to arrive at this overview of the business, I will first describe the business’ management, their production and marketing systems, and the business situation prior to the crises. Then I will explore the entrepreneurs’ experiences with the crises and their coping strategies in three different periods - after the monetary crisis in 1997 which was soon followed by May Riots in 1998, the first Bali bombing in 2002, and the earthquake in 2006. Before I start with the core sections of the chapter, I will briefly introduce the informants who provided me with the information discussed in this chapter.

**My Informants**

I did not have the same informants during the two field studies I conducted in Kotagede. During my first field research in 2005, my informants were twelve people consisting of eleven entrepreneurs and the head of a Non-Governmental Organization. From them I gained the necessary information to write this empirical chapter. In addition to that, I also obtained additional information from others who will also be mentioned here. The situation after the earthquake was rather difficult for me as many silver producers had other things on their minds and only four people were willing to receive me for interviews. Two were from my previous research and two informants were new. In the following, I will give a short description of each informant.
One morning in March 2005, after having spent the night in a guesthouse in Prawirotaman, I asked Pak Sur, a becak driver in Prawirotaman to take me to Kotagede. He was familiar with the area as he used to bring tourists there. First, he brought me to an area in Kotagede called Kampong Purbayan where I stopped at SW Silver, which belonged to Pak Widjojo. I met his wife because Pak Widjojo was not home. His wife gave me a name card and after a few days, I contacted him for an interview and he agreed. Pak Widjojo had been involved in the silver business since 1972 after he graduated from the SGA (Teachers Training at the level of Senior High School specialized in Islamic religion teaching). Because he could not continue his studies, he decided to work for the silver workshops. He moved from one manufacturer to the next before he decided to start his own business in 1976. He explained that the main purpose he wanted to work for the silver workshops was to learn the art of making silver handicrafts and to open his own workshop since he did not want to work in the workshops of others for the rest of his life. Therefore, slowly he saved his money and finally he started his own production house. In 2005, he employed two craftsmen who helped him with his production. His company mainly concentrated on supplying silver artifacts to big art shops in Kotagede such as HS Silver, Narti’s Silver, Sasmita Silver, and Tom’s Silver. However, sometimes he also received direct orders from domestic or overseas traders.

The next silver producer I visited was Pak Prakoso or Pak Kos, as I called him, the owner of SP Silver at Kampong Kebohan. I visited his silver showroom and he agreed to be interviewed. He was the third generation in his family to run the craft business, which was set up by his grandfather and was located in Kampong Kebohan, Kotagede from the start. Pak Kos’ grandfather was a village chief and in 1917, he started a copper and bronze factory. The business developed well and he was able to provide employment to more than 150 workers. From 1936 onwards, Pak Suryo Prawiro, Pak Kos’ father, continued the family tradition by running the SP Silver business, SP being his initials. After he passed away in 1963, the business was run by his wife and their two sons, Pak Pranoto and Pak Prakoso. They agreed to divide the tasks. Pak Pranoto handled the production while Pak Kos concentrated on the marketing of the products.
They managed to expand their market from domestic consumption to include also export. However, their cooperation ended when in 1986, Pak Pranoto passed away and then in 1992, Ibu Suryo Prawiro passed away as well. Since then Pak Prakoso handled all aspects of the business. When I interviewed him in 2005, he employed twenty six craftsmen at his production house and a number of ‘putting out workers’.

As I proceeded, I managed to interview Mas Chakra and Ibu Surtini who had opened silver shops in Jalan Kemasan. Mas Chakra, who owned Silver 17 in Jalan Kemasan, was born in Kotagede but his family had previously not been involved in the silver business. In 1995, he graduated from the Economics Faculty of Widya Mataram University in Yogyakarta. After graduation, he worked for a pharmaceutical company as a salesman before he started to run his own silver business. He rented a small space at an Alfa Supermarket in Yogyakarta to sell silver crafts but at the same time he also hired seven people to make batik boxes at home to supply shops in Kotagede. During the crises, in 1999, he decided to stop and to start to work again for another pharmaceutical company. However, since 2003, he decided to return to the silver business and opened a small silver shop in Jalan Kemasan. He rented the shop for Rp. 4,250,000 per year (approximately USD 495\(^1\)). For his shop, he ordered products from a number of craftsmen in Kotagede and he did not hire any employees himself.

The next, Ibu Surtini was the owner of Mega Silver shop in Jalan Kemasan, Kotagede. During the interview, she explained that her husband had inherited a silver business from his father in 1975. However, in 1983, the business went bankrupt because they lost money on a transaction with a buyer from Singapore who did not pay for the order after which they could not continue with the silver business. To sustain their livelihood, he started an embroidery business, which did not work well. In 1990, Ibu Surtini decided to start again with the silver business but her husband was hardly involved in the business. She ran the business by hiring twenty ‘putting out workers’ who she provided with material but they did the work at their

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own houses. At the time of the interview, she was only concentrating on the domestic market and had only a few export transactions. During the interview, Ibu Surtini was accompanied by her daughter, Mbak Karsi, who also owned the Kutilang Silver shop in the same street. Mbak Karsi was a graduate from the Pharmaceutical Faculty of the Widya Mataram University in Yogyakarta and had worked as a medical representative for four years. In 2002, she decided to start her silver business in Kotagede. She did not have her own workers but ordered products from her mother’s workers.

I learnt the name of Mas Tirta Asmo who owned Asmo Silver production at Kampong Kebohan, from Mas Chakra. When I visited him, Mas Tirta agreed to share his business experiences with me without any difficulties. Mas Tirta and his brother both used the brand name Asmo Silver for their businesses but Mas Tirta concentrated primarily on exporting silver jewelry and did have an outlet while his brother ran a silver shop in Jalan Kemasan, Kotagede. Mas Tirta had inherited the silver business from his father, Pak Asmo in 1987 after having graduated from the Geography Faculty of the Gadjah Mada University. During the interview, he told me that it was an uneasy decision as he had finished his studies with high distinction promising him a good career. However, as the eldest son in the family with many younger brothers, he could not refuse his father’s request to continue the family business, which at the time had seen better days. He further said that being a Javanese, his parents’ blessings were important to him. Therefore, he decided to stay in Kotagede to manage his parents’ business. To run it, he involved his wife and his sister in the management and he hired seventy craftsmen in his production house.

During another visit, I managed to interview Sasmita Silver’s owner and Mas Wardana, one of his senior staff members. Pak Wira was the third generation to manage Sasmita Silver, which was located in Jalan Tegalgen. His grandfather – Pak Sasmita started his silver production in 1956 as a home industry. In 1990, Pak Santika, Pak Wira’s father bought an old house that was built in the 1800s and belonged to Pak Tembong, one of the rich traders in Jalan Tegalgen. This was the house where he opened his silver shop, while he also ran a restaurant and a guesthouse. In 2005, his
father appointed Pak Wira to run the family business as he decided to withdraw from the business but continued to play an important role in the business. At the time of the interviews in 2005, he was hiring two hundred workers including staff in a number of different outlets in different cities and craftsmen - most of whom, were ‘putting out workers’ in Kotagede.

During the interview, Mas Wardana recommended me to approach Pak Naser, the leader of the Kenanga Non Government Organization in Kotagede, an NGO he had established in 1999. The organization was concerned with art and culture conservation as well as with tourism development in Kotagede. The organization and Pak Naser personally were ever ready to help researchers who were conducting research in and about Kotagede. They also organized excursions for tourists and visitors, which I also joined when I was conducting my research in Kotagede.

During the first field research, Pak Naser introduced me to various silver producers who later also became my informants. He introduced me to Pak Baryono, Pak Sulis, and Pak Darmin. Pak Baryono was the owner of “Kios Perak” at Kampong Kudusan, Kotagede. His house functioned as his production house, outlet, as well as his home where he lived with his wife. He was not born into a family with a silver production tradition but as a farmer’s son. In 1971, soon after leaving elementary school, he joined his uncle who was a goldsmith in Kotagede. In 1974, he worked for Pak Asmo, Mas Tirta’s father until 1983 when he stopped because Pak Asmo’s business started to decline. Then he moved to work for Sasmita Silver until the 1990s. Meanwhile, he had started his own silver business at home. He started with a 250 grams cookie container full of silver products and in 2005 when I did the interview, he managed to own three display cupboards with various kinds of silver products at his house besides having opened an outlet at an Art Market at Gabusan that he rented on a yearly basis. He did his production only by himself. He used to have three workers but he did not continue his cooperation with them because of the fluctuating orders due to the financial crisis in 1997. Apart from his silver business, he also sometimes made gold jewelry for two gold shops in Kotagede.
My next informant was Pak Sulis - a migrant from Gunung Kidul who had managed to become a successful silver producer in Kotagede. He started his career in 1970, by working for his elder brother who had been a craftsman in Kotagede. He decided to start a shop selling daily needs in 1976. However, the business did not go well so that he closed it in order to become a silver craftsman again in the 1980s. As he still did not have enough capital to open his own outlet, he supplied a number of silver shops in Kotagede while he also sent his products to Bali. In 1990, he opened his own outlet called Wisnu Silver in his house in Kampong Basen, Kotagede. At the time of the interview, he had seven workers working for him at home and the rest were ‘putting out workers’ who sometimes worked for him when he had a surplus of orders. He would provide them with silver and they would do the production in their own houses.

Later I also met with Pak Darmin, the owner of Texas Silver. Pak Darmin was the son of a craftsman. He started with the silver business in the 1970s. The designs of his products were influenced by Balinese designs. He told me that the influence came from his father who used to receive orders from souvenir shops in Bali. At the beginning, he concentrated only on production and he supplied different shops in Kotagede and a number of outlets in Bali and some big cities in Indonesia. In 1991, he decided to diversify his business by not only producing but also selling his own products although he still supplied different outlets. He actively joined exhibitions in various cities to explore possibilities to open his own outlets. He opened different silver outlets in Bali, Jakarta, and Makassar. However, the one in Bali closed when a cholera epidemic struck the island and many international tourists stayed away from that island. At the time of the interview, he was hiring four craftsmen.

