Chapter 8
The Coping Strategies of Different Tourism Entrepreneurs
In Comparison: The Analysis

Introduction

This chapter will have a closer look at the similarities and differences in the coping strategies employed by the different sectors in the study and answer the main research question: How have small entrepreneurs in various sectors of the tourism industry in Yogyakarta, Indonesia, responded to changing tourism demands due to the ongoing crisis that struck the area between 1997 and 2006? The prolonged crisis and the earthquake affected all the entrepreneurs in the various sectors—becak drivers, accommodation owners, and the silver craft business owners. However since the crises were of a varying nature, and because the businesses affected differed in scope and scale, the coping strategies the entrepreneurs adopted were different as well.

The entrepreneurs adopted various and complex coping strategies that depended on their personal resources as much as on the structural resources that were embedded in their business sector and in the local neighborhood where they were operating. Some coping mechanisms were common to all entrepreneurs in one sector, others cut across business sectors and neighborhoods, while yet others again were specific for a particular sector and/or neighborhood. Finally, also the specific impacts emanating from the different crises caused shifts in coping mechanisms that have to be reckoned with. The series of crises from 1997 until 2005 affected local entrepreneurs mainly because the number of international tourist arrivals dropped, alternative markets had to be found, and business expenses had to be cut. However, the 2006 earthquake unleashed a crisis that was different from any previous experiences. After all, the earthquake affected not only the demand but also the supply side of the businesses as buildings were destroyed, people were injured and killed, the infrastructure was seriously damaged, and business activities were interrupted temporarily or
extensively. Overall, in a generalizing way, *losmen* owners, guest house owners, silver craftsmen, and *becak* drivers tried to survive the monetary and socio-political crises by changing their business operations. They employed strategies such as switching to new markets, cutting down operational costs, focusing on core businesses, and resorting to use their savings (if they had any). The following crisis caused by the Bali bombings in 2002 made most of the entrepreneurs look for alternative business activities and markets that were less sensitive to terrorist attacks and for many these implied to move out of the tourism sector. The 2006 earthquake that mostly affected the neighborhood of Prawirotaman and Kotagede from among the areas of research, brought about a complete standstill of business activities in these areas, but while some people involved themselves in activating capital for the repair of their homes and business buildings, others had to resort to charity and aid in order to survive.

Below we will have a closer look at the similarities and the differences in the coping strategies the tourism entrepreneurs adopted in the different sectors and neighborhoods distinguished according to the diverging impacts of the crises. I will start with presenting the coping mechanisms all sectors in my study embraced – market switches, pricing policy, and the use of savings and assets. Subsequently, I will proceed with the differences in coping strategies characteristic for specific sectors such as employment, closing down of side businesses, diversifying markets, use of social networks, and consumption reduction and substitution.

**Similarities in Coping Strategies**

**Market Switch**

Despite the diversity of the four areas I studied, interventions in business management and strategies were common strategies found in almost all cases. The most prominent business intervention applied was to refocus on the domestic demand rather than on the foreign market. This was the first business strategy all sectors used after the May Riots in 1998 when foreign tourists left Yogyakarta *en masse*. As the entrepreneurs could no longer
rely on foreign tourist flows, the position of the domestic tourist market became more prominent. Looking at the domestic market potential in Indonesia, this would seem as a logical choice. The size of Indonesian population of about 230 million people\(^1\) represents a huge potential market for the tourism industry (Dahles, 2001:31). Besides the huge population in Indonesia, the domestic market also has great potential for another reason. During the New Order Regime, the government more or less obliged young Indonesians to make trips to visit the cultural highlights in the country. The underlying message of the program was to turn young generations into better Indonesian citizens. Consequently, the program generated constant flow of domestic travel (Dahles, 2001:17). Currently, although the New Order Government is extinct, domestic travel to the country’s cultural destinations has remained widespread. Due to the decrease in international tourist numbers, the Indonesian government encouraged domestic tourism through intensive promotion in 1997 and created more facilities by extending national holidays after the first Bali bombing in 2002\(^2\). This policy had a positive effect on the flow of domestic tourists to a variety of popular tourist destinations including Yogyakarta. The growth in the number of domestic tourists from Jakarta was significant and it seems that the inhabitants of Jakarta are keen on being tourists themselves rather than being hospitality service providers (Hitchcock, 2007:4). Switching to the domestic market as a coping mechanism was also found among the tourism stakeholders in Singapore as shown in Henderson’s study (1999b). The managers of tourist attractions reoriented their marketing strategies by targeting domestic tourists, especially families, as one of their responses to the decline in international tourist numbers in the face of the Asian financial crisis (Henderson, 1999b:180). Redirecting the focus to the domestic market is therefore a sign of the presence of mounting problems due to the prolonged crisis. As presented in the empirical chapters, the majority of entrepreneurs used to be very much focused on the foreign market in all sectors studied. The focus enabled them to maintain a relative high price level and facilities, and services that meet the demands of foreign tourists. However, they considered the shift to the domestic market

\(^1\) Source: Demographic projection by Centre of Indonesian Statistics in 2009 - http://demography.bps.go.id/ accessed on 2 March 2010

\(^2\) Source: http://www.tempointeraktif.com accessed 27/08/08
a step backwards in terms of both the quality of the accommodation offered and the earnings it generated.

