

Chapter 3

Warung in Cicadas

This chapter is divided into five sections. The first section discusses perspectives from owners on their reasons for establishing warung. The second discusses warung and the informal sector. The third section discusses the typology of warung found within the Cicadas area. Warung are varied in terms of their business scale and main commodities. The last two sections examine the relationships among warung owners. I will discuss how warung owners deal with competition for customers, and explore on how they cooperate with each other in providing warung goods both in cash and in kind.

3.1. Why People Establish Warung—Perspectives from Warung Owners

‘I need to do the warung business to provide snacks (jajan) money for my children’. ‘Not much, just enough for my children’s snacks [jajan]’. These are common answers when I asked warung owners about their reasons for establishing warung or when I asked them about their income from warung¹. Later on I found these are only the stated reasons, not the real ones.

From the owners’ (women’s) point of view, there are two main reasons why they establish warung. First, by having a warung, there is a possibility to extend the limited salary of their husbands or other family members. Second, doing the warung business enables them to combine income earning activities and domestic chores. The last reason is related to their life cycle, that is being married and, particularly, having children.

Most warung owners have at least one family member with a regular income, but in most cases the income is not sufficient to live on. Interviews with warung owners confirm that their main reason for doing the business is financial, despite first saying that the warung business was only for ‘the children’s snacks’. The economic incentive can be seen from statements such as ‘I have no choice not to

¹ For more details on jajan, see chapter 4, section 4.2.

do the warung business. Everything is now expensive. The children's school [fees] are expensive, their transportation cost is expensive too'. Some warung owners are more straight to the point, saying 'I can't make ends meet if I rely on my husband's [or other family members'] salary only'.

Dewayanti and Chotim (2004:71) who did research on small-scale female entrepreneurs in rural Java—the coconut sugar production in Purwokerto and the tiled-roof making in Klaten—wrote '[In both places] the women do the warung business or make and sell snacks when there is not much work in the coconut sugar production and the tiled-roof making'². Unlike the Cicadas case, they found that in rural Java, the warung businesses are conducted in combination with other businesses: the home-based coconut sugar production and the tiled-roof making. In Cicadas, when a woman establishes a warung, she is unlikely to do other productive work. This is not because in Cicadas income from the warung is more reliable than in the rural Java's case. Both places are different in terms of the availability of natural resources and the physical construction of the kampung. In urban areas there are no natural resources and limited space, which in a way leads to more limited opportunities for married women in Cicadas to earn income while not leaving their homes. In rural areas, there are more options due to the availability of natural resources and agricultural sites. In both places however, women's income is for subsistence living only.

As mentioned in chapter 2, only people with certain circumstances are able to establish warung: mostly those living in the kampung with at least one family member with a regular income. This income is used as 'capital' for warung and also as a 'back up' should the warung need a financial injection to keep them running. Regular income does not, however, guarantee an adequate income. It is public knowledge that working as a low ranking civil servant or factory worker, as some residents of Cicadas do, offers a very small salary and is not enough to live on. Therefore it is necessary to apply some strategies to extend the income to make ends meet. Operating a warung is a strategy widely applied in many

² My translation.

households in Cicadas to deal with this problem. The warung's contribution to household income varies between 40-100%.

Establishing a warung however, is not the only way to invest or to extend salary. Chapter 2 has discussed *arisan* and the cooperative in Cicadas as other alternatives. However warung offer a comparative advantage which cannot be found in either *arisan* or the cooperative. Warung offer a daily (small) income to its owner. It also offers not only a financial profit but also in kind, as some warung goods are used for household needs. On the other hand, *arisan* and the cooperative are more like a saving scheme in which only after a certain period of time can the participants get some 'profit'³. Therefore *arisan* and cooperative are more suitable to cover one-off payments such as annual school registration fees and emergency needs such as when a family member is ill, or to buy some equipment (such as a stove) to support the warung business. Income from warung can cover day to day needs such as food and children's transportation costs.

One may then ask why relatively many people in the kampung invest in warung? Why don't they invest in other businesses? Establishing a warung is relatively easy, it does not require a lot of capital to start, nor does it require specific skills, except for warung selling cooked food. Theoretically, as long as at least one family member has a regular income, people can start a warung.

Another factor which makes it easy to establish a warung is that it does not require a large space. Some warung only need a small table big enough to put three or four plates of food on. Some warung owners do make an effort to renovate their houses to make them more suitable. They normally allocate a space at the front of their houses for glass shelves or tables on which to put warung goods. These warung owners try to separate 'warung' and 'house' by arranging things so the warung's activities do not distract from the family's activities (children watching TV etc). However due to limited space in most of the kampung houses, not all warung owners are able to do this. Some warung owners have to sacrifice their living room to become a warung.

³ For further details see chapter 2 sections 2.3.1 and 2.3.2.

Other main reasons why people (women) establish a warung is related to their life cycle; being married and particularly having children leads them to choose the warung business which does not require them to leave their homes. This applies to both women who are single parents and those who live with their husbands. Patriarchal values which assign women most of the domestic chores have in one way and another contributed to women choosing an activity which enables them to combine both public and domestic tasks. As a result, however, they usually have to work extremely long hours. Women spend many hours on both the warung and the household work, and frequently sacrifice their sleeping time for shopping at the dawn market.

Ibu Cucu is a mother of five children, whose warung contributes 50-70% of the household income. Her husband works as a low ranking civil servant with a monthly salary of Rp 900,000, but most of the time he only brings home Rp 500,000 or 55% of his salary, after instalments (*cicilan*) to repay various loans. He has to pay instalments for a personal computer (PC) he is buying on credit and for a loan the family receive from a cooperative (*koperasi karyawan*) at the husband's office. The PC is primarily for the oldest child, who is a university student. The loan is to cover the children's school fees. This is a typical aspect of low ranking civil servants who cannot free themselves from debt (*utang*), due to the low salary they receive.

After the deductions, the salary is hardly enough to support a family with five children living in Bandung. Ibu Cucu said that her husband's salary is for paying bills, children's education, and *arisan*, while the family's meals rely on income from the warung and her husband's side business of assisting people to process car registrations for which he charges a fee. Four out of her five children are still studying, ranging from pre-school to university. Only the second child is working, recently getting a job as a factory worker. Ibu Cucu confirms that she has no choice but to establish a warung, otherwise her children will not go to school.

My observation in Cicadas showed that, for most women, engagement in the warung business is a common survival strategy to solve economics problem in

their households. Although informal economic activities, including warung, are not exclusively done by women of low income, and income from the warung can be either the sole or the complementary one, for many households in Cicadas warung at least provide some cash flow for day to day basic needs. Without warung, many families would definitely fall into a worse situation, such as discontinuing children's education. As Moore (1988:90) notes, the informal economy provides middle-class women with supplementary income, while it provides lower-class women with the minimum amount of cash necessary for survival in the urban economy. Mueller's study of women in Lesotho shows substantially similar findings. 'Women brew beer, and sell a variety of agricultural products, just to provide basic daily necessities, as well as to meet occasional medical expenses and shortfalls of staple foodstuffs. There is no question of saving or investment or improvement of living standards' (cited in Moore, 1988:89).

Other reasons people establish warung may include social prestige. This is primarily related to the warung owners' educational qualification. Some of them are senior high school graduates. Such qualification is not enough to access a well paid job, which applies to both men and women. It is, however, 'too high' to become for instance a pedicab drivers for men, or domestic helpers for women.

Asep is a 21 year old man who is a minority among the predominantly female warung owners. He is single and lives with his parents. His two siblings are married and live separately. His father was previously a low ranking civil servant, and currently the three of them rely on his pension as well as income from the warung.