After the earthquake in May 2006, when I was back in the field, I managed to interview Pak Naser and Mas Tirta. In addition to that, Pak Naser also introduced me to Pak Kusno and Mas Nanang.

Pak Kusno, the owner of ‘Safir Silver’, had started his silver business from his house in 1980. The silver business used to belong to his parents. His father passed away when he was still very young. After he got married, his
mother asked him to continue the silver business of the family. As the business was growing, he managed to have two production houses in different locations in Kotagede. One was established in 1981 and the other in 1992. He sent his products mostly to Bali. He recalled that especially between 1991 and 1997 the market for the silver products was very good. He could send his products twice or sometimes even three times a week. At the time of the interview, he told me that he hired forty laborers at his production house.

The next informant I interviewed was Mas Nanang who had closed his silver production house due to the crises. Mas Nanang was the eldest of two sons. He was born into a craftsman’s family. Both his grandfather and his father before him were silver producers in Kotagede. In 1987, his father passed away and his mother continued the family silver business. As the eldest son, he felt obliged to help his mother run the family business after his father’s death while his younger brother did not show any interest in the silver business but chose to continue with his studies. Therefore, Mas Nanang continued the tradition of the family. (A more detailed story about Mas Nanang can be found in the text as an illustration).

The History of Kotagede

My first encounter with Kotagede took place during my research in Prawirotaman. A friend invited me to join him on an excursion to Kotagede. From my visit, I was deeply impressed with the unique characteristics of the town and its long tradition of silver crafts. Many beautiful old buildings were still well maintained. From that moment onwards, I was tempted to know more about the town and its people.

Kotagede is an old Javanese town, which covers an area of more or less 3.07 km² (Yogyakarta Province in Figures, 2009). In its centre is the big market or the so-called *Pasar Gede* in the local language. As in other towns in Indonesia, Kotagede was divided into three hamlets – Prenggan with thirteen RWs and fifty seven RTs, Purbayan with fourteen RWs and fifty eight RTs, and Rejowinangun with thirteen RWs and forty nine RTs (Yogyakarta Province in Figures, 2009). The market as the centre of the town was busy every day but it was especially crowded every *legi* day - one
of the days in the Javanese five-day week cycle (Nakamura, 1993:18). For the people in Kotagede, *legi* is the day to go to the market. There were many more buyers and sellers coming to the market during that day than on any other day. When I did my research in 2005, I still could experience the liveliness of this market day in Kotagede. The small roads in the center of Kotagede looked even smaller because of the increased traffic from cars, motorcycles, horse carts, and *becaks* as well as from pedestrians crowding there.

The population in Kotagede was mostly Javanese Muslims who still strongly held on to the Javanese tradition. In 2008, the total number of the population of Kotagede was 34,433 among whom 32,408 people were Muslims (Yogyakarta Province in Figures, 2009). Furthermore, according to Pak Naser, the people in Kotagede still held on to the principle of tolerance, *kerukunan* and *gotong royong*2 among the members of the society, which was rooted in Javanese culture. These principles manifested themselves in the active participation in different types of cultural and social activities both at the local level in the kampongs such as Qur’an recitations, taking care of the mosques, *bersih desa*,3 and *arisan* or at a larger level in the town festivities. As an example, Pak Naser told me that before the Monetary Crisis in 1997, his organization coordinated an annual Cultural Festival in Kotagede. Usually it was held in every August or September. To organize the festival they would gain support from the government but since that support was not enough, the community would contribute the rest. They voluntarily contributed to the success of the festivals. People who lived in the kampongs together set up the stages. Various traditional dances, music, and games were performed during the festival. They also invited those who made traditional snacks to sell their products at the event.

The strong Javanese tradition held by the community in Kotagede could not be separated from its history as the center of the Mataram Kingdom in the past, which started in 1587. In 1584, Panembahan Senopati inherited the town of Kotagede from his father, Pamanahan Ki Gede Mataram, a

2 Social relationships within the village community generally derive from the system of mutual assistance (Magnis-Suseno, 1997:20).
3 Annual rite of the cleansing of the village of evil spirits (Magnis-Suseno, 1997:21).
captain in the army of the King of Pajang, the first Islamized kingdom in south Central Java. In 1587, Senapati attacked the Kingdom of Pajang and established his own kingdom, Mataram, and appointed Kotagede as the place where he would build his court (Nakamura, 1993:14-15). To serve his needs for the newly established court, craftsmen were gathered and employed to serve as court artisans. They produced various kinds of products such as Javanese daggers, swords, spears, gold and silver ornaments, jewelry, fine furniture, musical instruments, carriages, and the like for the consumption of the royal families and court officials (Nakamura, 1993:35). Later Sultan Agung moved his capital to Kerto (Nakamura, 1993:15), but craftsmanship remained a living tradition in Kotagede (Nakamura, 1993:50).

For centuries, Kotagede has also been known as the city of indigenous entrepreneurs. The rich traders and the craftsmen in Kotagede were famous and they were even called *Pecina Jawa* (‘Javanese Chinese’) because their skill in trading was as good as those of the Chinese in Java (Nakamura, 1993:10). They produced various kinds of craft products (Nakamura, 1993:50). In particular, the reputation of its gold and silverwares was known all over Java at that time. People were impressed by the highly refined work and the unique designs of the products (Nakamura, 1993:37). Even during my field research, when I talked to people in Kotagede, they claimed that they produced the best quality of silver wares in the whole of Indonesia.

The consumers of the silver products in Kotagede were not only the locals but also the Dutch. This was evident from the design of the products. As reported by van Bevervoorde (1905), besides producing products with traditional designs, they also produced silver crafts with European designs (cf. Nakamura, 1993). On one occasion, Pak Kos from SP Silver also expressed that during the colonial times, Dutch people who worked for the sugar factories in Plered and Madukismo, and officials who lived in Yogyakarta and its surroundings, used to buy tableware from his father.

Before 1900, three processes had together brought about fast economic development in Kotagede. The first factor was the expansion of indigo and
sugar plantations around Kotagede by the colonial government. Second was the construction of railroad networks to connect this isolated region with the ports of Semarang and Surabaya. Then third was a significant population growth between 1830 and 1900. These changes in the regional economy caused the local economy of Kotagede to grow. A number of entrepreneurs and merchants seized the opportunity by producing and distributing the daily needs for peasants (Nakamura, 1993:35). A number of local entrepreneurs known as the Kalang people\(^4\) managed to amass enormous wealth and they built huge palace-like houses and drove around in luxurious cars such as Rolls Royces because of these developments (Nakamura, 1993:39). Actually, as a result of the Gianti agreement\(^5\), entrepreneurs of the Kalang people were divided into two groups, the first group opened its businesses in Surakarta, and the second stayed in Yogyakarta. Those who lived in Surakarta earned their wealth after obtaining a license from the court to open pawnshops all over the region. Meanwhile the Yogyakarta Kalang gained wealth from their business in transporting goods using trains, motor vehicles, and horses (Nakamura, 1993:38-39).

As I explored Kotagede, I could still trace back the paths of the past. A number of huge old luxurious houses with baroque architecture reminded visitors to Kotagede of the golden times of the Kalang people. By contrast, as I walked through the kampong sites, I found very condensed housing complexes with small numbers of houses in each compound surrounded by walls about two meter high, with two gates at the end of each side. Local residents called it ‘kampung alun-alun’ (kampong bordering the town

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\(^4\) Kalang people were believed to be war captives brought back by Sultan Agung after his mission to Bali in the early seventeen century (Nakamura, 1993:38). Socially and economically, they were marginalized because they were considered a different ethnic group from the Javanese who lived in Kotagede. They were involved in businesses, which were not occupied by the native Kotagedeans. They operated pawnshops as money lending for profits was taboo for adherents to orthodox Islamic teaching to which the Kalang people did not adhere (Ibid, 1993:39). They also occupied the goods expedition business that the majority of Kotagedeans did not occupy.

\(^5\) The Gianti Agreement is a treaty signed in 1755 between two members of the Mataram royal family – Prince Mangkubumi and Susuhunan Pakubuwono III to split Mataram into two – the Surakarta and Yogyakarta Kingdoms. Surakarta was under the Susuhunan’s rule while Yogyakarta was under the rule of Prince Mangkubumi (Selosoemardjan, 1981:19).
I had to pass through a pathway between the walls to go around the kampong. The pathways were very small and only allowed one person to pass. When two people met, one would stop to give way to the other. Within the compound, I could still find old Javanese style wooden houses complete with a pendapa (open reception hall). The way they arranged the housing complex in Kotagede was complicated but unique and therefore it was not easy for strangers to get in and out of the complexes. Craftsmen in Kotagede used to produce various kinds of crafts inside their compounds. They lived in different compounds in which each had different specializations. Craftsmen of the same skill used to live in a group. Therefore, the neighborhoods were named after the group of people specializing in a certain skill. For example, a neighborhood called Mranggen, coming from the word mranggi meaning sheath making, Pandeyan from pandhe meaning ironsmith, Sayangan from sayang meaning copperware, Samakan from samak meaning leatherwork, Kemasan from emas meaning goldsmith (Nakamura, 1993:34).

However, the end of the Dutch Colonial rule in 1942 marked the end of prosperity for the Kotagede entrepreneurs. The War, the Revolution, and political and economic turmoil plunged their businesses into prolonged crisis. When Soeharto’s New Order regime came into power in 1966, the economic situation in general was improving, but not for all entrepreneurs in Kotagede. The economic policy of the New Order Government relied more on foreign capital and foreign technology, which in the end affected the traditional based livelihood in Kotagede (Nakamura, 1993:12). Since the economic condition was deteriorating, the wealthy entrepreneurs of pre-war times (including the Kalang) moved to other places, leaving their huge luxurious houses finally to slowly fall into decay (Nakamura, 1993:114).