**Pricing Policy**

With the shift to the domestic market, the entrepreneurs in the four cases had to revise their pricing policy. Considering the domestic tourists’ lower purchasing power and the fierce competition in the local tourism industry, the entrepreneurs had to sell their products or services at lower prices in order to keep them competitive. From the empirical chapters presented earlier it was clear that for more or less two decades, the entrepreneurs in all the sectors I studied – accommodation in Prawirotaman and Sosrowijayan, silver businesses in Kotagede, and becak drivers - benefited from the growing international tourist market. Apparently, they also enjoyed a more prosperous life than entrepreneurs in non-tourist sectors. The growing number of international tourists also generated the development of tourist facilities and services. In each locality, different informants expressed that the number of entrepreneurs in each sector was increasing in response to the growing number of tourists. Everybody seemed to be optimistic with the promising growth of tourism development in Indonesia until the monetary crisis struck in 1997.

Hence, growing competition in the tourism industry had already become a problem even before the crises. Different small and medium enterprises including the ones in the tourism industries tended to embrace risk-reducing strategies like imitating the business formula of others in order to emulate their success (Dahles, 1999a:11). As a result, they operated their business at low profit margins and with a lack of innovation (Dahles, 1999a; Kristiansen, 2003). During the crises, price-based competition was becoming tighter because supply outpaced demand. Entrepreneurs in all three sectors flexibly adjusted their products to the new demands. In Kotagede, the entrepreneurs adjusted their products by producing smaller items and items of lower quality. Rather than producing tea sets, they produced small jewelry. Instead of producing pure silver products, they produced silver-plated ones. The guesthouse owners became more flexible with the occupancy of the rooms. *Becak* drivers resorted to asking lower
charges for their services. All of this was done to make sure that they could still get customers.

**Employment Policy**

Except for the *becak* drivers, the other entrepreneurs hired laborers to work in their businesses. One of the management decisions to deal with the crises could have been to lay off employees in the accommodation and silver handicraft businesses. However, despite the fact that many employees were redundant for lack of work, apparently the entrepreneurs did not have a distinct policy to adjust their use of human resources after the May riots in 1998. The majority of the entrepreneurs in both sectors responded to the problem in a passive way with regard to employment strategies. Generally, they admitted to losing a significant number of staff, but the employees themselves took the initiative to resign. Usually, employees decided to leave and look for other jobs due to the difficult economic conditions. Although it seemed that the entrepreneurs did not take an active approach towards human resources management, I found they also did not discourage their laborers from leaving. However, they would accept their employees’ resignation without trying to keep them. We find more evidence of this kind of attitude among entrepreneurs under stress, such as became clear from a study of small and medium enterprises in Hong Kong (Chu & Siu, 2001:852). To handle the problem of employment shortage, workers who stayed would have to do the jobs left by those who had quit. Consequently, functional flexibility (Ioannides & Debbage, 1997:231) was more commonly practiced due to the prolonged crisis, as the workers who stayed would be involved in more various jobs.

A few cases in both sectors showed that the entrepreneurs had gone back to their old habit of involving family workers. The entrepreneurs commonly used family members when they had just started their business but slowly replaced them with waged laborers as their business developed. However, they returned to the practice when the number of employees decreased due to the crises. In fact, there was no problem to involve family members to handle labor shortages in the enterprises because most small enterprise business operations were embedded in the household (Baines et al.,
Due to the changing circumstances, as experienced by the entrepreneurs in this study, they would attempt to work out the problems in their businesses together with their family members, as the business was in fact an inseparable part of the rest of the household affairs (Heck & Trent, 1999; Philipson, et al., 2004).

Among the silver producers in Kotagede, the informalization of the labor process through resorting to a subcontracting system was even stronger because of the crises. The silver craft entrepreneurs employed subcontracting when they accepted orders that exceeded the capacity of the workers that were based in their factory. As we could see in chapter 6, the entrepreneurs in Kotagede often practiced the subcontracting system but because of the crises the use of the practice was intensified. Leonard revealed in her article (2000) that manufacturing industries all over the world make use of the subcontracting production strategy to counter economic downturns. The world economy has become more competitive at the local, national, and international levels because of the economic downturn since the mid-1970s. This condition forces businesses to reduce labor costs through the adoption of more flexible industrial production strategies (Leonard, 2000:1079). Firms that practice the externalization of certain production functions can benefit from cost savings (Ioannides & Debbage, 1997:230). With this practice, employers do not have social obligations with regard to these employees. The employers did not feel obliged to provide the workers with jobs because in time of crises orders fluctuated badly. However, in their turn, the workers were also free to combine their work with other activities. The workers could manage their time flexibly because they did not have the fixed working hours as if they were hired as full-time factory workers. Consequently, there is limited guarantee of work security in the unstable industry (Leonard, 2000:1081).

As far as subcontracting was concerned, prior social networks prevailed. The ex-employees generally started to act as subcontractors for their employers. This was of course only possible because both sides had made an ‘investment’. Using this strategy, the employers could at least be assured of the quality of the work produced. Additionally, they could also flexibly adjust production with demand and thus ensure the survival of the
business. This finding supports the claim that social networks are important to help organizations overcome a crisis (Lin, 2002). Oughton & Wheelock (cf. Philipson 2004:230) also emphasizes the importance of networks to acquire access to capital. However, as far as silver production is concerned, this research found that strong ties characterizing the relationship with their workers enabled the silver producers to secure the continuation of their production process through hiring these cheap and flexible workers. By so doing the employers could keep the production costs at a minimum level. Furthermore, this finding also implies that the bonds established between employees and their employers were maintained so that they could activate their networks when they needed to.