Asep is a senior high school graduate who established a warung selling daily necessities because he could not find a suitable job in the labour market. He previously worked as a well digger, but as he said 'some times there are jobs, some times not'. According to Asep, there is no guarantee that within a month a well digger can get a job. Some well diggers even have nothing to do for nearly a year. Some of them do other casual work such as being pedicab drivers or doing

small-scale trading such as selling onions in Cicadas market. Some others simply stay at home and do nothing.

In many Indonesian urban cities, including in Bandung, senior high school graduates mostly work as factory workers, shop keepers, or baby sitters. These jobs are mostly for women. Labour intensive industries such as footwear, textile, and garments prefer to recruit women than men on the grounds that women are not troublesome, are easier to control, and can be paid lower wages (Tjandraningsih 1991, Indraswari 1995, Wolf 1992, Yusuf, 1991). For a young man like Asep, such industries offer only a few positions such as supervisors and security officers (*satpam*). Therefore for Asep becoming a warung owner is the most feasible alternative after unsuccessfully searching for other jobs. Both Asep and his mother perceive the warung business as 'better than doing nothing'. However, his mother expresses her concern that Asep was not yet able to find a regular job. Implicitly she perceives the warung as only a temporary activity for him, and hopefully in the future he may be able to have a better job, meaning a job in the formal sector. The mother even asked me if I knew of any job vacancy which could be suitable for her son.

Another case is of Rudi and Neneng, a young couple with no children who have established a warung to support themselves. Both of them are senior high school graduates who started their warung business in 1994 and mainly sell daily necessities such as rice, eggs, milk, tea, coffee, sugar, cooking oil, and toiletries. Over time their warung performance has not shown a significant improvement, but has been, in their terms, *gali lubang tutup lubang*, literally meaning to dig and to cover a hole simultaneously. In 1999, they were forced to close their warung because all their goods had been sold, and they had no money available to buy new ones, meaning that they had not only not made a profit, they had not even recouped their capital. They re-opened their warung after selling their motor cycle to provide cash to buy warung goods. For the last two years they have relied heavily on small-scale credit from a local bank to buy warung goods. I discovered this when I found their warung shelves nearly empty and wondered why. Neneng explained that they would buy the goods the following month after they had finished re-paying their current credit, and apply for a new loan. One month later,

I found them busy shopping and re-shelving their warung. In between their work they said that they had paid off the previous credit and were successful in applying for a further loan of Rp 2,000,000 which had to be repaid within the following 10 months at Rp 240,000 per month. For Rudi and Neneng, a warung is their only means of support, although with a 'dig and cover a hole' strategy.

I cross-checked with the bank which provides the loan and they confirm that they have a micro credit scheme which targets small businesses, including warung. The credit is for a maximum Rp 10,000,000 per person. For this credit, the bank does not require collateral, but they require credit receivers to provide their identity card (KTP - *Kartu Tanda Penduduk*), marriage certificate (if any), and when necessary a reference (*surat keterangan*) from local government officials such as an RT, RW, or village (*kelurahan*) head. For this scheme, the bank applies an interest rate of 1.8% per month if the length of the credit period (*masa pengembalian*) is less than one year, 1.9% per month if it is between one to two years, and 2% per month if it is between two to three years.

Without mentioning names, I confirmed the case of Rudi and Neneng with the bank. The couple claimed that their application for a Rp 4,000,000 loan was unsuccessful because they could not provide collateral, even though they had heard that no collateral was required for loans below Rp 10,000,000. The bank said that it could be because the staff member who examined their warung business considered that they were not eligible to apply for a larger loan. He/she may have considered that they were only eligible to have a maximum Rp 2,000,000 loan. In order not to hurt the couple's feeling, he/she might have informed them that their application for a larger loan was denied because such a loan requires collateral.

I was interested to discover the bank's reasons for providing micro credit for small-scale businesses. First, according to the bank, small-scale businesses, including warung, are highly adaptable to external economic changes (such as a monetary crisis) while some large-scale businesses easily collapse. Second, those who operate small-scale businesses are low income people who are familiar with debt (*utang, nganjuk*) and paying instalments (*cicil mencicil*), regardless of

whether or not they borrow money from the bank or from other institutions. Third, they have a strong will to repay the loan and therefore there is some sort of guarantee of credit return. And fourth, there is a higher guarantee for credit return from small-scale businesses than larger businesses. Unpaid credit (*kredit macet*) is rarely found from small-scale businesses, while this is not the case for large ones.

I enquired more explanation for the last two reasons, which seem to be related to each other. A bank officer dealing with credit for warung mentioned that religious (Islamic) values play a significant role in the high return of micro credit. She mentioned *amanah* (mandate, trusteeship) as the reason for the return, meaning that the credit receivers regard the loan as an *amanah* that has to be accounted for, not just to the bank but also to Allah (God). The bank takes advantage of this religious value by stressing *amanah* when they give the loan by saying ‘Ma’am this is an *amanah*’⁴. *Amanah* is also relevant to *arisan* Ibu Susi in Cicadas, in which Ibu Susi claims that the *arisan* money she organizes is an *amanah*⁵.

The cases of Asep, Neneng, and Rudi also illustrate a younger generation of warung entrepreneurs, who are from the kampung (not from kota or kumuh areas), educated, and whose decision to open a warung business is related to social prestige. Although their educational qualifications are not enough to access a well paid job in the formal sector, they are ‘too high’ to become pedicab drivers (for men) or domestic helpers (for women). In Cicadas such jobs are mostly for elementary school graduates and those from the kumuh area. Kampung people are able to access the financial support, which is necessary to establish a warung and also as a back up for the warung business. However I only found a few of them, such as Rudi and Neneng, who were able to access support from formal financial institutions such as a bank. The couple operates their warung as a strategy to extend the Rp 2,000,000 bank loan which is their only source of ‘income’, to make it last longer.

⁴ Translated from Sundanese language ‘*Ibu ieu teh amanah*’.

⁵ For further details on this *arisan* see chapter 2, section 2.3.1.

Other warung owners mostly rely on informal support such as family members, *arisan* and the cooperative⁶. People from the kumuh area, however, usually only have their labour to help them make a living.

I will now consider whether or not the establishment of warung relates to the issue of entrepreneurship (*jiwa wiraswasta*). The fact that warung owners are entrepreneurs or 'A person who undertakes or controls a business or enterprise and bears the risk of profit or loss' (Brown, 1993:831) does not necessarily mean that they do the business because of the entrepreneurship only. A similar argument is applied to the skills specifically required for warung selling cooked food. Entrepreneurship and skills are means rather than the reasons why people establish warung. Both entrepreneurship and skills however are required for the warung business to continue. My findings indicate that people establish warung as a last resort after unsuccessfully searching for other jobs. So warung can also be seen as a safety net for the limited capacity of the formal sector to absorb labour.

Nor do people establish warung because they do not want to work for somebody else. For the warung owners, what they are doing relates to business, limited work opportunities, and their limitations (education, gender, child care demands) to search for other jobs. In fact many of them, particularly the younger generation such as Asep, regard their warung business as a temporary resort while searching for a 'better' job in the formal sector. Older warung owners, on the other hand remain in the business not because of their entrepreneurial interest but because of their limitations and their failure to find other jobs. These warung owners are no longer searching for jobs in the formal sector, but they do expect their children to do so. During my fieldwork, warung owners and other people in the kampung often asked me if I knew of a job vacancy in the formal sector. Even further, some people asked me if, through my connections, I could help them or their children to work in the formal sector, as a *pegawai* or *karyawan* (employee). Statements such as 'better [to run a warung] than nothing' or [the warung is] only to kill time', reflect their low appreciation of what they are doing. This may explain why very

⁶ For further details on *arisan* and the cooperative, see chapter 2, sections 2.3.1 and 2.3.2.

few if any are able to improve their warung business into something more substantial.