In the 1970s, the market for silver products in Kotagede was slowly recovering. After the Sultan of Yogyakarta promoted Yogyakarta tourism, tourists started to flow to Kotagede too. In 1965, the Sultan opened the Nitour Travel Agency and included Kotagede as one of the main tourist attractions in Yogyakarta. The travel agency organized regular tours for groups of international tourists to Kotagede. Although the road connecting Yogyakarta and Kotagede was very rough at that time, the tourists still
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wanted to go there to buy silver. The Europeans found it a good place for shopping because the silver crafts were very cheap and the quality was good. According to Pak Kos from SP Silver, the number of Dutch tourists at that time was outstanding. They went either to add missing pieces or to repair broken pieces of inherited silver tableware from their ancestors who used to live in Indonesia or they wanted to buy new sets as gifts or for their own collections.

In the late 1970s, besides tourism, the export market for silver products started to grow and reached its peak in the 1980s. The number of international tourists was increasing and in the early time of tourism development, they often bought silver products as souvenirs. In the 1980s, many foreign traders came to Kotagede and ordered silver products from the producers there. Some came to choose from the products that were on display to resell them in their own countries. Then, when the products sold well, they would place repeat orders. Some brought their own designs and ordered the products from the producers in Kotagede demanding a certain standard of quality. The increase of the export market for silver products may have been related to two main factors. First was the Indonesian government policy to support export. When the oil price was decreasing, in May 1986, the government formulated a policy of duty exemption and a drawback scheme for export orientated companies (Thee, 2004:213). Second, the cost of travel to the Southeast Asia from Europe or from the USA did not increase significantly between the 1970s and the 1980s. Therefore, making trips to Southeast Asia, including Indonesia, for business were profitable (Hitchcock et al., 1993:2).

Unfortunately, the silver business situation has altered following the monetary crisis in 1997. The increasing exchange rate of the dollar towards the Rupiah was followed by an increase in the price of raw silver. Many silver producers with a local market orientation collapsed because of this reason. However, exporters could temporarily enjoy profits because their sales rates were in dollars. When the Rupiah was weak towards the Dollar, they could earn a lot of money from their sales. This situation did not stay long because a series of political and social upheavals caused silver sales for both exports and locals to slacken. Then the earthquake happened in May
2006 making the business conditions of the silver entrepreneurs in Kotagede even worse.

**Silver Business in Kotagede – The Institution of the Family**

From my research, I learnt that all through its long history, the silver industry in Kotagede remained traditional and family owned. As I visited different production houses, I observed that to produce refined silver work with such complicated designs, the workers used simple and manual tools. Only Mas Tirta from Asmo Silver recently adopted a new manual technical tool, which could help improve the design of the silver products. Individual families ran their own silver business by hiring a number of workers to work in their houses or they used the putting out system which will be discussed in detail in the next part of this chapter. The products were meant to serve different kinds of markets – retail, wholesale, and exports.

Even though my informants had reached different stages in the development of their businesses, I learnt that they shared similar experiences with the starting up of their businesses. Either they or their ancestors started with what was available. At the early stage of their business development, production started from their houses as a home industry. Their houses functioned as the shelter for the families and at the same time as their workshops. Some decided to separate their household from the workshop when the business expanded. Of the eleven silver producers I interviewed, seven had their enterprises expanded by separating their working place from their households. Three out of seven – Mas Nanang, Pak Kos, and Pak Wira had their parents do the separation and they managed to sustain the inherited business. The rest (four of them) – Mas Tirta, Pak Sulis, Pak Darmin, and Pak Kusno managed to develop their business and to build separate production houses by themselves. The next four informants Pak Baryono, Pak Widjojo, Mas Chakra, and Ibu Surtini still used their houses as the place for their production and as a home for their family. They managed to develop their business but lacked enough capital to build a separate production house. Table 6.1 shows a general description of the silver business of my informants.
When the business was run from home, the enterprise and the family stayed in one compound. Members of the families who lived in the house were of course deeply involved in the business. They were flexible and were engaged in various jobs ranging from production to management. At one time, children and wives may have had to help their fathers and husbands make the silver crafts at home. Another time, they may have had to help with other work such as marketing. The intense involvement of family members would have reduced the cost of production because they worked voluntarily and received no payment for their work.

A successful enterprise would eventually succeed to expand its business and manage to separate the household from the production house. However, it did not necessarily change business practices. The majority of the entrepreneurs still maintained family ownership and hardly allowed outsiders to occupy key positions in their businesses. The owners may in time have been less involved at the operational level and concentrated on the managerial aspect of the business.
To ensure the continuation of the business, entrepreneurs would appoint a successor who would usually be the eldest son. The successor would take the control over the business when his father passed away or retired while the younger sons would establish their own businesses supported by capital from their parents. The family generally did not count on their daughters because when they were married they became the responsibility of their husbands. However, in more modern families, parents sometimes opened silver businesses for all their children regardless of gender. For example, Ibu Surtini, the owner of Mega Silver opened nine silver shops in Kotagede for all her nine children – sons as well as daughters.

As parents tended to encourage their children to start their own silver businesses, the number of the industries grew larger and larger in line with the growth of the population in Kotagede. Even now, in almost every corner of the town we find silver shops or production houses. A successful silver businessman would naturally be succeeded by his children in the operation of his business. From my research, seven of the eleven informants came from silver business families. The rest came from families without a silver tradition but who had been exposed to the tradition through their environment. They may either always have lived in Kotagede or they used to work for relatives who had opened a silver industry and had recruited them to work over there.

My informants expressed that their families tended to concentrate on the silver businesses rather than differentiating their businesses. I found one case in which the son of big silver producer in Kotagede opened a luxurious restaurant instead of opening another silver shop like his brothers and sisters. Although he was also familiar with silver production, he still decided to switch to a different type of business. However, since he was good at art design, he sometimes sold his jewelry designs to his father.

The following case of Mas Nanang will help illustrate the general business practices of the silver entrepreneurs in Kotagede and the strong tradition of the family silver businesses:
In September 2006, Pak Naser from the Kenanga NGO introduced me to Mas Nanang, a silver producer in Kotagede. Mas Nanang was born into a family which has been involved in the silver business from generation to generation. His grandfather was a silver craftsman and so was his father. They concentrated on big product items such as tea, coffee, and dinner sets.

His father, Pak Masjkur, started his own silver business Satria Silver in the 1960s from home. He combined both his production house and his home in one place. He made products together with a number of craftsmen he hired to work in his house. Besides being involved in the production, Pak Masjkur also involved himself in the marketing of his own products.

After gaining success with his business, Pak Masjkur invested his money in building a separate production house. It was still in Kota gede and just a few meters from his house. All the production processes were carried out in this place starting with melting and mixing the silver material with other metals to forming the material into readymade products.

The business provided the family with a stable income. He managed to send his sons to schools and one of them even went to higher education in Yogyakarta. Unfortunately, in 1982, Pak Masjkur passed away. His wife inherited the silver business and together with Mas Nanang, their eldest son, continued the silver business left by Pak Masjkur. Before his father passed away, Mas Nanang had already started his own silver business but of a lower quality. However, when he was spending more time working for his mother, he decided to give up his own business and only to concentrate on the silver business left by his father.

The story of Mas Nanang is typical for many of my informants in Kotagede who were born into a family that ran a silver business. For a son to continue the silver business of the family was paramount.

**Production System**

The production of the silver crafts in Kotagede can be categorized in two major systems – the factory-based system and the putting out system. In the factory-based system, entrepreneurs hire craftsmen to work in their houses. Everybody in the production line specializes in a different task until the product is finished. In the putting out system, two methods are applied. In the first, a coordinator hires a number of craftsmen to his house to supply those who ordered products from him. In the second method, a coordinator hires a number of craftsmen but they work from their own home and use their own tools. Both the coordinator and the putting out workers can either obtain the materials from their superior or bring their own materials and are paid when the products are ready. However, material supplied by the superior was a more common practice than the second method to ensure the quality standards of the material used for production. Table 6.2 shows the production systems of different producers.
Table 6.2 Silver Production Systems

<table>
<thead>
<tr>
<th>Name of enterprise</th>
<th>Factory-based</th>
<th>Putting-out</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satria Silver</td>
<td>x</td>
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<tr>
<td>SP Silver</td>
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<tr>
<td>Asmo Silver</td>
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<tr>
<td>Kios Perak</td>
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<tr>
<td>SW Silver</td>
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<tr>
<td>Sasmita Silver</td>
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<tr>
<td>Perak 17</td>
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<td>x</td>
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<tr>
<td>Mega Silver</td>
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<tr>
<td>Wisnu Silver</td>
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<tr>
<td>Texas Silver</td>
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<td>x</td>
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<tr>
<td>Safir Silver</td>
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</tbody>
</table>

Source: Research fieldwork data 2005-2006

Of the eleven silver producers included in my research, the majority combined both systems in their production. For example, Pak Kos from SP Silver applied both systems in the production process to minimize the risk posed by fluctuating market demands. He hired twenty six workers at his workshop where he also opened his showroom. He provided the workers with tools and materials, and they had to work from 8.00 to 16.00 regularly at his place. He paid the workers on a weekly basis. Besides a group of craftsmen who worked for him fulltime, Pak Kos also had a number of putting out workers. He hired these putting out workers only when his own craftsmen could not handle overload orders. To ensure the quality of the product, the silver material used in the production would come from Pak Kos. Before distributing the material, Pak Kos would take a piece of that material as sample. When the craftsmen came back with the finished products, he would test the quality of the material by comparing material in the sample with that in finished product.