Closing and Diversifying Businesses

One characteristic of the business practice of the small-scale industries is that it is highly risk avoiding. Because of this, they have the tendency to diversify their business operations, look for additional income, and often switch from one job to another on a monthly or even daily basis (Dahles, 1999a:10-11). This practice persisted during the prolonged crisis especially among the entrepreneurs in the accommodation sector and among the becak drivers although with a different nuance.

Accommodation sector owners and becak drivers practiced diversification to a large degree. As revealed by the empirical results, in general accommodation sector owners both in Prawirotaman and in Sosrowijayan had side businesses. Apart from their main business in the accommodation sector, they also provided one or more additional facilities international tourists needed, such as tours, moneychangers, and restaurants. The same thing applies to the becak drivers who also had side jobs besides their main occupation and acted as intermediaries for services the tourists needed. For every successful transaction that transpired from their involvement, they would earn commission from the business owners who could be owners of losmen or guesthouses, souvenir shops, and travel agencies. Different from the entrepreneurs in the other two sectors, the silver entrepreneurs in Kotagede did not combine their businesses with other occupations.
The series of crises had important implications for the overall structure of the businesses of the accommodation owners because they had to reconsider the position of their side businesses. As a result, the structure of their business became simpler. They had to close their restaurants in order to avoid even more serious financial risks because they were constantly in danger of wasting expensive ingredients when there were no guests in their eating facilities. They also closed down their tour businesses and they would sell the cars. The money they earned would be used either to support their families or to reinvest in other businesses. Many opted to deposit their money in the banks because in 1998 they were offered interest rates of up to 70 per cent, rather than running unproductive businesses. Money changer business did not pose any risks to them but was of course not in operation when there were no international tourists.

The becak drivers continued their side businesses as intermediaries because they did not pose any financial risk. Their jobs as intermediaries could be combined flexibly with other jobs because they relied heavily on the time, space, and social contacts at their disposal (Dahles, 2000:163). During my research, I found that the practice persisted. The becak drivers continued to try to benefit from domestic tourists. The becak drivers offered domestic tourists to take them shopping to souvenir shops in the hope that the tourists would buy souvenirs and they would get commission from the shops.

Closing down side businesses was one of the coping strategies employed but economic diversification was also employed to counter their household’s economic instability. What both the accommodation owners and becak drivers did was to shift from one kind of job and business to others.

I found this trend mostly among the accommodation sectors in Prawirotaman and Sosrowijayan, the becak drivers, and in fewer cases among the silver business owners in Kotagede. Thus, the entrepreneurs continued their business practices as before the crisis. Therefore, multiple income earning activities was not a new phenomenon among these businesses.

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3 Source: http://mail.swa.co.id accessed 27/08/08
entrepreneurs. They operated in a seasonal market and therefore when the tourism market was slack they turned to other types of jobs. However, in times of crises, they intensified their search for alternatives and more readily accepted a greater variety of jobs outside the tourism industry. As the literature suggests in this respect, even though the livelihood theory originally focused on rural poor people, this study confirms that livelihood diversification is actually not only found among rural households but also among urban ones (Ellis, 1998; Dercon, 2002; Philipson, 2004; Koning & Hüsken, 2006). Furthermore, it is also necessary to note here that not only the poor but also people from higher classes in society react to changing economic conditions as indicated by Redcliffe (1986 in Owusu, 2001:388). Indeed, the continuation of businesses and households in times of economic downturn is also heavily influenced by the diversification of the sources of income within the household (Philipson, et al., 2004:229). My research shows that in times of crises, economic diversification is a necessity. After the crises hit, accommodation owners and becak drivers used this strategy to cope with the crises while prior to the crises, they combined business activities to cope with seasonality. The fluctuation of the tourism business depends on the seasons and on consumer preferences. During high season, they may earn much profit, but when times are slack, they may earn little or nothing at all for days or weeks on end (Dahles 1999a:7). To maximize their profit from tourism during peak seasons, they combined different businesses simultaneously. Their small enterprises could easily be combined with various other economic activities providing the owner had the flexibility to move in and out of these sectors (Dahles, 2000:161). Therefore, in some cases, entrepreneurs may pursue two or three business activities concurrently. On the other hand, they might temporarily discontinue their core business and switch to other businesses and jobs, and return to their previous business when economic conditions changed for the better.
Differences in Coping Strategies

Different livelihood strategies

Savings & Assets

Beyond the immediate measures the entrepreneurs took by adapting their business strategies discussed earlier, available assets of a monetary value were also utilized to cope with the financial consequences of the crises. However, the utilization of these assets showed remarkable differences reflective of the different measures of vulnerability of the local people. In line with the literature on household livelihood strategies in poor rural and urban areas (Beall & Kanji 1999; Dercon 2002; Niehof 2004; Titus 2004,) my findings show that among the entrepreneurs in the Yogyakarta tourism industry the unbalanced distribution of assets has far-reaching consequences for the coping strategies available to both the businesses and the people depending on them. One coping strategy the entrepreneurs employed was to use their financial savings and other assets. The strategies were especially significant at the start of the crises between 1997 and 1998. Naturally, only those who had been able to put aside money or to purchase items of value in better times were able to use these savings to cope with the crises. This was possible only among the entrepreneurs in the silver production and accommodation sectors who had the possibility to save part of their income. Only those who did not have any other sources of income resorted to the temporary use of their financial savings to pay for their living expenses. In fact, they practiced the same strategy to cope with their lack of income as they did during low tourist seasons. During peak tourist seasons, they would save part of their income to be used during low tourist seasons.