I will now discuss the skills people utilize to run their warung business, by presenting the case of Ibu Tika who is a warung owner selling cooked food. She is a 72 year old woman whose income from warung currently provides up to 60% of her household expenses. She has eight children, seven of whom are married. An unmarried son and one of the married daughters and her family live together with Ibu Tika. Her late husband was a low ranking military officer who died in 1983 when their youngest child was only 14 months old.

Ibu Tika started her warung business in 1971. Since then the main commodity sold has been *lotek* vegetable salad. Selling *lotek* needs a certain skill to make the dishes tasty, otherwise it will not sell well. Although it is not difficult to make a *lotek*, not everyone can produce a tasty *lotek*. It primarily requires the right composition of the *lotek* sauce, which is made from peanuts, chilli, garlic, salt, palm sugar, tamarind, and water.

I found that Ibu Tika did not establish the warung to utilize her skills in cooking, in her case making *lotek*, but to extend her husband's pension to make ends meet, and, when her children were young, to enable her to look after them. She said that after her husband's retirement in 1975 she had to take her warung business more 'seriously'. When the husband died in 1983, she had no choice not to do the business otherwise the family would fall into a worse condition. I would imagine it would have been very hard to support her eight school-aged children if she relied on the pension only. I imagine that at that time the income from the warung might have covered more than 60% of the household expenses. She commented on the pension 'it is good to receive a pension, whenever I need something I can borrow some money from the bank', meaning that whenever she needs some (extra) money she can apply for a loan (*pinjaman*) from a bank using her pension certificate as collateral. She confirmed that her warung business played an important role in supporting her children's education, at least until they finished senior high school.

Another case is of Ibu Titin, who sells noodle soup; Ibu Lina, who sells steamed rice and side dishes, and many other warung owners who sell cooked food. Skills obtained by warung owners in one way or another influenced their decision about what kind of warung they would like to have, including the cases of Ibu Ani who establishes an optical warung and Ibu Tukiyeem with her *jamu* warung⁷.

3.2. Warung and the Informal Sector

Now I will discuss warung within the framework of the relationship between the informal and the formal sectors. I will also discuss some definitions and approaches to the informal sector.

Broadly defined, the informal sector is the means whereby city people make a living in the absence of both state provisions of basic welfare services and of private mutual interest associations which defend their members and advance their interests (Roberts, 1990:35). Berger and Weber-Voight (1982) consider all economic activities which are managed and defrayed personally and which do not use labour contracts, as enterprises belonging to the informal sector (cited in Evers and Korff, 2000:135).

Evers and Korff (2000: 131-132) characterize the notions of the shadow economy and the informal sector as follows: '1) The "shadow economy" covers all those economic activities which are not included in the official statistics, and which are therefore withdrawn from government regulations and taxation, 2) The "informal sector" consists of that part of the shadow economy in which small units produce for the market or render services'. Castells (1989), Portes et al. (1989), and Sassen (1994, 1998) wrote 'The informal sector and casual economy is obviously not a temporary feature of third world cities, but a characteristic of highly developed cities as well, as the studies of New York indicate' (cited in Evers and Korff, 2000:132).

Wirosardjono (1985) states:

⁷ For further details of these two types of warung, see the case studies in chapter 5, section 5.2.

The characteristic of the informal sector is its irregularity, in terms of time, capital, and income. Moreover, it is not covered by formal government regulations. Its capital equipment and business turnover are small and are on a daily basis. It requires a relatively small space for business purposes and serves low-income people. It employs a relatively small number of (unskilled) people: family members, or those from a similar place of origin. Book keeping, accounting, and access to credit do not exist (cited in Yustika, 2000:194)⁸.

Substantially these definitions of the informal sector discuss two important factors i.e. the irregularity of the sector and its small business scale.

Irregularity mainly concerns labour arrangements, time and capital. With regard to warung, irregularity in time is shown in the case of Ibu Lina⁹ - a warung owner who has been operating her business for 34 years - on and off due to child care demands. In the past it was possible for her to do so considering that her husband was working full time and was able to provide regular income. Currently it is not possible for her to continue the “on and off” business, as her husband is now retired with no pension allowance and the warung becomes the main source of income.

Irregularity also concerns capital: some warung owners cannot always guarantee they can get their daily capital back at the end of the day – not yet talking about profit – due to many, if not most warung customers asking for credit. Despite this, many warung owners survive with their business since they have a “back up”; that is they can always ask for money from working family members, should the warung needs financial support.

As for the business scale, economic activities within the informal sector do not require a large amount of capital and in turn they offer relatively low turnover. For those engaged in this sector, it provides cash sufficient for subsistence living only. This is also the case of warung which shows that even for those who have been running warung for decades there is no substantial improvement in their economic condition. Thus the informal sector – in particular the warung – is no

⁸ My translation.

⁹ For further details on Ibu Lina, see chapter 5, case 4.

more than a strategy to extend the limited income of the urban poor to survive in the condition when the state fails to provide basic welfare services.

Roberts (1990:23-35) states three approaches to the analysis of the informal sector in Latin America: the formal rationalities, the state and the informal sector, and the substantive rationalities. In this section, I will discuss the three approaches and how they apply in the Cicadas case.

Formal Rationality

This approach suggests that the economic activities of the informal sector have made a contribution both to the growth of the urban economy and to sustaining the growing urban population (Roberts, 1990:24). The problem is the very low income generated by such activities (1990:24). From this perspective, informal sector activities make a useful contribution to urban economy and, because of the low capital to labour ratios involved, can make a significant and cost effective contribution by absorbing the rapidly growing urban labour forces.

Roberts states that the low incomes associated with the informal sector result not only from the disadvantages faced by small-scale enterprises but also from the individual characteristics (education, gender, age) of those within it. In the context of warung in Cicadas, I would like to underline the individual characteristics of education, gender, and age, which contribute to the low income of warung businesses. This is illustrated in the cases of three warung owners, Ibu Lis, Ibu Heni, and Ibu Cicih.

Ibu Lis

Ibu Lis is a warung owner in her mid thirties, a single mother of a seven year old son. She primarily sells cooked food such as noodle soup and yellow rice, together with fruit juice and ice. In addition, she sells some snacks, crackers, coffee, instant noodles, cooking oil, kerosene, and a few vegetables.

Ibu Lis is a senior high school graduate who previously worked as a textile factory worker for 14 years, before turning to her warung business in the last two years. However, she started her warung even when she worked in the factory. She used to prepare the cooked food prior to going to work. Her mother ran the warung while looking after Ibu Lis' little son. After the death of her mother, Ibu Lis made every effort to remain in the factory, at one time by asking a nanny to look after her son, at another time by asking somebody to help her run the warung. None of these efforts worked, which forced Ibu Lis to stop working in the formal sector. In Stoler's (1977) terms, Ibu Lis has limited options to earn income, partly because of her position in the class structure. Stoler wrote that in rural Java:

For women in poor households, rice harvesting is by far the most productive source of income. Mat weaving and some small-scale trading, for example, have much lower returns to labour and do not compete with time allotted to harvesting. Women from larger landholding households, on the other hand, have a different set of options. Basic rice requirements can be met within the household, and as traders with much larger capital investments, they can ensure profits far beyond what they could earn from harvesting (1977:82-83).

With nobody to assist with her domestic situation, factory work was no longer possible for Ibu Lis. Looking for other (better) jobs in the formal sector was not an option either, as her educational qualifications do not support this. In her circumstances, a shift to the informal sector was the most viable alternative.