Besides those who combined both systems, two informants preferred to adopt only the putting out system since they had limited market shares and unstable demand. They relied more on the retail market in Kotagede than on orders from traders. Sometimes they received irregular orders from traders from cities like Jakarta, Bandung, or Surabaya. The buyers may order only once in every two or three months or with intervals even longer...
than that. Therefore, using the putting out system for the production was considered safer than hiring full timers. With this system, the businessmen could be more flexible with the number of people they hired. It depended on how big the orders were and how much time was available to finish the production.

Despite its benefits, the putting out system may cause some problems to the businessmen. Such problems like, unreliable quality standards, inability to meet production deadlines, imitation and theft of designs were crucial when entrepreneurs used the putting out system. The problem of quality standards was related to the quality of the material used and also to the refinement of the finished products. To minimize the problem, those who combined both—factory based and putting out—systems would only use the later system for the domestic market because the quality standards for the local market were not as strict as those for export. They would use the workers who worked in their production houses to produce for export. Besides problems with quality standards, the businessmen sometimes had problems with the discipline of the craftsmen who often could not finish their works on time, due to a number of reasons such as social obligations in their kampongs or sometimes they sold the material they received from their boss to cover their daily needs. Design imitation was also a problem with this system because at home the craftsman serves more than one boss. With such problems, it was not easy for producers to serve the export market with very strict deadlines, quality standards, and copyrights.

Although, the putting out workers in general would work at home, the businessmen may require the craftsmen to work in the production houses belonged to the businessmen at certain working hours. These measures were taken in order to control the craftsmen especially when the businessmen received orders with a strict deadline. To compensate for their time, the craftsmen may receive higher payment than the normal rate. It was a strategy to ensure that the workers would finish their works on time because the big problem with the craftsmen in Kotagede was to meet deadlines. If the workers worked at home, the businessmen also had to monitor them every time. They often set time limits earlier than the real deadlines. When there was an indication that the craftsmen would not be
able to meet the deadline, the businessmen would reduce the number of products previously given to a craftsman and give the rest to other craftsmen.

Mas Tirta from Asmo Silver who only served the export market decided only to use the factory based production system considering the potential problems that could arise with the use of the putting out system. His policy was to match the number of workers with the demand of his product. He recruited more people as his business growing. Although he very much concerned about the quality of the products, in recruiting new workers, he put more priority on the personal qualities than on their skills. Consequently, he had to endure the mistakes of the new workers, but he trusted that the workers would learn from the mistakes to become better craftsmen. He encouraged the productivity of the individual craftsman by giving them special bonus when they met certain production target. To keep the craftsmen from leaving, he paid much attention to their welfare, their working conditions, and even the future of their children. As part of their remuneration, he provided them with a kind of health insurance. They could go to an appointed doctor when they were ill and the company would pay the doctor’s bills on a monthly basis. He also provided scholarships for the children of his workers to go to school until they reached high school.

In all, the choices of using the factory based or the putting out production system depended to a large degree on the stability and the types of market the entrepreneurs served. When a stable and high quality standard was required, it was more strategic for silver producers to rely on the factory-based system rather than on the putting out system. Producers with an unstable and limited market found it safer to use the putting out system because in that way they could maintain some degree of flexibility in their production.
The Market

Although silver wares are considered luxurious to some people, they have less economic value compared to that of gold. This is the reason why silver wares have a limited market. When someone decided to buy silver wares, he would not be able to resell it at a fair price and this is also the reason why silver wares were not popular among local people. For many people in Indonesia, jewelry is not only valued as a work of art but also functions as part of their savings which they can sell anytime. Therefore, the resale value is an important consideration in the process of buying. Consequently, the major market for silver products was merely among art and jewelry collectors, foreigners, and art shops in big cities while domestic tourists and government or private offices were the minor purchasers of silver products for souvenirs.

Mas Tirta from Asmo Silver, for example, was specialized in the export market for his products but occasionally he also received orders from art collectors in Indonesia. He had a number of foreign buyers in various countries such as USA – from New York, California, and Denver, Austria, and France who regularly placed orders for his products. For his local market, he served a small number of people such as Ashadi, a batik designer who once ordered him to make a silver miniature of the Cirebon Palace Horse Cart at the price of Rp. 50,000,000.- (approximately USD 5,300,- in 2005).

In contrast, Pak Kos from SP Silver said that he did not concentrate on the export market, which only contributed 15 per cent of the total production. He sold his products to art shops in Jakarta, Surabaya, and Bandung. The majority of visitors to his art shops were tourists, and thus, indirectly, he also served international tourists. Furthermore, he said that he also served both international tourists and domestic tourists visiting Kotagede.

Two entrepreneurs targeted Bali as the market of their products because Bali was the center of international tourists. For example, Pak Sulis, the owner of Wisnu Silver, prior to the social and political crisis in 1998, regularly sent his wares to Bali and he even opened a showroom over there.
When the silver market was still good, he used to send four hundred pieces of silver plated decorations to Bali each month.

In fact, the silver products of Kotagede were well known worldwide. To arrive at this point, marketing and networking strategies played an important role, which will be discussed in more detail in the following section.

### Marketing Strategies

During field research, I found that all the producers served at the same time as the sellers of their own products. Later, I learnt that direct selling was the dream of every silver producer in Kotagede. Everybody would try to attract direct customers because of tight competition between silver producers.

Due to the tough competition, hardly any producers would rely on the art shops to sell their products in Kotagede. I often heard small producers complain about their bad experiences with silver art shops in Kotagede. They felt as if they were being exploited by the owners of the art shops. The producers were forced to accept these offers because the market was controled by the art shops. If they refused, the art shop could always order products from other producers. Another tactic the art silver shops used was to make the small producers depend on them was that they did not pay the entire cost once the products were finished. They usually paid half of the cost in cash and added more material to work on. When the products were sent, the owners of the art shops would pay another half of the cost in cash again and give the producers more silver material. With this system of payment, the producers could not escape from the trap of the art shops.

Therefore, many small producers in the kampong saved hard so that they could buy their own material and to be independent selling their own products. I also observed workers carefully collecting the silver remnants after they had finished with their orders. After they had collected enough
remnants, the producers would make silver crafts using their own material and start selling them from home. As a result, there were many silver outlets in the small alleys in virtually every corner of the kampong.

All my informants had their production houses and outlets in the middle of the kampong except Pak Wira, the owner of Sasmita Silver who managed to have a big silver shop in Tegalgendu, the main road in Kotagede, and Mas Chakra and Ibu Surtini who ran small silver shops in Jalan Kemasan.

In order to reach the targeted market niches, the silver crafts producers in Kotagede employed a variety of marketing strategies, which all had one feature in common. They preferred to make cheap marketing investments that would have direct results. From my informants I learnt that all producers relied on intermediaries to mediate transactions. To reach the markets in other places, more than half of my informants used to join exhibitions actively. Five of them also sold their products to a number of shops in Jakarta, Surabaya, Bandung, and other cities, or to Bali, the most touristic place in Indonesia. Another three had opened their own outlets in other cities. When I was conducting my research, only three of my informants continued to supply big silver shops in Kotagede. Table 6.3 summarizes the marketing strategies my informants employed.

Table 6.3 Marketing Strategies of Silver Producers in Kotagede

<table>
<thead>
<tr>
<th>Name of enterprise</th>
<th>Intermediaries</th>
<th>Signboards</th>
<th>Name cards</th>
<th>Exhibitions Kotagede</th>
<th>Exhibitions Other cities</th>
<th>Supply art shops Kotagede</th>
<th>Supply art shops Other cities</th>
<th>Open outlets Kotagede</th>
<th>Open outlets Other cities</th>
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<tbody>
<tr>
<td>Satria Silver</td>
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<td>Sasmita Silver</td>
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<td>Safir Silver</td>
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Source: Research fieldwork data 2005-2006
All my informants put up signboards in front of their production houses where they also had their outlets and at the entrance of the alleys where their premises were located. By doing so, they hoped to attract individual customers, both foreign buyers and tourists, and domestic visitors to Kotagede. The production houses and showrooms just look like any other ordinary house in the kampong. Without the signboards, nobody would realize that the houses were occupied by craftsmen. In fact, the signboards helped the customers find their ways to the outlets. Pak Kos recalled that in the 1980s, when silver products were still very popular among foreign buyers, many foreigners, both men and women, confidently walked in and out of the alleys in Kotagede in search of silver products. They engaged in transactions with the silver producers in the kampong themselves, sometimes using a mixture of English and Indonesian, and resorting to gestures in order to communicate.

The silver producers also had business cards printed to give to their customers. These business cards were very compact and complete. All information necessary for the buyers was printed on these small cards. Apart from the names of the contact persons and their addresses, they also provided information about their specialties, and sometimes at the back of the cards, there were simple maps indicating how to reach the production house.

Besides buyers who came to their places by themselves, others came with the help of intermediaries. These people had little to no experience in going around Kotagede or needed the help of interpreters. The majority of the silver producers in my research pointed to the prominent role of intermediaries like travel agencies, hotels, and guides in bringing tourists or traders to their shops in Kotagede. Although they did not mention the reason, I assume that the fact that Kotagede is located far from the city centre may have intensified the importance of the role of intermediaries for the silver producers.

To compensate intermediaries, the silver producers gave them a commission after transactions had been completed, which differed from one shop to another. Shops competed with each other about what they
gave as commission to the intermediaries. One producer in my research with a limited market admitted that he would not mind giving up to 50 per cent of the product-selling price and by so doing took the risk of earning less money than the intermediaries earn. Their shops were located far from the main road and they depended to a high degree on the customers who came to Kotagede. However, when an intermediary brought a buyer for business purposes, the percentage of the commission was lower than if they brought a leisure tourist because business people usually bought much more than leisure tourists and at sharper prices. Therefore, even though the percentage was smaller, the intermediary would receive a larger amount of money. For example, Pak Sulis, the owner of Wisnu Silver told me that if a guide brought leisure tourists to his place, he would give him 20 per cent commission. If he brought tourists for business purpose he would give a commission amounting to 5 per cent of the total purchase. I believe business tourists were better informed about prices and thus the producers could not charge them much higher than the normal prices out of fear that the buyers would go to their competitors. From my informants I learnt that usually buyers did not only buy from one producer but they would go to different producers to buy different types of products.

