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**PROFILES AND DYNAMICS OF
THE URBAN INFORMAL SECTOR IN INDONESIA:
A STUDY OF *PEDAGANG KAKILIMA*
IN BANDUNG**

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ABSTRACT

This study analyses the ways in which the trajectory of development in Indonesia affects the poor who work in the urban informal sector. Situated in the context of Bandung, the third largest city in Indonesia, this study targets street traders, *pedagang kakilima*, to pursue three areas of inquiry: the economics of the street enterprises; human development of the traders; and coping strategies of the households. The data cover the period of economic crisis, notably between 1997 and 1999. This allows the study to emphasise how the crisis – along with the processes of capitalist industrialisation and urbanisation – affected the activities and lives of street traders and how they coped with the problems they faced.

This study has seen that the current economic crisis in Indonesia, following the advent of structural changes of the 1970s and 1980s, has been followed by the prevalence of employment shifts from the formal to informal sector. At the macro level, the informal sector continues to cater for a majority of total employment in the Indonesian economy and thereby sustains livelihoods, especially of the low-income households.

The data on the economics of *pedagang kakilima* show that profiles of the small and informal enterprises are distinctively different from those of larger and formal businesses. Although a few of the street traders demonstrate characteristics of successful merchants, most of their features still exhibit

vulnerability. These include volatile incomes, insecure premises, limited economic resources, inadequate technology for advancement, and lack of access to formal financial services. These limitations are generally typical of small-scale production and were already in existence prior to the crisis.

On the basis of human development indicators, the findings suggest that there is no automatic link between street trading and poverty, but equally there is no such link between street trading and prosperity. The widespread economic crisis detrimentally affected *pedagang kakilima*, especially their economic capital. Reduced consumer demand and price rises, for example, were widely found to diminish income earnings in street trading during the period of recession. With specific reference to human capital, however, it is clear that the crisis had not yet had a detrimental effect on their access to education, health, and housing facilities.

Information about coping strategies adopted by street trader households reveals that the urban informal sector is dynamic. Instead of being passive and static, *pedagang kakilima* make every effort to succeed in the city during economic hardship and try as best as they can to curtail the effect of the crisis. Those participating in this street trading, including men, women and children, prove to be active and creative in the ways they manage and manipulate a threatening situation in both enterprise and household settings.

This study ultimately suggests that together with the existing conventional approach, the holistic framework drawn from the human development and coping strategy perspectives can be combined and developed to shape thinking and actions concerning the urban informal sector. This combination will enable research and policy to become more sensitive to the needs and reality of urban development in Indonesia that more often than not neglects the reality of its human, social, and cultural fabrics.



Map of Indonesia; Source: Microsoft Encarta (1999)

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GLOSSARY

Angkot:	Angkutan Kota or Public Transport (lit. city pick-up)
Arisan:	Rotary Saving Clubs
Bahasa Indonesia:	Indonesian language
BAPPEDA:	Badan Perencanaan Pembangunan Daerah or Regional Development Planning Board (at provincial or district levels)
Becak:	Pedycab, tricycle, or trishaws
BMR:	Bandung Metropolitan Region
CBS:	Central Board of Statistics or Badan Pusat Statistik (BPS)
Desa:	Village or rural locality, the lowest administrative unit in rural areas below the <i>kecamatan</i> (see <i>kelurahan</i>)
Dinas Tata Kota:	City Planning Office at the district level
GBHN:	Garis-Garis Besar Haluan Negara or Broad Guidelines of State Policy
INPRES:	Instruksi Presiden or Presidential Instruction, a programme of special grants from the central government
Jalan:	Street
Jeger:	Informal watchmen or bodyguard
Jimpitan:	Rotary saving clubs using rice as saving
Kabupaten:	District, administrative unit below the province
Kampung:	Urban community or neighbourhood
Karang Taruna:	Youth organisation
Kecamatan:	Sub-district, administrative unit below the <i>kabupaten</i>
Kejar Paket A/B:	Kelompok Belajar Paket A/B or Study Club of Package A/B, a nationwide illiteracy-eradication programme
Kelompok Pengajian:	Islamic Religious Groups
Kelurahan:	Urban locality, the lowest administrative unit in urban areas below the <i>kecamatan</i> (see <i>desa</i>).
KIP:	Kampung Improvement Programme
Kota:	City
Kotamadya:	Municipality

LKMD:	Community Resilience Group, an advisory council of <i>desa</i> or <i>kelurahan</i> elite
NGO:	Non-Government Organisation
Ojeg:	Motorbike taxi drivers
Pasar:	Market
Pedagang Asongan:	Mobile hawkers who offer commodities to bus or car passengers within the city (lit. the “offering traders”)
Pedagang Kakilima:	Street traders or roadside vendors categorised as “static” or “semi-static” street vendors
Pedagang Keliling:	Itinerant petty traders who offer commodities to neighbourhood residence (lit. the “moving around” traders)
Pegadaian:	Government-subsidised pawning agency
PEMDA:	Pemerintah Daerah or Local Government (at provincial or district levels)
Pertokoan:	A private shopping area with small and medium-sized shops
Petugas TIBUM:	Petugas Ketertiban Umum or public security officers
PKK:	Pendidikan Kesejahteraan Keluarga or Family Welfare Organisation
Pondok:	A communal lodging house
Puskesmas:	Pusat Kesehatan Masyarakat or Community Health Centre
Repelita:	Rencana Pembangunan Lima Tahun or Five-Year Development Plan
RT:	Rukun Tetangga or Neighborhood Group
Rupiah (Rp.):	Indonesian currency (e.g. NZ\$1 = Rp. 4,000)
Siskamling:	Sistem Keamanan Lingkungan or Environment Security System
Susenas:	Survei Sosio-Ekonomi Nasional or National Socio-Economic Survey
Wilayah:	Region