Ibu Lis has had a hard time since the death of her mother, and even harder since her son has not reached the level of independence one would expect from a seven year old child. Self help skills such as eating have not yet been mastered. At school, he needs to be accompanied as well. During school hours Ibu Lis has to be with her son all the time. She normally takes a seat at the back of her son's class. She said 'the nanny stayed at home, I stayed with my son at school and was unable to work in the factory'. Since then she has stopped working in the factory and concentrates on her warung business. At the moment, the warung opening hours follow school hours. She has no choice but to close her warung when the school begins and to re-open it when the school finishes. Somebody used to help Ibu Lis run the warung while she was at the school with her son but that person cheated her, which made Ibu Lis lose a substantial amount of money.

At the moment, Ibu Lis lives with her son and a younger sister. It is not possible to ask the younger sister to look after the son, nor to tend the warung, since the sister works full time as a factory worker and only has one day off once every fortnight.

Ibu Heni

Ibu Heni is a senior high school graduate, 34 years old, married with two children aged eight years and nine months. Her husband works as a rice seller. In her warung, Ibu Lis sells various kinds of fried snacks, noodle soup, crackers, bread, coffee, cigarettes, and bottled drinks.

In the past, Ibu Heni worked in a cosmetic company for five years and as a shop assistant for three years. She stopped working when she was pregnant with her first child, and started the warung business when her child was six months old. She mentioned child care demands as the main reason for leaving her formal sector job. There is a lack of support for child care and other domestic chores since she lives with her immediate family only, and no other extended family live in Bandung. Having a nanny is not an option due to economic constraints. Therefore a shift to the informal sector, in her case by establishing a warung, is one solution which enables her to combine income earning activities and child care.

Ibu Cicih

Ibu Cicih is a 50 year old woman, married with six children. Her husband works as a well digger with a very irregular income, as irregular as only once a year if he only has one job. He does not do other casual jobs when there are no well digging jobs. Out of the six children, one is married and lives separately, and another is a divorced woman with two young children. Currently there are nine people in the household: Ibu Cicih, her husband, their four other unmarried children, and the divorced daughter with her two young children. The divorced daughter works for a cleaning service in a government telephone company. Another unmarried son works as a low ranking employee in a printing company in a nearby suburb.

The salary of the working children is mainly for their own needs and leisure. The divorced daughter uses most of her salary to cover her own expenses and her children's education. As for the working son, the salary is to cover his own needs, including some 'leisure' (*untuk senang-senang*) activities of young men such as buying cigarettes, buying good clothes, and sometimes going to the cinema. Their regular financial contribution to the household is for toiletries such as bath soap, toothpaste, and washing powder, which is only a small amount of money. Occasionally they have bought their mother some equipment to support the warung, such as a blender to prepare fruit juices for sale.

In the household, Ibu Cicih carries out most of the domestic chores and income earning activities. She is responsible for nearly all aspects of the warung business. Her day starts at 1.30 am preparing some cooked food for the warung, then she shops at the dawn market at 2.30 am to buy warung goods. She said 'I go shopping with my husband, but it is occasionally difficult to wake him up that early, so I shop on my own'. I underline the word 'occasionally', since this is what she said when explaining her daily routine. Through a series of interviews, it became apparent that she shops on her own most of the time. Throughout the day Ibu Cicih attends the warung, cooks for both the warung and the household's consumption, and is responsible for other domestic chores.

In all of the cases of Ibu Lis, Ibu Heni, and Ibu Cicih the income from warung, ranging between Rp 5,000-15,000 per day net, is enough for subsistence living only. Based on Roberts' statement which connects low income and individual characteristics of education, gender, and age, the three cases of Ibu Lis, Ibu Heni and Ibu Cicih show how such characteristics contribute to the low income they have.

In terms of education, Ibu Lis and Ibu Heni are senior high school graduates. As noted previously, nowadays this educational qualification is not high enough to access well-paid jobs in the formal sector. In Indonesian cities today such graduates typically work as factory workers, shop assistants, baby sitters, and even domestic helpers, jobs that are generally not covered by the social welfare

system. They do not offer health care facilities, pensions, paid maternity leave, nor an option of part time work, which forces the women workers to quit the jobs when they get married, and particularly when they have children. This is illustrated by the cases of Ibu Lis and Ibu Heni, who left their formal sector jobs due to child care demands.

As for gender, the three cases show that these women warung owners cannot free themselves from domestic responsibilities. In fact, their main decision to establish their warung is closely related to the possibility of combining both domestic and public responsibilities. These domestic responsibilities are to a certain extent restricting the possibility of improving their warung business. Their involvement in income earning activities does not lead the husbands to spend more time doing the domestic chores. The case of Ibu Cicih clearly shows how the bulk of both the domestic and the public chores fall on her shoulders alone, even though the husband works very irregularly.

The State and the Informal Sector

This approach discusses the relation between the formal and informal sectors and how they differ under state regulations. In Latin America, the formal sector is the protected sector, receiving preferential credits from banks and government, while the informal sector is unregistered and avoids taxation as well as the obligations imposed by social security laws (Roberts, 1990:29). In terms of employment, workers in the formal sector are covered by the state's welfare system, while this is not the case for those in the informal sector.

This approach views the informal sector as dynamic because there are few overhead costs, such as social security payments or the observance of health, safety or zoning ordinances. It is attractive both to those who seek to set up an enterprise but are without capital reserves, as well as to those formal sector firms that wish to cut costs and gain flexibility by putting out work. The informal sector is thus functional for the formal sector both directly and indirectly. It serves the latter sector directly by providing a cheap and flexible source of goods and services for formal sector firms and further gives indirect support by lowering the

subsistence costs, and thereby the wage demands, of all urban workers (Porters and Walton, 1982, cited in Roberts, 1990:30).

The situation of the formal versus informal sectors in Indonesia is substantially similar to that in Latin America. The warung, as part of the informal sector, serves the formal sector by providing cheap goods and services.

I would like to again point out the long opening hours of the warung, from 5 am to 9 pm, seven days a week, which results in the long hours typically worked by women warung owners. The aim of these long opening hours however, is not necessarily for economic reasons only, that is, to earn as much money as possible. To some extent the opening hours also follow people's daily routines and thus meet their needs and demands. As people have to go to work, either in the formal sector, as civil servants for example, or in the informal sector, in jobs such as pedicab drivers, they have to start their days early in the morning. For this reason, warung have to open early too, mainly to serve the breakfast needs of the people.

The morning preparation, before people begin their work day in the formal sector, largely involves women in their capacity as mothers (the domestic sphere) and warung owners (the public sphere), although as noted above, this work is not counted in official statistics.

Women are the dominant warung customers in the early morning. They are there in their capacity as mothers buying various necessities, mainly for the preparation of the family's breakfast and other meals. They rush to warung as early as 5 am to buy rice, eggs, instant noodles, and cooking oil for their family's breakfast before they go to school or to work in factories and offices (formal sector). On the same morning, it is easy to find mothers rushing to the warung to buy a sachet of washing powder, which will be used immediately for the family's laundry. The workers' performance in the formal sector is, to a significant extent, dependent on their wives' and mothers' activities to provide for their needs.

Women in their capacity as warung owners thus play a substantially similar role to that of mothers, although of a different type. In Cicadas kampung, the

circumstances differ from those operating in the formal sector (shops, supermarkets, etc), so it is not possible for warung owners to adopt 'formal sector rules' such as opening only during normal working hours, from 9 am to 5 pm, asking their customers to buy goods in larger amounts, or refusing to give credit to them. If they did so, their business would not survive in the kampung nor meet the needs of kampung residents.

To serve the community's needs, the women warung owners need to work long hours—work which is often undervalued—for a relatively low return for their labour, which is a typical finding among low income women both in urban and rural areas. Stoler (1977:81) revealed that in rural Java:

Landless families harvest for the greatest number of woman-days (the total number of days all the women harvested in a given household) and bring in the largest total income in harvest wages, but receive the least amount of rice each time they harvest, that is, the lowest returns to labour. Women from larger landholding households, on the other hand, receive the highest average returns to labour and harvest the fewest number of woman-days.