The ‘professional intermediaries’ discussed above were not the only marketing links for the silver producers in Kotagede. The producers of other products could also be potential intermediaries for their fellow producers because they usually had business relationships with traders who were interested in different types of products. Two informants mentioned that they sometimes received customers through either their business or informal networks. They also referred their buyers to their friends when the buyers looked for products they did not make themselves.

The producers did not only try to attract buyers to their places, the majority among them also tried to be closer to buyers by participating in national and international exhibitions. According to my informants, they joined these exhibitions for several reasons. The first was to approach their targeted market. During the exhibitions, the producers could sell and at the same time promote their products to the visitors. Second, they could also learn what kind of designs and what types of products were popular and
the range of price affordability in the market. Third, they expected to widen their trading networks because at the exhibitions they could meet different people with different needs. Apart from customers, traders interested in specific products like silver were also likely to visit exhibitions to make direct links with the producers who joined the exhibitions. Fourth, they wanted to compare their products in terms of quality and price with the products of their competitors. At the exhibitions, they had the possibility to examine the same products produced by their competitors and they were able to make comparisons.

However, not all the producers could afford to participate in exhibitions, especially abroad, so that they often expected sponsorship from the government. Those who had good links with government institutions occasionally received an offer to join an exhibition for free or they only had to pay part of the expenses. For example, occasionally Pak Kos, and sometimes his late brother, Pak Pranoto, from SP Silver joined exhibitions abroad. The first time he joined exhibitions was in Amsterdam, Copenhagen, and Marseilles in 1976. Three years later, in 1979, his brother, Pak Pranoto obtained a sponsorship from the government to join the *Pasar Malam Tong Tong* in Den Haag, Holland. Pak Kos made a list for his brother of all the products that had sold well in Holland on his previous visit. Subsequently, in 1982, Pak Kos joined an exhibition at Madurodam, Scheveningen, Holland. In 1986, again he participated in the *Pasar Malam Tong Tong* in Den Haag. In 1992, he joined an exhibition set up by the Indonesian government in Kyoto, Japan.

According to my informants’ experiences, in fact the silver producers in Kotagede could not merely rely on customers who visited the area because the local market was too limited and too seasonal. To ensure the sustainability of their business, they had to expand their marketing networks. Ten informants who sold their products to both domestic and export markets decided to supply art shops in other cities or to open outlets in various cities, or did both. An example is the case of Sasmita Silver. Initially, Pak Sasmita supplied a number of art shops in Jakarta. When he had saved enough capital, he opened his own counter at the Sarinah Jaya and Pasar Raya shopping centers in Jakarta and at a number of big hotels in
Silver Production in Kotagede

Yogyakarta. However, supplying local art shops in Kotagede was still an option especially when producers only have limited access to the market outside the area. I learnt from my research that three informants continued to supply products to local art shops despite the fact that their profits were low. They had no alternative because if they refused to do so, other producers would replace them. One producer who concentrated on the export market tried to engage in networking with potential buyers from other countries by actively joining trade exhibitions in big cities in Indonesia and abroad. Being able to communicate in English well and because his products were of a good quality, he managed to build up and maintain good relationships with his buyers.

In short, the marketing strategies of the silver producers in Kotagede were very much outward orientated. Establishing links with outside markets would help ensure the sustainability of their businesses. Hence, they relied largely on intermediaries and silver outlets outside the area.

The following part describes how Mas Nanang’s father tried to establish links with the outside market.

During the interview, Mas Nanang shared the efforts of his father to increase the turnover of his silver business. Just like other silver producers in Kotagede, Pak Masjkur, his father could not only rely on incoming visitors to sell his products. In the 1960s, when Pak Masjkur started his silver business, access to Kotagede was still difficult. The roads were muddy, so that people were reluctant to visit Kotagede unless they had to. Therefore, the only way to boost their selling was to take the products out of the area.

Following other silver producers, Pak Masjkur also brought his products such as tea, coffee, and dinner sets to Jakarta. He usually went there by train and when he arrived at Gambir station he would display the products on the street waiting for customers to buy.

One day, an art shop owner from Jakarta, Pak Hendra approached him. He was interested in the quality of his works and asked Pak Masjkur to be his supplier for silver products. Pak Hendra also introduced Pak Masjkur to his brother, Pak Edi who also had a souvenir shop. They made an agreement that in the area of Jakarta, Pak Masjkur would only supply his products to Pak Hendra and his brother – Pak Edi, while they committed themselves to guarantee regular, monthly orders. Both parties never broke their commitment. Until Pak Masjkur passed away in 1982, he consistently received orders from the two shops for more than two decades without any problems. Even after his death when his business was continued by Mas Nanang and his mother the agreement continued to work as before.

In late 1970s, through Pak Hendra and Pak Edi, Pak Masjkur also established links with the Department of Research and Technology when Dr. Habibie was still the Minister. Pak Hendra and Pak Edie introduced Mas Nanang to the person in charge of arranging official souvenirs from the office, Pak Tedja. However, Mas Nanang did not want to be directly involved with the Department because he was worried that he would have payment problems with the bureaucracy. Therefore, the business dealings between him and the
The family business went quite well. Besides the regular orders from the two art shops, they also received orders from Dr. Habibie’s office. In addition, when Dr. Habibie became the President in 1998, through his personal assistant, Pak Tedja, the Presidential Office continued to place orders for official silver souvenirs. The orders stopped when Dr. Habibie stepped down from his office in 1999.

Mas Nanang and his father managed to expand their silver business because they relied on the market outside Yogyakarta. Without their efforts to expand their market to other areas, they would not have been able to develop their business.

However, the crises have jeopardized the businesses of many silver producers in Kotagede. The most recent incident was the earthquake that rocked the area in May 2006, which had huge negative consequences for their businesses. The burden of the silver producers was becoming even heavier because the earthquake followed series of prolonged crisis.

The Experience with Crises

During my research, my informants recalled that since the 1970s, the silver business was relatively stable for about two decades and opportunities for business development were expansive. The market was good and the price of raw silver was also relatively constant. They expressed that they managed to put aside part of their profits and to use the money to expand their businesses or to buy properties. Throughout the years, the entrepreneurs were able to add more workers in accordance to the expanding market they had to serve. Some even managed to build a separate production house away from their household.

However, since 1997, the silver producers had to face problems from both the demand side and supply side. The monetary crisis that started in 1997 was marked by an extreme increase in the exchange rate of the US dollar against the Rupiah and the skyrocketing prices of goods. It had different impacts on different entrepreneurs in Kotagede. Silver product exporters temporarily enjoyed high profits while those who supplied products to local markets were badly affected by the crisis. Exporters earned high incomes in Rupiah because transactions were made in US dollars.
Alternatively, rocketing prices of goods affected the entrepreneurs who sold their product at the local market. Following the uncontrollable increase of the exchange rate of US dollar against the Rupee, the price of the silver material also increased. According to my informants, before the monetary crisis the price of raw silver was approximately Rp. 400,000.- per kg (Approximately USD 171/kg in 1996$^6$) but after Indonesia suffered from the financial crisis in 1997, the price of the silver material reached Rp. 2,700,000.- per kg (Approximately USD 270/kg in 1998). The soaring prices of raw silver affected the structure of the production costs. Small silver entrepreneurs moreover also suffered from the consignment product sales system in Kotagede. Small entrepreneurs who supplied art shops in Kotagede only received payment after the products had been sold. They were paid at the prices agreed upon when they sent the goods, when raw silver was still relatively cheap. When they were paid, the silver prices had skyrocketed so that from the money they earned, they were able to buy less and less material. In the end, many small craftsmen’s businesses collapsed.

Following the monetary crisis, the conditions were exacerbated after a series of social and political upheavals in 1998. These incidents influenced the flow of international tourists to Indonesia. With such a high dependence on the international tourists and the foreign market, the problem with the tourist flows to Indonesia automatically affected the sales of the silver products. The two Bali bombings in 2002 and 2005 made business conditions for the silver products from Kotagede even worse because many producers from Kotagede sent their products to be sold in Bali. Pak Naser from Kenanga, also shared with me his experiences with the condition of the silver producers after the first Bali bombing. They prepared their orders but when the goods were finished, there were no buyers from Bali. Producers who had limited capital could hardly survive. They had virtually no income and therefore in order to earn immediate cash, they were forced to sell their gold and silver products on the traditional market. Even though the traders valued their products at very low prices they had no option but to accept that because of the slack market. Those traders enjoyed good profits at the time because the price of

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$^6$Average exchange rate in 1996: 1 USD = Rp. 2,342.30 according to the data of Taiwan Dept. of Investment Services (http://www.investintaiwan.nat.gov.tw/ accessed 3/10/09)
the silver material on the market was very high but they could obtain the products very cheap from the petty silver producers who desperately needed money. According to Pak Naser, each gram of silver was sold for only Rp. 500.- per gram (Approximately USD 0.05/gram in 1998) while the price should have been Rp. 2,700.- per gram (Approximately USD 0.27/gram in 1998). The second Bali bombing incident did not affect the market of silver from Kotagede to become worse. After the first Bali bombing incident, the silver market remained slack so that people in Kotagede did not feel the effects of the second bombing as much of a shock anymore.