In addition, other assets of value were utilized as coping devices. Although selling assets was common in all three sectors, it was more significant among the becak drivers who generally did not have enough financial savings as compared to the others. Instead, they would sell or pawn household items such as electronic devices. Conversely, the silver
producers resorted to selling raw silver material because production was slowing down and the price of silver material was fluctuating.

Accommodation sector owners did not sell property often and if they did it involved selling valuable assets such as houses, land, or cars, and only in times of severe urgency. Selling assets among the accommodation sector owners was therefore a sign that there was a severe crisis. For example, they sold the cars they used for tour operations because they did not operate their tour businesses anymore. However, they generally did not take any further action than that. Only very few people resorted to selling their house. However, usually they had more than one house or decided to withdraw from the business completely. This implies that to sell the house was not an easy decision to make since a house is not only a basic necessity but also a social asset without which it is difficult to participate fully in society (Beall & Kanji, 1999). Instead of selling their houses, the accommodation owners preferred to utilize assets for operating new businesses. As discussed in the empirical chapters, they utilized their houses in various ways. They rented part of the house, started a small kiosk to sell daily needs to their neighbors, or they opened a small restaurant. In other words, they used their houses to accommodate income-generating activities (Beall & Kanji, 1999).

Similar to what I found among the entrepreneurs in the accommodation sector, my research among the becak drivers revealed that to own a house is also considered important. The fact that they prioritized their houses became very clear after the earthquake struck in May 2006. They would do virtually anything, including reducing food consumption, in order to rebuild their houses as soon as possible. At the time, they expressed that it was not only because houses were important as family shelters but that houses also had an important social function. They needed their houses to use for village meetings. Without their houses, they could not participate fully as members of the village society, which carried the danger of social exclusion.

Different from the accommodation sector owners, becak drivers sold assets to cope with income scarcity. Life became more vulnerable to becak drivers
due to the prolonged crisis as they had to depend on casual work or the vagaries of informal employment (Beall & Kanji, 1999). Income from these jobs was not always sufficient to support their families and therefore selling assets became the immediate solution they chose. However, all these measures, in fact, did not guarantee their sustainable livelihood.

The series of crises caused the becak drivers to be more cautious with their spending. They were used to organize their lives on a daily basis without any plans for the future. However, because of crises, they also had to think about saving for their future. When they had extra income or received gifts, they tended to use the money to buy assets intended as savings and the economic value of these goods became their first priority. Before buying goods, they would carefully consider whether they would keep their economic value and could be easily resold when they needed money. Therefore, they would usually have assets in the form of electronic appliances, becak, or poultry and cattle. Using this strategy, households were able to protect themselves against economic downturns because they would accumulate assets in times of good business and use them when times were bad (Dercon, 2002:145).

Localities also determined what kinds of assets they could use as savings. Those who lived in the city generally would have electronic devices or becak but those who lived in villages generally would have poultry or cattle. Becak drivers who lived in the city did not have enough space to breed poultry or cattle. They lived in crowded and densely populated areas and therefore they had to think carefully about the impact of keeping livestock on their relations with their neighbors because the stench of cattle and poultry could be very disturbing and might cause conflict with neighbors. For becak drivers who lived in the village, breeding poultry was a rational alternative to cope with the crises. In times of crises, more becak drivers bred poultry rather than cattle for various reasons. First, they could not afford to buy cattle during the crises. Those who had cattle had bought them before the crises struck. Second, poultry would at least provide eggs to enhance the necessary nutrition intake of their family because their consumption level has dropped during crisis and of course they could sell the eggs. Third, poultry was easier to sell in times of urgent need because
The strategies discussed above show the interdependence of businesses and households among the small tourism entrepreneurs with one supporting the other while the availability of assets to invest determines the survival of the enterprise and the continued existence of the household. Consequently, as stated by Philipson et al. (2004:229), dynamics or critical incidents in the enterprise or in the household affect either side and eventually influence the entire livelihood system.

Consumption

The entrepreneurs in my study experienced a double crisis after 1997. On one side, the number of tourists declined while on the other Indonesia experienced a severe national monetary crisis followed by the soaring prices of goods including of daily necessities. The Indonesian Rupiah collapsed and the inflation level was extremely high. Between December 1997 and January 1999, food prices rose by more than one hundred percent and there were considerable price increases for other key household items as well (Silvey & Elmhirst, 2003:868). Even afterwards, economic conditions did not improve. In my research, I found that becak drivers had a particularly hard time to provide for their families. Among the three groups of entrepreneurs researched, the becak drivers came from the lowest level income group. Their households were insufficiently equipped to deal with the shocks. The poor always face harsh conditions but economic stress and financial decline intensified these conditions adversely (Moser, 1996:1). Therefore, the adjustment of family expenditure patterns was most pronounced among the becak drivers and much less so among higher income level entrepreneurs in the other two sectors. Due to the crises, one of the significant strategies the becak drivers adopted was to substitute their daily needs with less expensive items, while the higher income level entrepreneurs managed to avoid this kind of daily needs substitution. Lont’s
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study (2002) among the people at Kampung Bujung in Yogyakarta showed similar findings. When the monetary crisis struck in 1997, the poor people in the kampong reacted by cutting back their food expenditure and they decreased their food consumption to a lower standard (Lont, 2002:257).