The urban formal sector, is also characterised by factory workers who work for long hours with very small wages (Indraswari 1995, Tjandraningsih 1991, Yusuf 1991, Wolf 1992, Warouw 2004).

For the women warung owners, to serve the community's needs, also means to serve the formal sector. This particularly applies to community members who work in the formal sector, such as factory workers and low ranking government civil servants. In practical terms, these workers' performance is much affected by, among other things, the breakfast they have in the morning, which is prepared by either their wives, mothers or by the women warung owners.

In other words, the formal and informal sectors are closely related to each other. Yustika (2000:199) states 'The urban formal sector depends on the informal sector to supply cheap commodities for its workers. On the other hand, the urban informal sector also depends on the formal sector for, at least partially, the income from its workers¹⁰'. Yustika's explanation, however, does not cover the gender

¹⁰ My translation.

aspect of the relationship between the formal and the informal sectors. The case of warung has shown that gender plays a significant role in the discussion. It is women who largely support the formal sector through their labour. In particular, women warung owners support the formal sector through their service to the surrounding community.

The above situation raises the question of who actually supports whom? 'In reality, the informal sector subsidizes the formal sector through the provision of low-priced raw materials and other necessities which are needed by the formal sector's workers'¹¹ (Yustika, 2000:200). Within Cicadas, workers in the formal sector, in particular civil servants and factory workers, not only benefit from the existence of the informal sector that is the warung in their neighbourhood, but they need the warung due to their low salary. Hence, the low level of salaries in the formal sector can be sustained because of the livelihood support from the informal sector.

Substantive Rationalities

This approach argues that the existing social relationship including that of household, kinship or friendship networks and the community are integral to the operation of the informal sector. It raises the issue of the fit between the economic activities of that sector and the social relationships among those within it (Roberts, 1990:35).

With regard to the operation of the urban informal sector there is a need to see a broader picture of the urban economy as presenting those seeking subsistence with a set of specific opportunity structures applied to urban areas. Roberts suggests that:

“[when we discuss the informal sector] it is not only jobs per se but how jobs combine with other key elements in urban subsistence such as housing, the division of labour within a household, and the household's consumption patterns of social network, that provide different opportunity sets for people in broadly similar economic positions” (1990:33).

¹¹ My translation.

In brief, the substantive rationalities approach shows that:

The workings of the informal sector were part of the wider set of community relationships that enabled the poor to survive in the cities of the developing world. The informal sector was both directly and indirectly a lynch pin of the system by which the poor obtained welfare in the absence of public provision. It created earning opportunities for the aged and for the young [in the warung case, the women] enabling them to contribute to the domestic economy and supplement the inadequate incomes of the 'breadwinner' (1990:34).

The substantive rationality of the informal sector raises the issue of the fit between the economic activities of that sector and the social relationships among those within it (1990:35). In the warung case, the way warung operate cannot be separated from the Cicadas community where they exist. To a certain extent, the community influences how warung operate, such as allowing consumers to buy goods in very small quantities and providing credit. Over time this influence becomes an unwritten rule, not only for warung owners but also for their customers, about how to interact with each other, and particularly how transactions should occur between them. This will be elaborated further in chapter 4 which discuss warung and the kampung.

3.3. Typology of Warung

People generally use the terms warung and *toko* interchangeably to refer to shops. Nevertheless, the term warung specifically refers to a small shop, while *toko* refers to a larger shop. People do not normally differentiate warung and *toko* in terms of financial performance, but more on their physical appearance. In Cicadas, warung occupy a relatively small space, as small as 1 m², or just a small table of 0.25 m² on which to put the warung goods. *Toko* are at least 9 m² or larger. Generally, warung sell fewer goods and the owners make relatively smaller profits as compared to *toko*. Jennifer Alexander (1987:43) states:

It is often difficult to distinguish physically between *toko* and warung, for while many *toko*, even in small towns, are housed in substantial buildings with plate glass windows, the smaller *toko* appear identical to larger warung. A more useful basis for classification is in terms of economic functions. Whereas *toko* retail expensive consumer items which are mainly produced outside the region and wholesale factory-produced goods ranging from cigarettes to tinned fish, warung retail commodities of all types direct to the consumer.

Both *warung* and *toko* function to provide daily necessities and they serve their customers in similar ways, in that there is always somebody to serve customers with the goods they would like to buy, and no self-service facilities are provided, although it depends on the relationships between buyers and sellers.

Other categories of 'shop' are supermarkets and mini markets. In Indonesian cities supermarkets have existed since the 1980s. People often regard a supermarket as a 'big shop'. It serves customers differently from *warung* and *toko*. In a supermarket, customers help themselves to the goods they would like to buy. Supermarkets also offer a more comfortable environment for shopping, such as better cleanliness, air conditioning, and to a certain extent of a better quality of goods (though more expensive). Initially supermarkets served only high income people, but over time more supermarkets have opened and serve various categories of people, so nowadays a supermarket is no longer considered as something exclusive.

In recent years, a new kind of supermarket, the mini market, meaning a 'small supermarket' has opened. These operate in a similar way to supermarkets, but are smaller in scale. Physically, a mini market occupies a small space of approximately 25 m², which can accommodate only two or three medium-sized shelves on which to put the goods.

In terms of location, *warung*, *toko*, and mini markets are found in residential areas. However most *warung* are located in alleys (*kampung* area), while *toko* are in streets (city area), and mini markets are found in main streets (city area). In contrast, supermarkets are normally located in business areas.

In terms of formal versus informal sectors, *warung* are part of the informal sector, supermarkets and mini markets are in the formal sector, while *toko* could be in either sector.

The following Table summarises the various aspects of *warung*, *toko*, mini market and supermarket.

Table 3.1.
Trading Sector Category

	Business scale	Self service facilities for customers	Location	Informal Sector
Warung	Small	No	Alleys	Yes
Toko	Small/medium	No	Streets	Yes/No
Mini market	Medium	Yes	Main streets	No
Supermarket	Large	Yes	Business areas	No

There are other kinds of warung, including *wartel*, which stands for *warung telekomunikasi* (telecommunication café), *warnet* for *warung internet* (internet café), and *warpostel* for *warung pos dan telekomunikasi* (post and telecommunication cafe). Each of these warung provides a particular service as reflected in its name. A *wartel* provides telecommunication services, where people come to access pay telephone and fax services. A *warnet* offers internet access to its customers. A *warpostel* provides post, pay telephone and fax services. In addition to these three, there are other types of warung which I am not going to mention in this thesis because they are not relevant to my study. Although these examples of other kinds of ‘warung’ have become popular in Indonesia, I focus on the older more generic term which refers to a small shop selling daily necessities, which is the focus of my research.

In the following discussion of the typology of warung in Cicadas I distinguish two categories of warung based on the scale of business and the principal commodity for sale.

3.3.1. Types of Warung Based on Business Scale

A warung is normally classified as a small-scale business, but warung as a category is not homogenous. Warung can be classified into small or large-scale, primarily based on their daily capital. Before I go further to discuss this classification I will first describe how warung are run, which in turn will explain why I use daily capital as a base for classification.

Unlike other larger businesses or those in the formal sector, warung financial turnover is based on a daily calculation; daily capital which results in a daily profit used to cover daily needs. It is common to find warung owners spending a certain amount of money in the early morning as ‘capital’ to buy goods to re-sell in their warung during the day. Therefore it is also common to find warung owners calculating their return in the evening, allocating some to spend as capital for the next day, with the rest being considered as ‘profit’. For many owners it is not possible to buy goods in larger amounts to stock their warung for a longer period. Economies of scale favour large purchases; deficiencies in infrastructure, especially transport and storage, inhibit them (Jennifer Alexander & Paul Alexander, 1991:494). The daily capital system is one aspect that differentiates warung from *toko* (shops), the latter being more likely to buy their goods in bulk to stock the shop for a longer period of time.