The tax levied on raw silver formed another burden for the silver producers. According to Pak Widjojo,7 starting from 2 August 2002 with PP 43/2002 (Peraturan Pemerintah or Presidential Decree) silver producers would be charged 10 percent tax for silver purchases from ANTAM8. All my informants complained about this tax because it made their products less competitive. My informants said that they had difficult times to sell their products not only in Indonesia but also abroad as competitors from other countries such as Vietnam and Thailand could sell their silver products at lower prices.

In 2005, when I was conducting my field research, the silver business situation had not fully recovered. The business conditions had occasionally improved but then dropped again. As they always recalled in the interviews, the business conditions never returned to those before the crises. Despite all these difficulties, the silver producers persisted in holding on to their businesses.

The crisis for the silver producers did not end soon. In 2006, they had to face the problem of rocketing prices of silver and other metals such as gold, copper, and bronze a few months before the earthquake. To me they

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7 He was the owner of SW Silver who also sits as one of the committee at KP3Y (the silver cooperative in Kotagede)
explained that the rise in the global oil price had triggered the rise of metal prices\(^9\). The silver producers I met during my visit to Kotagede in 2006 complained that between March and April 2006, the producers paid 25 dollar cents for each gram of silver and within five months, the price of the material had gone up to 41 dollar cents for each gram. The situation was made even worse because they still had to pay 10 per cent tax over each transaction.

The rise in the price of raw silver directly affected the demand for silver products, which dropped drastically. With this problem, not only local suppliers but also exporters suffered. Local suppliers were unable to buy the same amount of silver when they had finished and sold their products because the price of silver had increased. Besides that, they could not increase the price of the finished products too much because the purchasing power of the local buyers was weakening as well. Exporters such as Mas Tirta also suffered because while the price of the metal was increasing, the exchange rate of the dollar stayed the same. According to his experience, generally buyers abroad refused to pay more than the contract rate they had agreed on before. As a result, the profit margin of the producers was becoming smaller and smaller, and sometimes they even lost the business. New transactions were also difficult to realize because the prices asked were considered too high. In such a difficult situation, the silver producers had to struggle hard in order to sustain their business.

Coping with Crises

The prolonged crisis forced the producers to find new ways to survive. I learned that the silver producers employed different strategies to handle the situation. They employed business related and personal strategies. In order to maintain their business, they made some adjustments to their marketing, pricing, production, and employment policies, and tried to be efficient in order to reduce the costs of the business operations. Apart from

\(^9\) In 2006, the gold and silver price was rocketing together with the rise of the global oil price. Demands for both metals had increased as investors were anticipating inflation due to the rise of the oil price (Gustia, 2006).
their core silver business, some also tried to find alternative sources of income by engaging in side businesses and jobs or they used their personal savings to survive. Support from family members was also necessary in ensuring the sustainability of their businesses and of the livelihood of their families. Generally, they did not resort to one single action to combat the crises, but combined different strategies.

There were three points in time which my informants marked as important in the duration of the crises they experienced i.e. the monetary crisis followed by the socio-political crisis of 1997-1998; the first Bali bombing in 2002, and the earthquake in 2006. The following discussion will elaborate further on the coping strategies the entrepreneurs employed at different points during the crises.

**Coping with the Monetary and the Socio-political Crises**

Within less than one year, the national monetary, social, and political conditions had changed very rapidly. To cope with the unfavorable business conditions, the silver producers chose to adjust their sales, marketing, pricing, and production policies and they were more aware of efficiency. Apart from these strategies, some also looked for alternative revenues. Table 6.4 serves as a summary of the strategies they employed.
Table 6.4 Coping with the Monetary and the Socio-political Crises of 1997-1998

<table>
<thead>
<tr>
<th>Name of Enterprise</th>
<th>Sales Policy</th>
<th>Savings</th>
<th>Switching to the Domestic Market</th>
<th>Pricing Policy</th>
<th>Production</th>
<th>Business Efficiency</th>
<th>Alternative Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satria Silver</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td>working wife (1999)</td>
</tr>
<tr>
<td>SP Silver</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Asmo Silver</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kios Perak</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SW Silver</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sasmita Silver</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perak 17</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mega Silver</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisnu Silver</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td>Intermediary</td>
</tr>
<tr>
<td>Texas Silver</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td>Intermediary</td>
</tr>
</tbody>
</table>

Source: Fieldwork data researcher 2005-2006

**Sales Policy**

Before the monetary crisis of 1997, the market and the price for silver were relatively stable; therefore producers used to make a stock of products and sold them to art shops using the consignment system. However, they lost much money when the price of silver material suddenly increased. Learning from their experiences, eight silver producers in my research decided not to keep stocks and would only sell their products when the buyers paid them in cash. This choice was made by those who supplied art shops.

**Savings**

The cost of living was increasing after the monetary crisis but income was decreasing. As production was slowing down, nine producers admitted that they had to use their savings to pay for their living expenses temporarily.
because they hardly earned any income. When the situation was becoming even worse, seven of them admitted that they decided to melt their silver stocks and sold the silver to pay for their living. As small producers, in general, they did not have enough money for emergency expenses.

Only two silver producers did not use their savings for living during the crises. They even made some money from the increasing exchange rate of the dollars against the Rupiah. One made a lot of profit from selling his products on the export market while the other one owned his own art shop in Kotagede and he bought most of his products from smaller suppliers using the consignment system. Therefore, he could gain much benefit from the continuously increasing price of the silver material.

**Marketing and Pricing Policies**

The silver producers also changed their marketing policies because foreign buyers stopped visiting Kotagede. To keep their businesses going, all the producers in my research, except for one, focused on the domestic retail market. They generally did not have solid relationships with their foreign customers who were tourists or traders regularly coming to Kotagede to select or order products based on samples they brought with them. Therefore, when the political and social conditions in Indonesia were not conducive to business, these customers stayed away and ordered from producers in other countries such as Thailand or Vietnam.

Because the majority of the customers were domestic tourists, the producers also had to adjust their prices. Ten producers who concentrated on the domestic market admitted that they had to accept lower profit margins in order to maintain their business for two reasons; the high price of raw silver and the purchasing power of the domestic buyer was lower than that of the foreign buyer.

However, I also assume that the increasing competition for a market share influenced their pricing policies. According to Mas Tirta, especially after the monetary crisis, many shops in Kotagede also sold silver products from Bangil, East Java, which was machine made, mass-produced and lower in
quality but cheap. The foreign market could not accept these kinds of products but the domestic market could afford them.

Furthermore, the fact that in times of crises the number of tourists was decreasing while the number of shops was increasing made the competition even worse. A number of people I spoke with mentioned that the number of shops increased substantially after about 2000. After a survey, I found that many of the shops belonged to young owners. Examples are Mbak Karsi and Mas Chakra, two young people who used to have jobs before they entered the silver business. When they found that their incomes from their jobs as medical representatives were insufficient, they decided to open their own silver shops in Kotagede. Mbak Karsi further explained that during the crises more parents in Kotagede who had been involved in silver production would set up silver shops for their children because it was difficult for them to find jobs when the national economy was slack. This may also have been one of the reasons why the number of silver shops was increasing rapidly after 2000.

Three informants admitted that they were giving discounts in order to attract customers to their silver shops. They had display boards in front of their shops announcing that they offered discounts to the customers. My informants told me that this was not a new strategy since they often had done that during the low seasons in the past. However, they said that they had to do it more intensively due to the crises. Many shop owners would give discounts up to fifty percent of the normal price. They did not mind doing business with just a small profit margin. Consequently, if the production cost was Rp. 10,000.-- (Approximately USD 1 in 2005), they could sell the products for only Rp. 12,000.-- to Rp. 13,000.-- (Approximately USD 1.2-1.3 in 2005). On a different occasion, Pak Sulis confirmed that this was the practice of many other silver shop owners in Kotagede. He said that he knew about their strategies because he always monitored the sales strategies of his competitors through intermediaries who often came to his place.
Production and Employment

As most of the producers had to switch to the domestic market as their main target, they not only had to make adjustments in terms of marketing and sales but also in terms of production. Regarding their production policy, I identified three actions the silver producers took. Ten producers who concentrated on domestic customers tended to produce cheaper and smaller items. One company decided to take an immediate employment policy to reduce the working hours of his staff soon after the sales dropped due to the social and political crisis in 1998. Seven producers admitted that they slowly had to lay off their workers due to the crises because after the social and political crisis in 1998, orders were slowing down. To deal with their labor shortages, the producers decided to rely on putting out workers when they received orders exceeding their production capacity or they involved family members in the production.

Due to their changing market orientation, the silver producers in Kotagede had to make product adjustments in several ways. In general, the purchasing capacity of the locals was less than that of the foreigners so that they needed to make less expensive products. They started to concentrate more on producing accessories and jewelry. One informant, Pak Sulis, even told me that for the retail market, he reduced the amount of silver material to lower the cost of production. However, he did not do this for business customers since they would weigh the products and pay accordingly. For bigger products such as miniatures or wall decorations, producers made silver plating rather than pure silver products. They made the miniatures from brass or copper and had the products plated with silver. Then, they hardly made any more tea or coffee sets, which normally were made of pure silver. With these strategies, the producers hoped that their products were still affordable to domestic consumers.

Because of the crises, three producers also admitted that they needed to be more flexible with the material they used in their production. They produced not only silver crafts but also gold, copper, aluminum, brass and one of them even produced wooden crafts. They said that they should not concentrate only on silver crafts but had to be ready to produce a variety of...
products. They also expected that the workers would be willing to learn new things. One of the producers expressed that he could not refuse any kinds of orders he received from buyers. Even when he did not have prior experience with the material, he would learn how to use it. For example, when he received orders from a national cosmetic company to make wooden crafts for her spa equipment, he took the job and since 2001, he has received regular orders from her company.