Means of subsistence

The disparity between entrepreneurs who had access to resources beyond the bare minimum of existence and those who lived on the margin became painfully visible when the crises hit the essential means of subsistence. As mentioned before, the 2006 earthquake represented a crisis that distinguished itself from any other crises the people in Yogyakarta had experienced before. The earthquake not only affected the market, but destroyed the means of production of many entrepreneurs in the tourism sector: the buildings where they conducted their businesses and housed their families. However, the earthquake affected the business and the household of the entrepreneurs differently. Becak drivers’ business was mostly resilient because they were self-employed, mobile, and did not depend on fixed resources to run it. They freely decided when to resume their business after the earthquake struck. For different reasons, the accommodation sectors and the silver industries were mostly affected. Accommodation entrepreneurs depended on fixed asset to run their business. When their houses were ruined or severely damaged because of the earthquake, they had to wait for a while before they could start again with their business. The business of the silver entrepreneurs was also affected because they depended on fixed assets as well as on laborers. When the earthquake affected their production houses and their laborers did not return to work, the entrepreneurs could not resume their business. The other side of the entrepreneurs’ lives is their households. In the three sectors of my study, being the most socially and economically vulnerable of all, the households of the becak drivers were more severely affected. They had the smallest amount of tangible assets they could draw on to cope with the disaster. As argued by Krishnaraj (1997), the degree of the impacts of the earthquake on households is closely related not only to the nature and intensity of the event but also on the vulnerability of the social groups that constitute the affected population.
Local Embeddedness

Differences in the coping strategies among the entrepreneurs in the Yogyakarta small-scale tourism sector not only emerged because of unbalanced access to household savings and assets, but also because of diverging opportunities and restrictions caused by the immediate local environment. Here is where we turn to their embeddedness in their social and cultural context (Granovetter, 1985). Socially and culturally, striking differences prevailed between Sosrowijayan and Prawirotaman, which reflect upon the rather diverging entrepreneurial styles among the accommodation owners in these areas. In Prawirotaman, people adhered to a larger extent to what they defined as ‘traditional Javanese culture’ compared to the inhabitants of Sosrowijayan, even though both areas are located in urban Yogyakarta. The resulting diverging values were reflected in their business practices. In fact, the histories of the development of the kampongs more or less influenced the Javanese cultural orientation of the people who lived there. In terms of development, Prawirotaman was more settled and calm compared to Sosrowijayan. Prior to the arrival of tourism, various developments had given their own color to the development of Sosrowijayan as an urban settlement in Yogyakarta. Sosrowijayan’s rather central location and close proximity to the important nodes in the city’s economy – the trading centre of Malioboro street, the Beringharjo market, and the Tugu train station – accelerated the development of the area as an urban kampong faster. The flow of people from different backgrounds brought changes to the culture of the people in the area. On the other hand, Prawirotaman is somewhat more remote compared to Sosrowijayan. It was a more middle class settlement. The people who live there are more homogenous as there is a quite significant number of people who belong to the elite. They share the same ancestors and use to run batik businesses from generation to generation before they switched to the tourism businesses after the batik business has declined. These people share a number of important features Guinness discusses as the sources to gain prestige within kampong society. Firstly, their ancestors were an abdi dalem. Secondly, they were landowners who had settled in the area before the mass immigration after Indonesian Independence had started. Thirdly, they controlled relatively large areas of kampong land (Guinness, 1986:33-
These backgrounds strongly influenced the social atmosphere in the areas. Later on when tourism started to flourish in both areas, the tourist-host relationships in the two settlements were also very different.

In Yogyakarta, Sosrowijayan and Prawirotaman were both known as ‘kampung turis’. In response to the flourishing tourist market in Yogyakarta, both developed as tourist areas and in the past, international tourists had been the main market target in both areas. Sosrowijayan was the first to develop in the 1970s and then more or less a decade later Prawirotaman followed (Peeters et al., 1999:81–82). Both areas provided small locally owned tourist establishments but targeted different market segments. Sosrowijayan generally catered for young long-term travelers, usually students. These tourists tended to spend a longer time in Yogyakarta, but had a tight budget. Therefore, they chose to stay at the cheapest accommodations of which they could find many in the Sosrowijayan area. Additionally, Sosrowijayan provided them with some modest nightlife in the street cafes, which they enjoyed most (Peeters et al., 1999:89). Because of their experience during their long trips – these long-termers in Sosrowijayan spent their money not only in the tourism businesses but also directly in local shops, on local transport, and on local food at the cheap food stalls (warung) where the locals also eat their meals. Prawirotaman is different. Guesthouse owners there targeted individually traveling middle-class tourists who enjoyed some luxury and proper services (Peeters, et al., 1999:89). These people were more settled which meant that they were older, more affluent, and had jobs to go back to and therefore they generally spend less time in Yogyakarta than the tourists in the Sosrowijayan area. However, similar to those who stayed in Sosrowijayan, they also made a great contribution to the local tourism economy as they booked trips and excursions with local travel agencies and took their meals at nearby tourist restaurants (Peeters et al., 1999:92). It is clear that the contacts between tourists and locals were more intense in Sosrowijayan than in Prawirotaman. The more intensive the contacts, the greater is the contribution of tourism to the dynamics of socio cultural change.
The historically based cultural differences between the two neighborhoods shed some light on the different coping mechanism that the entrepreneurs in the two areas employed. Cultural and social norms affect behavior. Actions are based more on the considerations whether behavior is normatively appropriate, and not on responses to alternative choices (March & Olsen, 1989:22). In both areas, this becomes especially clear from the entrepreneurs’ responses to the crises. The entrepreneurs in Prawirotaman responded to the crisis situation in a more reserved way. They were more traditional and conservative in their choices of coping strategies because their behavior was affected by traditional Javanese culture. Entrepreneurs in Sosrowijayan meanwhile were more dynamic in their responses to externalities because they were governed by more modern values. These cultural differences had great impact on their business environments. In Sosrowijayan, the business environment was more competitive. With a flow of investors from other areas this competition contributed to a more entrepreneurial attitude among the people in Sosrowijayan.