I did not know about the daily calculation when, at the beginning of my fieldwork, I asked warung owners ‘how much capital is required to run your warung?’ I found such a question was too general and only led to confusion. Then I asked a simpler more specific question ‘how much money do you spend when you shop for your warung in the [dawn] market every day?’ The last question led me to a range of answers which showed not just the amount of money spent but a broader picture of the financial performance of warung in Cicadas.

Based on daily capital, I classify warung into small-scale, which represents warung owners who spend up to Rp 200,000 a day as capital to buy warung goods, and large-scale, which represents warung owners who spend between Rp 600,000-800,000 each day. In Cicadas, 90% of warung can be classified as small-scale, and the rest as large-scale. I did not find any warung owners who spent in between the scales, for instance Rp 400,000 a day to buy goods.

Warung with up to Rp 200,000 daily capital get a net profit of Rp 10,000-30,000 at the end of the day, while those who spend Rp 600,000-800,000 get a net profit of Rp 70,000-80,000 a day. It is interesting to learn that even though credit is

widely applied in Cicadas warung, they are still able to make a profit¹². A warung owner who spends Rp 100,000 to buy snacks and cakes for her warung in the dawn market may get a return of Rp 120,000 in the evening, of which Rp 100,000 is to be spent the next morning while Rp 20,000 is the profit. I also found a warung owner who spends Rp 30,000 a day on raw materials for the cooked food she sells in her warung; she may have a return of Rp 40,000 at the end of the day of which Rp 30,000 is to be spent the next morning for the food for the next day and Rp 10,000 is the profit. The following Table summarizes the warung scale based on daily capital and profit.

Table 3.2.
Warung Scale

Scale	Daily Capital	Daily Profit
Small	Up to Rp 200,000	Rp 10,000-30,000
Large	Rp 600,000-800,000	Rp 70,000-80,000

I would like to point out that profit should be understood not only in financial terms but also in kind since many warung also provide household needs in addition to cash, such as providing snacks for the warung owners' children and coffee or cigarettes for the husbands. I also found that some warung which sell non-perishable goods supply toiletries for the family. In other words some of the profits are 'eaten' by family members. Interestingly, 'eating' profit less likely to apply to warung selling cooked food. In most cases, owners of this type of warung say that they cook separate dishes for their warung and for their family. They explain 'my family is getting bored with warung dishes'. As warung selling cooked food tend to specialize in certain dishes only, it is understandable that the family would prefer to consume other dishes which offer more variety rather than the warung dishes which are similar from day to day. However, the family may eat leftovers of the warung dishes, but only occasionally.

The amount of daily capital is in one way or another related to the financial position of the warung owners, in particular the supporting salary from the owners' family. How many people in the family have a regular income and how much? Those within the small-scale category normally have one or two family

¹² Further details on nganjuk can be found in chapter 4 section 4.3.

members working in one or two of the following occupations: factory worker, shop keeper, low ranking civil servant, low ranking pensioner, or low ranking employee in various non-government sectors. Their income varies between Rp 200,000-800,000 per month. Large-scale warung normally have one or two family members working in better jobs with better incomes such as medium ranking civil servants or medium ranking employees in various non-government sectors. One large-scale warung owner whose daily capital is between Rp 600,000-800,000 has a husband who is a university graduate who receives Rp 1,000,000 per month from his work as a civil servant.

Other factors such as the education of warung owners does not necessarily relate to the scale of their warung. However, it is true that the education of other family members may affect their ability to access well paid jobs which in turn will provide the warung owners with larger financial support. There are also, of course cases of warung owners with no supporting salary whose livelihood is entirely dependent on the income from warung, but such cases are very few.

There are complex factors which determine the development of a warung; whether a small warung will remain small or will develop into something more substantial. The high density of warung in Cicadas, how warung owners perceive their business, educational qualifications, socioeconomic status, and the gender of warung owners, are all factors that interact and contribute a warung's development.

Therefore we have to be critical in looking at the role of the supporting salary in the development of warung. To a certain extent the amount of the supporting salary from one or more family members may play an important role in whether a warung will become small- or large-scale, but I have observed that whatever the salary, most warung remain the same scale over substantial periods of time. It is easier to find warung owners whose warung business have remained the same or who have experienced an 'on-off' of their business, than those who have developed their business into something more substantial.

Unlike *toko*, mini markets or supermarkets in business areas, no warung is subject to tax. This is partly because a warung is rarely, if ever, considered as a ‘business’. Households with warung are treated the same as others without any business in that they are subject to tax or other contributions applicable to normal households only, such as the annual tax on land and property (PBB - *pajak bumi dan bangunan*), and monthly contributions for rubbish collection.

Nobody needs a permit to establish a warung. Indeed no permit is required to start any activity within the informal sector, such as a catering or garment-making business (although certain fees or taxes may apply once the business gets larger and especially if it becomes ‘formal’). This could be because such businesses are not physically visible and can be hidden behind the house walls. On the other hand, warung are very visible but even large warung in Cicadas do not pay tax.

Some exceptional warung do not apply the daily capital system. These include the optical warung, *jamu* warung, and a few warung selling non-perishable goods. This is partly because of the nature of the goods. Such warung buy the goods in bulk which may last for weeks or months before they need to buy a new stock. The case of Rudi and Neneng mentioned in a previous section of this chapter illustrates a warung selling non-perishable goods which does not apply a daily capital system, but buys goods in bulk using a bank loan which lasts for up to ten months. Nevertheless, the use of a daily capital system is the most common one found in Cicadas; warung buying goods in bulk which last for weeks or months are in the minority. The bulk buying system is more like shops in the formal sector.

3.3.2. Types of Warung Based on Main Commodity

In Cicadas, warung tend to specialise in certain commodities, for example there are warung selling vegetables, cooked food, snacks, and non-perishable goods (*barang-barang kelontong*). In addition some warung sell goods which do not fall into the category of everyday necessities. They include the optical warung which offers optical services and lenses, and a warung which sells traditional herbal medicines (*jamu*).

Warung selling snacks

The most common form of warung in Cicadas sell various kinds of cakes, snacks, fruit and fruit juice, ice cream, coffee, milk, and mainly target children as customers (see Plate 3.1). Warung owners buy the goods at Cicadas dawn market every morning and re-sell them at their warung during the day time. Throughout the day, warung owners are busy handling the mostly small transactions of their child customers, as small as Rp 50 or Rp 100 for each transaction. The same children may come to the warung several times a day, to buy one or two sweets, cakes, snacks, or a cup of fruit juice.

Ibu Cucu's warung is in her living room which is at the front of her house, where she puts a refrigerator to store the ice and a small table to store other goods. During the day the front door is always open, except when nobody is home. Children just come into the room and help themselves to whatever they want. A small box for the money is on a table nearby. In her case, some of the warung goods are also for family consumption. According to Ibu Cucu 'the most profitable commodity is the [mung bean] ice; [little] profit comes from the coffee and the milk, since my husband and sons often consume them'.

A more detailed case study of a warung selling snacks is Ibu Tuti's which is presented in chapter 5.



Plate 3.1. A warung selling snacks and cakes

Warung selling cooked food

This category includes a range of ready to eat dishes such as rice porridge, yellow rice, *lotek* (Sundanese vegetable salad), *rujak* (fruit salad), noodle soup, and steamed rice with various kinds of side dishes. Such warung serve the main meals for the community: breakfast, lunch and dinner.