Producers not only had to make adjustments regarding their products but also regarding the labor they employed. Generally, the producers found that the burden of wages was especially heavy after the social and political crisis of 1998. According to my informants, buyers tended to cut down on orders to the silver producers in Kotagede. They also complained that since buyers knew that the market for silver products from Kotagede was slack, they made the producers to sell at lower prices. In order to survive, the producers in turn had to enforce stricter conditions on their workers. Besides that, the producers did not always have jobs for the workers as the producers avoided keeping stocks and only made products for immediate sales. Therefore, seven producers out of eleven in my research laid off their workers gradually. When I was doing research in 2005, four informants mentioned that they had lost 60 per cent of their workers or more. One of them was back to the old practice by involving his family members – his wife and son to help when he got orders. One of my informants with relatively better businesses than the others lost about forty percent of his workers while two had lost all of them. Meanwhile two producers – Mas Tirta who had a stable export market and Pak Wira did not lose any of their workers. However, Pak Wira from Sasmita Silver took immediate action by temporarily re-scheduling the working hours of his workers for a couple of months after the May Riots to ensure the sustainability of his business. This was confirmed by Mas Wardana, one of the senior staff members at Sasmita Silver. He said:

‘For a couple of months after the riots took place in May 1998, we hardly received any guests. After a while, I invited all the employees for a meeting and we discussed the conditions. The meeting decided to suggest to the management to give us opportunities to look for side incomes. We did not receive overtime payment or any other bonuses we used to get when many customers came to the shop while the cost of living was high.'
However, we understood that the conditions were also hard for the management. We suggested arranging the working days in such a way that we could have two days off and would be two days at work. We were glad that they could agree with our suggestion. I myself used my days off to work as an intermediary. When I knew someone was going to sell his motorcycle, I would help him look for a buyer and I would earn some commission if they made a deal.'

Workers who decided to abandon their fulltime jobs as craftsmen decided to find alternative jobs. Judging from the stories of the people I met in the field, the workers left their jobs to become construction workers, or becak or horse cart drivers. However, usually the workers did double jobs and changed their status from full time to putting out workers. As a result, the putting out system was becoming more popular among silver producers. When the workers had orders to make silver crafts, they would work on the orders in their spare time.

However, in general, the producers did not want to lose all their workers and thus they always tried to give them jobs. All the producers explained that they were obliged to think about their employees' welfare especially under such difficult time by providing them with jobs, because the workers depended on the producers for their income. Although the producers did not mention it, I assume that they also depended on the workers to keep the production going.

**Business Efficiency**

Running the businesses became very costly when the market was slack. One strategy taken by the silver producers in my research was to reduce their business operational costs where possible by taking efficient measures, such as cutting down marketing costs, and electricity expenses. Generally, informants admitted that their interest in joining exhibitions had decreased after the 1998 crisis because it was becoming too expensive while the income from participating in exhibitions was unpredictable. They expressed that the earnings from their sales during exhibitions often could not cover their travel and accommodation expenses and it was also too difficult for them to cover the losses due to their income drop. Therefore, they only joined an exhibition when the government gave them enough
financial support. Furthermore, one producer mentioned that his company also had to postpone making brochures and was forced to cut down the use of electricity by turning off a number of decoration lamps.

**Alternative Revenue**

Due to the prolonged crisis, four silver producers in my research decided either to find alternative income from side jobs or temporarily to stop with the silver business. Two became intermediaries for land, houses, or vehicles transactions. Although this kind of job did not provide them with a regular income, at least it helped them to survive. Then one decided temporarily to earn a living by working as a medical representative starting in 1999 but he was back in the silver business in 2001 concentrating on domestic customers. The other one had his wife take up a job to earn money to compensate for income loss in their family.

**Coping Strategies after the First Bali Bombing**

International tourists visiting Bali were the main market for silver products from Kotagede. After the first Bali bombing in 2002, the sales to Bali dropped drastically. Producers were obliged to find more strategies to keep their businesses going and also to sustain their livelihoods. Generally, the silver producers in Kotagede hung on to the strategies they employed earlier but a few decided to pay more attention on business diversification or to find side jobs with a more stable income apart from trying to expand the market. Their coping strategies are summarized in Table 6.5.
### Table 6.5 Coping Strategies after the First Bali Bombing in 2002

<table>
<thead>
<tr>
<th>Name of Enterprise</th>
<th>Marketing strategies</th>
<th>Alternative Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satria Silver</td>
<td>Rice shop at home</td>
<td>Working wife-Insurance agent (2005)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP Silver</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asmo Silver</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kios Perak</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SW Silver</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perak 17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mega Silver</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wisnu Silver</td>
<td>-</td>
<td>Metal remnants trading (2006)</td>
</tr>
<tr>
<td>Texas Silver</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Safir Silver</td>
<td>-</td>
<td>Contractor (2006)</td>
</tr>
</tbody>
</table>

Source: Research fieldwork data 2005-2006

Five producers diversified their businesses after the first Bali bombing while one found a side job. Pak Kusno started a business as a building contractor in 2006. Prior to the earthquake, his friends had sometimes asked for his services. Although he did not have any formal education on this field, based on his experience in supervising construction workers when they built his house and his workshops, he was confident when he started his business. However, he also told me that he liked to learn more about construction from the internet and from his friends. Then Pak Sulis started trading iron remnants after he met one of the staff members of an automotive company in Semarang in the beginning of 2006. He supplied him with remnants, which he would sell to silver or copper craft producers. Subsequently, Mas Nanang started with his rice shop at home, which will be discussed further in the illustration to follow. Pak Widjojo as the head of the Silver Cooperative in Kotagede and having good relations with the officers at the Trade and Industry Department, was sometimes involved in silver craft training projects as a trainer in other areas in Indonesia since 2003. Meanwhile Pak Wira from Sasmita silver was the only one who managed to diversify his business by opening a mini market in 2004 and then a restaurant with a guesthouse with three big luxurious rooms on top of it in 2005, which he rented out for Rp. 650,000 (Approximately USD 67,) per night.
Besides diversifying his businesses, Pak Wira also expanded his market by opening new outlets for his products. He opened one at the Borobudur not long after the First Bali bombing and opened the other one in Bali in 2003. It may have been his strategy to cut short the marketing network and to reach the customers directly because, generally, the producers complained that the payment from the traders for the goods they supplied had become more difficult due to the slack market.

However not all the producers could maintain their silver production house in these times of crises. Mas Nanang had to stop hiring silver craftsmen and he started a new business as illustrated below.

The monetary crisis had threatened the silver business of Mas Nanang completely. Orders for silver souvenirs dropped dramatically. His bosses in Jakarta still placed orders but not as many and as often as they used to. In contrast to the situation prior to the crisis when he received continuous orders from Jakarta, after the monetary crisis he had to wait for months before another order was placed. Eventually he had to reduce the numbers of his workers gradually as he could not provide enough work for all of them. Therefore only hired the workers with above average skills.

Facing those problems, he probed other markets such as Bali amongst others. However, the sales system over there was different from his experiences of dealing with the art shops in Jakarta. When he received orders from Jakarta, the art shops would pay immediately. In Bali, he had to leave his products in the art shops and they would only pay him when his products had been sold, the unsold products would be sent back to him and he had to replace with the new ones. Producers with limited capital like him could not run his business in such a way.

With all the difficulties, Mas Nanang still tried to keep going with the business for five years after the monetary crisis. He regularly tried to provide jobs to his workers with the expectation that the situation would improve. He bought 10 – 20 kgs silver and asked his employees to process 5 kgs of it. When they were finished, he gave them another 5 kgs until the workers had finished all 20 kgs of material. When the last 5 kgs had been processed and he still was unable to sell the first 5 kgs products, he would melt them and he would give it to his workers to reprocess. By this strategy, Mas Nanang hoped that the workers would not leave his workshop to find other jobs because they always earned an income. However, after waiting for five years and the situation did not improve, Mas Nanang decided to stop his workshop totally in 2002. Occasionally he would still receive orders but he would use putting out workers.

To fulfill the daily needs of his family, his wife took over the responsibility as the main breadwinner. Since 1999, she handles the traditional snack business of one of their relatives and she was paid monthly. She made the snacks at home and sent them to a number of shops in Yogyakarta, Solo, and Kartasura. Besides that, since 2005, she also worked as salesperson for an insurance company. Meanwhile, Mas Nanang ran a rice shop at home. They also rented out two houses, rooms, and spaces in their house. They certainly had to utilize all the possibilities they had to earn an income.

Mas Nanang and his family never anticipated that the silver business would encounter such difficult times. They were comfortable with the limited
market they served and the stable orders they had and were never concerned with expanding their business. They were not prepared when the crisis struck and their network had been too small to provide them with enough space to make business maneuvers. Therefore, in order to survive, the only choice to save the family they had was starting a new business.

The Experience with the Earthquake

Kotagede was one of the worst affected areas by the earthquake that took place in May 2006. When I asked my informants about the situation after the earthquake, they said that, for the first few days, the situation in Kotagede was extremely chaotic. Many people died and no neighbors could help with the funerals. The families had to take care and manage the preparations for the funerals themselves. They were running out of food, no water, and no electricity and quite a large number of people were left without shelter for three days. Before any aid came to the area, there were not enough tents for everybody. Each tent available had to accommodate about sixty people, which was more than their capacity. The night after the earthquake, which took place in the morning, heavy rain fell. There was no protection against it as the houses had been ruined or the roofs were sliding. Parents were frustrated as their children were crying for food and aid only arrived the second day. However, the aid, both food and medicine supplies, was only for adult consumption. The situation was really stressful. For about a month, many people decided to stay in tents even when their houses were still in good condition as they suffered from trauma and occasionally, they could still feel the earth shaking.