Due to the crises, entrepreneurs in both areas switched to domestic markets to compensate for income losses. In Prawirotaman, entrepreneurs limited themselves to catering to the tourist market in all its variations. Some chose to concentrate on middle class domestic tourists, others combined both markets, and others again only targeted budget domestic tourists. However, they did not go beyond that. On the other hand, in Sosrowijayan, entrepreneurs also saw other potential markets they could serve students and prostitutes who operated near the area, which would not be the choice of the entrepreneurs in Prawirotaman. Although I did not find many examples of entrepreneurs who catered for this particular market segment, Nijhof’s study (2000) found the same trend. People in Sosrowijayan were in fact less judgmental than those in Prawirotaman. In both areas, I met people who refused to accept prostitutes as their customers but for different reasons. In Sosrowijayan, entrepreneurs generally mentioned security reasons and prioritized the comfort of their guests by not allowing prostitutes in their losmen. Conversely, in Prawirotaman, the entrepreneurs mentioned moral reasons for not having prostitutes in their guesthouses. They invariably said that it was morally unacceptable and
they did not want people to have negative thoughts about their guesthouses. Their choices were therefore governed by different values. In Sosrowijayan, people were easier going in their considerations. As stated by Koentjaraningrat (1990) the Javanese nowadays organize their lives in more rational ways (Koentjaraningrat, 1990:461) but in Prawirotaman, cultural norms prevailed. In hierarchical Javanese society, prestige is important and the Javanese are supposed to act according to their social position. If not, they would jeopardize their position and might lose respect. Just as expressed by Selosoemardjan (1981:255) in his explanation of the way the unproductive nobility survived by turning its property into economic assets, he clearly stated that their economic difficulties notwithstanding, the nobility only engaged in ‘socially approved’ economic activities. Although Selosoemardjan referred in his book to the nobles in the 1950s, these norms were still strong among the guesthouse owners in Prawirotaman during the period of my research in 2005.

Since the entrepreneurs in both areas could no longer rely for their livelihood on tourism only, they had to search for either new jobs or new businesses. I observed that they were involved in all kinds of different businesses. The entrepreneurs in Prawirotaman chose risk-free businesses that did not require any new financial investment. They opted to rent out space, to take part-time jobs as a swimming pool contractor, intermediaries for tickets for transportation and tours from which they would earn commissions, or to become intermediaries in property transactions. The entrepreneurs in Prawirotaman still considered their guesthouses as their main business. In contrast, entrepreneurs in Sosrowijayan tended to dedicate most of their time to new activities, which required new financial investment. Choices ranged from opening restaurants or canteens, warung (small shop selling all kinds of daily needs), or wartel (call shops).

During my field research, I also found that the people in Sosrowijayan easily switched from one source of income generating activity to another. Whenever they saw an opportunity to earn money, they grabbed it. Almost all of my informants who were engaged in side business activities did not limit themselves to one activity but moved from one income earning activity to the next. They switched from side activities at least twice before
they finally settled to stick with one. However, I did not see this phenomenon in Prawirotaman. There, the people were more settled and stuck to their main accommodation business while combining it with side income earning activities. They were only involved in part-time less risky income earning activities in addition to their core business.

In this case, the entrepreneurs in Sosrowijayan oriented their life to their future as common among modern Javanese (Koentjaraningrat, 1990:461) and not to the past or the present. Differently, the entrepreneurs in Prawirotaman are to some extent affected by their traditional Javanese worldview. The Javanese belief in destiny leads to the idea that people’s lives are completely determined from the beginning to the end, and nobody can change what has been determined. Every person has his or her own place and nothing can be changed about it. Life and death, misfortune and illness are beyond the individual’s control (Magnis-Suseno, 1997:134). The attitude of the entrepreneurs in Prawirotaman reflected this kind of worldview, which left the impression that they lacked efforts to change their fate. They waited until the situation improved and they would again be able to enjoy prosperous businesses. As I often heard during my field research, they said that they believed better times would come.

A trend which I saw start to take place in Sosrowijayan but not in Prawirotaman was that entrepreneurs started to renovate their losmen in order to make them better places to stay and more attractive to tourists. Developments in their immediate surroundings over the last decade like the establishment of new hotels in the area apparently had an influence on their attitude. Although many people experienced the effects of the general crisis, new investments by people from outside Yogyakarta started to emerge in the area. Sosrowijayan was an attractive area for new investors because it was strategically located and quite in the centre of the city. People who benefitted from the crisis grabbed the opportunity to make new investments as many losmen owners could not continue their businesses due to the crises. The changing environment thus also had the effect to make some people become more innovative.
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How to Position the Similarities and the Differences in Coping Strategies

In order to shed light on the similarities and the differences in the way small entrepreneurs in the tourism sector of Yogyakarta coped with the crises, this section looks into the strengths and the weaknesses in social capital and the opportunities the informality of the economic activities offered in terms of their contribution to the coping strategies of my informants. In the final analysis, an attempt will be made to assess the sustainability of the different sectors in the small-scale tourism industry in Yogyakarta.