Ibu Cucu, previously mentioned, and Ibu Lis, another warung owner, sell yellow rice. The rice is sold in the morning only and is served with side dishes such as fried egg, *abon* (shredded fried meat), nuts, fried onion, and shrimp crackers. Such dishes are commonly found on the breakfast menus for Indonesians, as well as rice porridge and fried rice. People normally buy the rice to take away between 5-7 am. The main customers of Ibu Cucu's warung are pedicab drivers, while Ibu Lis serves mainly construction workers. In both cases, the targeted customers live nearby. Ibu Lis also sells noodle soup for lunch and dinner.

Ibu Dewi is a warung owner who sells rice porridge, mainly targeting nearby workers and school children. Every day she prepares a medium sized pan of porridge which is generally sold within two hours trading, from 5-7 am.

Ibu Ratna and Ibu Tika sell *lotek* (Sundanese salad) and *rujak* (fruit salad) in their warung. People normally consume *lotek* for lunch, served with either steamed rice

or *lontong* (rice steamed in a banana leaf), while *rujak* is for snacks to consume between the main meals.

A detailed case study of a warung owner who sells cooked food is Ibu Rini, who is discussed in chapter 5.



Plate 3.2. A warung selling cooked food

Warung selling non-perishable goods

These warung sell daily necessities such as toiletries, laundry powder, dishwashing liquid, cosmetics, cooking ingredients, bottled drinks, as well as rice, dried noodles, eggs, sugar, tea, coffee, milk, and cooking oil (Plates 3.3 and 3.4). These commodities are also available at *toko* (shops), but in the warung they are sold in very small quantities. For instance, cooking oil is packed in 0.25 litre plastic bags, garlic is sold in small plastic bags each containing two to three cloves of garlic, shampoo is packaged in 60 ml sachets, which is enough for one use. A warung owner confirmed that it is difficult to sell goods in larger amounts. For instance bottles of shampoo or body lotion are more difficult to sell, compared to those in sachets. Cooking ingredients such as a small bag containing two to three cloves of garlic are easier to sell than one kilogram garlic packs.

A detailed case study of Ibu Reni, who owns a warung selling non-perishable goods, can be found in chapter 5.



Plate 3.3. A warung selling non-perishable goods



Plate 3.4. A warung selling non-perishable goods

Warung selling vegetables

This type of warung sells perishable goods such as vegetables, fruit, tofu, soy bean cake, and various kinds of cooking ingredients. Vegetables are packed in small quantities to meet customers demand. For instance a small bunch of spinach is sold for Rp 250, a medium piece of soy bean cake (*tempe*) costs Rp 600, a small piece of tofu costs Rp 250, while kidney beans and green beans are packed in $\frac{1}{4}$ kg plastic bags.

Ibu Cicih and Ibu Ali are among those who mainly sell vegetables in their warung. These two are located 10-15 metres distance from each other, separated by three houses. As is the case with other vegetable warung in Cicadas, their warung have little equipments such as refrigerators to store perishable goods. Only a few people can afford to have a refrigerator in Cicadas kampung. As a result, by mid day certain commodities such as spinach, watercress, tofu, and soy bean cake are no longer fresh. Only a few commodities can last for more than a day, including eggs, cooking ingredients (garlic, shallots, candle nuts), and certain vegetables such as carrots and potatoes. Lack of equipment also results in warung owners spending more time and labour, and sacrificing their sleeping time to shop for their warung at the dawn market every day. They have to buy warung goods in limited amounts which are used up quickly, otherwise they will experience loss for unsold perishable commodities. Jennifer Alexander's and Paul Alexander's (1991:494) description of women traders in Central Java also mentions this aspect. As noted previously they write 'Economies of scale favour large purchases; deficiency in infrastructure, especially transport and storage, inhibit them'.

During my fieldwork, I did not find any vegetable warung which sold fresh meat or fish. I checked this with Ibu Cicih and Ibu Ali, who said the main reason was that these commodities are hard to sell. Fresh fish and particularly fresh meat are relatively expensive and some people consider them 'special' foods, meaning that they are only served on special occasions, such as the celebration at the end of Ramadhan (Idul Fitri day). Low income people of Cicadas rarely include fresh meat in their daily menu. Some warung provide dried meat (*dendeng*) and dried-salty fish (*ikan asin*), which is cheaper than the fresh commodities and can be stored for a long time. Both Ibu Cicih and Ibu Ali said that providing fresh meat in their warung was too risky financially. Since meat is relatively expensive, when the meat is not sold by the end of the day and there is no refrigerator to store it in for the next few days, they will suffer a big loss. So the availability and unavailability of certain commodities in Cicadas warung is a combination of the lack of supporting equipment on the part of the warung owners, and the socioeconomic condition of most people in the community on the other.

The vegetables are sold for 20-35% more than the purchase price in the dawn market. One might ask why Cicadas people do not go to the dawn market themselves to buy them at the cheaper price. The reason is that though it is more expensive to shop at a warung, people can buy vegetables in very small amounts and they are able to buy on credit whenever they need to do so. Such 'special services' do not exist in the formal trading sector, including the dawn market. For instance it is not possible to buy two or three cloves of garlic only nor is it worth waking up at 2 am to buy such a small amount of goods. This explains why people go to warung, since the warung offer services which are not available elsewhere.

Jennifer Alexander and Paul Alexander (1991:494) have pointed to how the differentiation of business scale determines the traders' ability to buy in bulk. They noted that there are small-scale transactions at all levels, and it is not uncommon for bulking and bulk breaking to occur at the same point. In Cicadas, the small-scale transactions are between warung owners and their customers, larger transactions are between warung owners and traders at the dawn market or other suppliers from whom they buy their warung goods. As a result, bulking and bulk breaking occur at different points. I have to note that 'small' and 'large' have to be placed in context. Small-scale transactions in Cicadas could be as small as only Rp 100, which is the price two to three pieces of garlic, while large-scale transactions could be Rp 100,000-200,000 that is the amount of money warung owners spend when they shop at the dawn market.



Plate 3.5. A warung selling vegetables

Warung with Exceptional Commodity

Warung with exceptional commodities in Cicadas are an optical warung and a *jamu* warung (see Plates 3.6-3.8). They are exceptional in terms of the main commodities they sell: eye glasses and traditional herbal medicine (*jamu*). I call them warung not shops (*toko*) or stores since they operate the ‘warung way’, that is they provide credit to their customers which cannot be found in optical or jamu stores in the city.

Further details on both optical and *jamu* warung can be found in the case studies in chapter 5.



Plate 3.6. An optical warung on the left and a fruit juice warung on the right belonging to the same owner.



Plate 3.7. Eye test equipment and some frames in the optical warung



Plate 3.8. Warung selling traditional herbal medicine (*jamu*)

3.4. Competition between Warung

The high density of warung, one warung for every two to three houses, makes competition among warung owners unavoidable. This has led warung owners to make use of various strategies to deal with the problem. However, before I discuss the strategies, I will first discuss the relationship between the size of the warung and competition. Does the warung scale contribute to the number of

customers (which may help warung owners with the competition problem)? Do the amounts of capital influence the number of regular customers (*langganan*) a warung has?

I observed that large-scale warung with larger capital attracted more customers than smaller warung with less capital. Although many large-scale warung do not give credit, or give credit to selected individuals only, which can be a competitive disadvantage, the advantage of being larger and having more capital, outweighs the disadvantage. These warung owners can provide a greater variety and quantity of goods. They can also buy in bulk and thus offer cheaper prices. As Jennifer Alexander and Paul Alexander (1991:494) note, a trader [warung owner] may simultaneously be combining purchases for resale to some persons, while dividing up a purchase for resale to others. For the small-scale warung, problems with cash flow often leads them to postpone buying some warung goods which in turn means their warung offer less variety and lesser amounts of goods.