People in Kotagede suffered severely from the effect of the earthquake because the earthquake epicenter was located closely to the area. During my visits to Kotagede, Pak Naser showed me around the areas where many houses including old Javanese-style houses had collapsed and were left in ruins. People set up tents on the ground where their houses used to be and had to live in tents for several months before they could rebuild their houses. They salvaged those parts of the houses they could still use among
the ruins. All the economic activities in Kotagede were paralyzed for a couple of months after the earthquake. For their daily life, many people decided to sell the wood from the ruins of their houses. Many wood traders from outside Kotagede suddenly crowded the town and were walking in and out of the kampong alleys looking for wood from the ruined houses. Usually the owners would be willing to sell it cheap because they desperately needed money to live.

The earthquake not only affected their and their families’ lives but also inhibited the silver industry. According to Pak Naser, the silver business of the small shops along Jalan Kemasan had not been in operation for about a month. Many shops were ruined and cars could hardly pass the road as people had put all the rubble out on the street. The condition caused business activities to cease completely for a while.

Although the impact of the earthquake in Kotagede was substantial, from the interviews I had with five informants, their motivation to go back to business after the earthquake was very strong. They admitted that it was a blow to their business – it struck not only the production process but also the market even for those whose businesses were in good condition prior to the earthquake. Due to the earthquake, they had to postpone production and because of that, their consignments were sent too late.

It took the producers some time before they could restart production. One producer started after two days and another waited for a week. Others had to wait longer. One had to wait for a full month and yet another even had to wait for more than three months after the earthquake but was still unable to resume normal production.

My informants expressed that basically, there were two reasons for the delays. In the first place, both the craftsmen and the producers were obliged to take care of their own places. All my informants only suffered minor problems with their buildings. Generally, the walls of their buildings were cracking or leaning, the roofs were sliding, and glass windows were broken. Some had their walls ruined. After the earthquake, they had to clean up the rooms because they were full of dust and it was a mess as
many things such as the display shelves had fallen down. Pieces of glass from the broken windows and doors were scattered in the rooms. They had to tidy up everything before they were ready to go back to work. The same thing happened to their workers. In the second place, both the craftsmen and the producers were bound to social obligations. Even though generally they only suffered minor problems, they still had to help their neighbors who had suffered more. Together with the other people in the neighborhood, they also had to clean up the areas, which were full of ruins. Mas Tirta, the owner of Asmo Silver, was the first to resume production. In his place, everybody was back at work after a week. Although thirteen out of seventy craftsmen working for him lost their houses, none of them were hurt in the earthquake. Mas Tirta told me that he had discussed with the craftsmen about when to start working again and they were ready to go back to work just after a week. In contrast, Pak Kusno, the owner of Safir Silver had to wait for more than three months and then still production had not returned to normal. The workers still could not work fully because most of them came from badly affected areas such as Imogiri and Njumpling. They still had to renovate their houses and to participate in the community self-help in their neighborhoods. They may have come to work for two days but then not return for three days to a week. According to Pak Kusno, he might still have to wait for another one to two months before everything went back to normal (It was October 2006 when I interviewed him).

The earthquake also had consequences for their position as the owners of manufactures who hired a number of people who also suffered from the disaster. Although they were affected by the earthquake too, two informants felt obliged to pay attention to the welfare of their workers. Pak Darmin, the owner of Texas Silver said that for two months he gave money to help his four workers to cope with their daily needs when they could not go back to work. He said that it was not as much as their normal wages but it was meant to help them fulfill their basic daily needs. In a different case, Mas Tirta also gave some money to his workers. It was just enough to enable them to fulfill their daily needs during the week when they could not come to work. He also asked for donations from his buyers. He sent photos of his workers’ ruined houses with explanations of the problems his
workers faced. He also provided detailed data of his workers who needed help. According to Mas Tirta, in total, he received 40 million Rupiah (Approximately USD 4,400 in 2006) from his foreign buyers and some goods from buyers from Jakarta, Surabaya, and Bali. He distributed the aid among his workers. To be fair, he did not give an equal amount of money to everybody whose house was damaged. He put them in rank and broke down the money accordingly. One of his workers who was not affected by the earthquake did not receive any money.

Due to the earthquake, the producers faced serious problems with their production process, which subsequently affected their sales. Even though the producers and their families generally did not suffer any serious effects from the earthquake, they had a problem with their workers who could not start working immediately. As the market for the products was very seasonal and followed the trend, catching up with the production process was essential, especially for the export market. Those who served the export market but were unable to reactivate their production until August that year may have missed the golden moment for the Christmas sales of 2006 because buyers would start placing orders for the Christmas sales in that month. To handle the problems caused by the earthquake, the silver producers employed a number of strategies as summarized in table 6.6.

Table 6.6 Earthquake Coping Strategies Employed by Silver Producers in Kotagede

<table>
<thead>
<tr>
<th>Name of Enterprise</th>
<th>Postpone Production</th>
<th>Supervising Craftsmen</th>
<th>Saving</th>
<th>Alternative Revenue</th>
<th>Network</th>
<th>Support earthquake affected employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asmo Silver</td>
<td>x</td>
<td></td>
<td>x</td>
<td>Get donation from his buyers</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Safir Silver</td>
<td>x</td>
<td>-</td>
<td>x</td>
<td>- Involve in Govt. project - Contractors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SP Silver</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas Silver</td>
<td></td>
<td></td>
<td>x</td>
<td>. x</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisnu Silver</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research fieldwork data 2006
As discussed above, due to the earthquake, all the silver business people in Kotagede had to halt their business temporarily except one. There was not much else they could do but wait until the situation was manageable. Because it was impossible for the producers to force their workers to go back to work sooner, the producers in general tried to re-negotiate the due dates of their order delivery with their buyers. However, Pak Sulis managed to meet his deadline, which had been placed before the earthquake. Right before the earthquake, he received an order for 2000 brooches from an Islamic Organization and champion cups from a youth organisation in Solo. He did not want to take the risk of losing these orders. Therefore, although the situation was very chaotic, he remained committed to meet the deadline of the orders. Despite the difficult situation after the earthquake, he visited his craftsmen one by one and checked if they were able and willing to continue working on the orders. Pak Sulis may also have anticipated that the sales would drop temporarily and he did not want to lose the opportunity to earn money. The rest had to find other ways to support their household needs due to the fact that earthquake had hindered the production process.

The silver producers generally did not have any production for quite some time. With the traditional financial management they had, in which the producers hardly made any separation between the household and the company finances, the producers could flexibly manage their cash for any necessities for either the household or the company. In the time of scarce income after the earthquake, producers put priority on the fulfillment of the daily needs of their families and to renovate the damaged parts of their houses, rather than using the money for business development. The consequence was that it affected the cash flow of the company. Although not all informants mentioned that they used their working capital to pay for their living, most of them in fact did because the production did not go as usual.

However, Pak Kusno was lucky because when his silver business was slack, he earned substitute income through government aid and construction projects. There were more opportunities for the construction business after the earthquake because many people needed the services from the
construction companies. He received construction jobs from a number of hotel owners who belonged to his business network. Besides that, he also acquired projects from the government to repair public facilities that were damaged by the earthquake. Furthermore, Pak Kusno, with the wide networks he had, took the chance to be involved in government aid projects to help the craftsmen by supplying them with handicraft tools.

With all the difficulties the producers had to face, the earthquake did not make them lose their hope for the future of their business. They slowly managed to recover. I even witnessed some people put up tents on the street to sell their silver crafts while they waited for the renovation of their outlets and houses to finish.

**Conclusion**

The problems for the silver businesses in Kotagede began when a prolonged series of crises struck the country. Silver craftsmanship has been a tradition in Kotagede for generations and growth and decline have always been part of the history of the silver business in this town.

Tourism played a crucial role in the development of the silver business in Kotagede. In the 1970s, tourism development stimulated the recovery of the industries, which had experienced a severe decline since the end of Dutch colonization. Slowly the silver entrepreneurs also had the opportunity to become involved in the export market. With this development, they managed to expand their businesses, to hire more craftsmen, and to serve a wider market.

However, the silver business in Kotagede entered rough times when a series of crises hit Indonesia. Findings from my research revealed that being engaged in exports, the entrepreneurs depended on the buyers who came regularly to Kotagede to place orders. Therefore, the sales of their products were susceptible to problems related to safety and security. Facing plummeting business activities, the entrepreneurs took up different forms of strategies to cope with their problems.
The monetary and socio-political crisis was the first crisis to hit the silver business in Kotagede. At this stage, to cope with their business problems, the entrepreneurs focused their strategies on increasing the silver trade, which had slackened. First, they chose to adjust their sales policies by avoiding the consignment system when they engaged in transactions. When the demand from foreign customers was sluggish, they switched to the domestic market. As a consequence of serving this different market niche, they made adjustments to their products. They produced smaller items, plated ones instead of pure silver ones, and used less expensive material. Furthermore, the silver entrepreneurs also had to reduce business operation costs to save their companies from collapse. A few decided to find alternative revenues to help with the household economy.

The demand for silver products dropped deeper after the first Bali bombing in 2002. At this time, it seems that they could not rely mainly on revenues from silver. Therefore, some of them decided to find alternative jobs that offered a more stable income. A rare case was the one who decided to boost his marketing to increase the sales of his silver products.

The market had not really recovered when they suffered from the earthquake in 2006. The earthquake mainly affected the production process because laborers were absent for certain periods of time and part of their working places also needed to be repaired. For their living and for repairing the damaged parts of their buildings and to help earthquake-affected laborers, they generally used their working capital or donations from buyers and other alternative revenues.

In all, despite sluggish demand, increased competition, and the problems related to the fluctuation of the prices of silver material, the silver producers tended to persistently hold on their silver businesses. Instead of abandoning their businesses, they tried to be efficient in labor management, production, and sales. The trend among the producers was to sell lower quality silver products and it was no longer an issue whether the products were produced in the Kotagede area or originated from other places. Competitive prices were the main consideration as long as they could still do business.