Social Capital and Networks

The effects of the 2006 earthquake in particular revealed the significance of social networks to support coping strategies. In order to cope with the earthquake, the entrepreneurs employed three important strategies. The first was to rely on the social support provided by the internal community as well as by external public aid from the government and foreign organizations. The second was to withdraw assets in the form of savings. The third was consumption reduction. Here, I will focus in particular on the first strategy in order to discuss the significance of social capital and social networks for their coping strategies and to show the imbalanced access to these assets among the entrepreneurs in Yogyakarta.

Without exception, in all the communities that were affected by the earthquake, reliance on the community and kin support was prominent right after the earthquake had struck before the community could expect external aid to arrive. Traditional Javanese living practices and community values such as gotong royong and kekeluargaan were very useful to meet the worst effects suffered from the earthquake. The community united because they had a shared problem. Neighborhood associations (or RTs) organized activities within the community to deal with emergencies such as getting rid of debris, bringing the injured to hospital, arranging the burial of the dead, establishing temporary shelters and public kitchens, or even rebuilding houses. Within the community, people especially relied on each other for intangible assets and counted on their unaffected kin for
money transfers. Apart from socio economic conditions, the level of the impacts of a disaster such as the earthquake is also closely related to the history and social composition of the communities (Pandey & Okazaki, 2005:1). In emergencies like an earthquake, the greater the chance to activate the community, the more is the possibility to minimize its impacts.

Reliance on external support was especially prominent among the households of the becak drivers because they came from the most vulnerable community and were deeply affected by the earthquake. It was hard for them in this situation to rely on internal community support only. External support from the government and from charity organizations was also necessary although this aid may be late, insufficient, and temporary (Hüsken & Koning, 2006:14). For the other entrepreneurs in the study, aid was less important as they could deploy their own personal financial resources. Due to the severe impacts of the earthquake on the households of the becak drivers, they were also forced to employ other strategies. In general, they had to reduce their food consumption temporarily and relied on vegetables growing in the neighborhood.

My findings show that the becak drivers and the accommodation owners were the ones who mostly turned to their social capital to acquire the resources they needed for their survival under the uncertain economic conditions. Koning & Hüsken (2006:14) specifically emphasize the opportunities that social capital and social networks provide to access material and immaterial resources. It is quite common that poor and marginalized actors use social ties to manage uncertainty, cope with shocks, and actively improve their wellbeing (Wetterberg, 2007:587). In developing countries, close social ties are the primary if not the only networks people can rely on (Koning & Hüsken: 2006:14).

My research revealed that my informants utilized their social capital to help them to cope with the crisis in two specific ways. First, entrepreneurs had access to informal jobs or businesses to earn additional income through their social networks. Second, their social networks functioned as informal insurance coping mechanisms. This is in line with the claim that most households in low-income countries deal with economic hardships through
informal insurance arrangements between individuals and communities rather than through publicly managed programs or market-provided insurance schemes (Morduch, 1999:187). Both the becak drivers and the accommodation owners used their informal channels to gain access to jobs in the informal sectors. Their networks functioned as their customers or as their intermediaries to gain access to customers. A study in Delhi similarly found that a great number of workers who worked in the informal sector obtained information about the availability of jobs through informal channels called ‘social capital’ (Mitra, 2008:261).

The second way in which social networks functioned as sources of social support was especially prominent among becak drivers compared to the other entrepreneurs. In times of prolonged crisis, the households of becak drivers also had to rely more heavily on informal credit next to extended family support. During the crisis, it was sometimes not enough that households substituted or reduced consumption. As the income of the becak drivers fluctuated enormously during the crises, they were not always able to earn a sufficient income to meet the daily needs of their families. Therefore, in order to bridge the gap between consumption and income, the becak drivers also dealt with the crises by borrowing money, or by expecting private transfers of money from social networks. For this kind of support, they generally relied on employed adult members of their family, their closest relatives who generally also lived nearby or even next to them. However, they did not always succeed in making a claim because the strong ties they had, shared the same economic background and were trapped in the same dire economic situation. The extent to which they could claim support from their closest networks in part determined their ability to cope with crises.

To ensure the sustainability of their economic activities, people have to form and maintain supportive relationships within the community (Hart, 1973). However, the availability of social capital is neither stable nor permanent. Inter-household reciprocity is the basis to form links between households and communities which results in a win-win situation (Moser, 1996:61). To make sure the becak drivers were not alienated, they always tried to participate in inter-household gift giving, social gatherings, and also
when they borrowed money they made sure they paid it back even though they had to borrow money from somebody else in order to be able to do so. Failing to pay back loans endangered their position in the community because they may end up being excluded from the group, which would mean that their access to informal insurance would also end. Alternatively, things they did not have to pay back in cash would be compensated in other ways such as by offering help with house repairs and such. Koning & Hüsken expressed that for social capital to function well, the actors need to invest and to maintain bonds through regular reconfirmation (Koning & Hüsken, 2006:14).

The crises also caused significant changes in the composition of the entrepreneurs’ networks. Their weak ties in the form of their international network were severed because of the crisis. Guesthouses or losmen had virtually lost all contacts with travel agencies abroad. In their turn, the silver manufactures were also no longer involved in international trade fairs. Becak drivers suffered as their regular customers no longer came to them. In short, the crises had grim consequences for their access to an international market. Before the crises, through their foreign relations, many entrepreneurs had managed to enter the global market arena, which had resulted in economic advancement. In fact, Granovetter (1983) and Burt (2000) suggest that weak ties are uttermost important in helping to achieve entrepreneurial success.

Coping strategies also implied flexibility in the industry. The small-scale tourism industry in Yogyakarta responded to the crises in a flexible way by diversifying its market. This flexibility proved vital to the continuation of their enterprises. Flexibility is not specific to the small-scale tourism industry but is also found in other SME sectors. Berry, et al. (2001) claim that in general SMEs are more flexible than larger firms. Furthermore, he states that this feature is especially important when the enterprises face rapidly changing market conditions for example during the past widespread economic crisis most East Asian countries experienced (Berry et al., 2001:364). My findings clearly show that despite the fact that, for so many years, international tourists had constituted the entrepreneurs’ major market, when the crises struck they easily switched to lower market
segments. Some accommodation owners had to adjust their room capacity accordingly, the silver entrepreneurs had to produce cheaper products, and the becak drivers had to move farther away from the area to look for customers. However, for the foreign visitors who occasionally still came to the areas, they would use another set of business strategies such as charging higher prices, selling the rooms according to the normal capacity, and offering pure silver products instead of plated ones. In fact, the entrepreneurs could instantaneously switch from one strategy to another. In other words, small-scale operations have the capability to react more effectively to market dynamics and to cater for those customers larger more bureaucratic organization fails to see (Echtner, 1995:123).

Formal and Informal Sector Dynamics

As presented in the empirical chapters, my findings reveal that the entrepreneurs involved themselves in different kinds of jobs and businesses while they continued their core businesses during the crises. The difference was that if before the crisis, the accommodation owners and becak drivers were highly involved in businesses related to tourism, during the crises, their range of income earning activities was more heterogeneous. I found regular switching from one informal activity to another among both the accommodation owners and becak drivers. The informal sector had become more prominent during the crises. Yasmeen’s study (2001:94) on small-scale food retailing in Thailand and the Philippines showed that informal sector employment had grown vigorously because of the economic crisis at the expense of formal sector employment. Furthermore, her study found that not only the poor relied on the informal sector for survival. My study has similar results in that not only poor and low-income households searched for income security in the informal sector but also those who were economically better-off. Except for the becak drivers the accommodation owners and those involved in the silver industry did not rank among the poor, although their core businesses had also been marginalized in the sense that the national government focused its efforts on the large-scale and star-rated tourism sector. However, small-scale tourism entrepreneurs were not marginal in terms of income earnings (Dahles, 1998:5). In fact, other studies show that the informal sector in
general and tourism in particular could not be exclusively associated with poverty because entrepreneurs could earn higher incomes (than the lower paid formal jobs) from many informal economic activities including informal tourism activities (Dahles & Bras, 1999; Leonard, 2000). Indeed, in times of crises, the informal sector has become a refuge to keep the economic situation of many people of different levels afloat. Yasmeen (2001:94) states in other words that during a crisis the informal sector has taken over the role of much of the formal economy as a substitution.

**Sustainability**

In a wider context these findings are consistent with Liu’s views (2003) who points out that both the supply and the demand aspect are important to ensure a destination’s sustainable tourism development. Demand, as shown in this research is often very unstable and very much subject to changes due to external factors. The crises in Indonesia led to an abrupt and persistent decline in international numbers of tourists as was painfully felt in Yogyakarta where the dependency of the tourism industry was substantial. However, debates on sustainable tourism development that focuses on the supply side in terms of the quality of tourist facilities created and income generated, pay virtually no attention to the demand side (Liu, 2003:462-263). A balance between supply and demand is important because problems with one side of the equilibrium affect the other, which jeopardizes the objectives of sustainable tourism development.

**Summary**

The purpose of this chapter was to compare how different entrepreneurs cope with the crises and to look closely at what underlies their strategies. Experiencing the crises, the entrepreneurs activated their assets, resources, and capital for the survival of both their enterprises and their households. Flexibility has proven a crucial aspect for business survival. Flexibility was found in all sectors, but to a different degree and with a different scope. The becak drivers were very mobile and flexible in their business. They could easily combine their business with other occupations. On the other
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extreme are the silver business owners. Compared to the other two types of entrepreneurs, they were the least flexible. Their business could not easily be combined with any other. The investment they had made in their enterprises could also not be transformed into other types of businesses. Meanwhile, the accommodation owners could easily transform their assets such as their guesthouses or losmen into other sources of income generation such as boardinghouses. They also flexibly combined their businesses with other side businesses although not as extremely as the becak drivers who could switch from one job to another any time. Flexibility was also manifest in their business practices. In all sectors, there was flexibility in market and pricing policy. Silver producers practiced employment and production flexibility. Additionally, the availability of assets determined the survival of the entrepreneurs. Both tangible, such as savings, houses, or land, and intangible assets such as social, human, and cultural capital were very useful in helping the entrepreneurs and their households to survive. Higher income entrepreneurs had easier access to productive alternatives than poor entrepreneurs who were pushed into marginal modes of subsistence increasing their vulnerability even more. Throughout the decade of crises, the becak drivers were still the group who suffered more compared to the other entrepreneurs. Although their business was the most resilient, since they lacked assets, their households were affected most by the disasters. In other words, resilience in business did not always guarantee resilience in the household.

To sum up, this research reveals that different sectors have different coping mechanisms due to dissimilar access to assets and resources, but also that within the same sector different coping mechanism emerged due to the unequal opportunities available in different social and cultural environments. Their embeddedness in neighborhoods of different backgrounds and infrastructure largely determined the local entrepreneurs’ ability to exploit and create alternative opportunities to make a living.