I observed large-scale warung generally have no problem keeping their warung stock complete. One example is Ibu Yuni, who sells non-perishable goods, she always makes sure that she replaces her warung goods before they run out. I saw her warung shelves always full with a variety of goods and more customers in her warung than in a nearby smaller warung belonging to Rudi and Neneng which sells similar goods. As noted previously Rudi and Neneng rely on bank loans to buy their warung goods, and their shelves were full only in the first few months after they had received a loan. The goods in their warung dwindled throughout the credit period, the shelves being nearly empty by the end of the period when the owners were waiting for a new loan. Neneng realizes that this situation leads to her losing some of her regular customers, since they can not get the goods they want. For instance she pointed to a neighbour who had recently asked for sugar and found there was no more sugar in her warung, so the neighbour visited another warung. Ibu Yuni has no problem replacing her warung goods before they finish due to the larger capital at her disposal and the better cash flow. In contrast, Rudi and Neneng are unable to do the same because of financial constraints.

Another example is of two warung of different sizes which sell cooked food. The large-scale warung offers larger quantities and more varieties of food than the small-scale warung. Both of them sell steamed rice and side dishes. The larger warung is more like a 'small restaurant' where customers can choose from a wider variety of food, particularly the side dishes. For instance for dishes made from chicken, the large warung offers fried chicken, *opor ayam* (chicken cooked with coconut milk), and *semur ayam* (chicken cooked with soy sauce), while the small warung only offer a plate of fried chicken. For dishes made from vegetables, the large warung offers *cap cay* (stir fry vegetable), *tumis* (stir fry vegetable with chili), *sop* (vegetable soup), and *sayur asam* (sour vegetable soup), while the small warung offers a plate of *tumis* only. As a result the large warung attracts more customers than the small warung. I observed that the differences in the amount and variety of cooked food are more related to financial issues, than the skill of the warung owners.

I will now move to discuss the strategies warung owners employ to avoid the problem of competition:

1. Choosing the right commodity

Choosing the right commodity is one strategy to avoid the competition problem. As Cicadas kampung area has a high density of warung, decisions about what should be the main commodity of a warung are greatly influenced by what is available and what is not yet available at other warung in the neighbourhood. Some warung owners are also flexible, and are willing to change their main commodity when it is necessary to do so.

Ibu Tuti, who previously sold non-perishable goods, changed her warung commodity because more and more warung selling substantially similar goods as hers have been set up over time. She recounts that at the beginning of the 1970s, there were only three warung along the alley where she lives, one of which was hers. At present, I counted there nine warung along the alley, while the number of houses is 27, meaning that there is one warung for every three houses. Warung selling non-perishable goods are among the most common in Cicadas.

The growing number of warung selling substantially similar commodities as Ibu Tuti's led to her being unable to compete. In particular, she pointed to a warung next door who offered cheaper prices than her. I have to note that the two warung are of different sizes, with the warung belonging to Ibu Tuti being within the small-scale category. She then decided to change the commodity of her warung into predominantly snacks, cakes, and fruits.

While Ibu Tuti decided to change the main commodity when her warung was already established, others decide what main commodity to sell, before they establish their warung. The latter type of owner observes what commodities are already available at warung in their neighbourhood and takes this into consideration to help them decide what they are going to sell. However since there is a high density of warung in Cicadas, it is often the case that two or more warung selling substantially similar goods are located only a few metres from each other. This is considered 'far' by local standards. For instance, Ibu Reni, who started her warung in 1998, went forward with her decision to sell non-perishable goods despite the fact that there was already another warung, selling similar commodities, belonging to Ibu Yuni, located at the other end of the same alley approximately 70 metres away. Ibu Reni considers there should be no problem with the other warung since it serves 'people from other alleys'. Ibu Yuni's warung is close to the junctions of two smaller alleys leading to other sub-neighbourhood wards (RT). I observed the two warung do indeed have different patrons coming from different areas.

The reason for choosing certain commodities is not only related to what others sell, but also from learning about the success of others as well as considering the warung's location. Ibu Lis sells mango juice and ice cream, which sell well partly because her warung is close to a badminton field which is always busy with people. Learning from her success, a neighbour followed by establishing another warung selling similar commodities. This new warung is more successful than Ibu Lis since its location is closer to the field, so people tend to come to the new warung rather than to Ibu Lis' which is across the field. Ibu Lis said:

My goods might sell better if there were no new warung next to the badminton field. Maybe because she knows mine sold well, she copied to sell similar things. Now the teenagers [who are often on the badminton field] find it more convenient to go to the new warung than to mine. They often gather there [in the field], especially around the 17 August¹³. Anyway one's income may come from anywhere, it is God's arrangement, isn't that right ma'am?

To deal with the competition, Ibu Lis has tried to diversify her warung goods. Now she sells noodle soup to serve lunch and dinner for the community, and yellow rice for breakfast.

2. Providing nganjuk

Although nganjuk or credit is common in Cicadas¹⁴, the decision whether or not warung owners provide credit to their customers is part of a strategy to win customers from competing warung. In addition it is also related to many other considerations, as will be discussed below.

Social pressure is one thing that may lead a warung owner to provide credit to people. Since most warung provide credit, a warung owner who does not do so is subject to gossip, and is even called 'stingy'.

Economic performance of the warung is another issue to consider in deciding whether or not a warung owner provides credit. It is probably ironic that larger scale warung tend not to provide credit, as compared to small-scale warung¹⁵. Warung owners who are within the first category are more confident not to provide credit at all or to provide it to a few selected individuals only, partly because their warung businesses are in a better financial position which makes them more confident, and partly because they can offer cheaper prices instead.

¹³ 17 of August is Indonesia's independence day when many people celebrate by organizing various events and games, including in Cicadas where the community normally celebrate the day by organizing art performance, games, and sports in an open field.

¹⁴ For further details on nganjuk, see chapter 4 section 4.3.

¹⁵ See chapter 4, section 4.3.

Ibu Reni is among those who generally do not provide credit to customers. However she cannot completely avoid the social pressure that a warung owner should provide credit and does give credit to a few people but, unlike other warung owners, never allows them to accumulate debt. Neighbours gossip about her but at the same time come to her warung especially those with some cash, to take advantage of her cheaper prices.

3) Pricing

As noted above, not providing credit to warung customers can lead to a certain competitive disadvantage. To compensate for this, Ibu Reni applies a different strategy to attract customers, that is, to lower the selling price of her warung goods. Price differentiation between Ibu Reni's warung and a nearby 'competitor' warung approximately 10 metres away, ranges between Rp 100-300 per item for similar commodities. Nevertheless the nearby warung allows its customers to buy warung goods on credit.

Warung customers are the source of information of price differentiation between warung. For example Ibu Reni, several times asked me the prices charged by her competitor. I had bought bottled water at both warung so I knew the difference. When she found out that the other warung was selling the water at a higher price, she expressed her 'happiness' by saying 'I am happy she [the competitor] sells her warung goods at a higher price than mine. This will lead people to come to my warung. If she also sold the goods at a cheaper price, people will no longer come to my warung'.

Despite being gossiped about by the neighbours, the strategy of lowering the price of the warung goods seemed to work. My long stay in Cicadas enabled me to observe that over time more people came to Ibu Reni's warung than to the competitor warung nearby. During the peak times of the day (morning or evening), an average of one person every 5-10 minutes visited her warung. In contrast, the other warung was visited, on average, by one person every 15-20 minutes.

It should be noted that Ibu Reni's ability to sell her warung goods at a cheaper price is related to her better financial position as compared to other warung owners. This situation enables her to buy warung goods in relatively large amounts, which allows her to get a lower price from the grocery store. She can then to re-sell them at a cheaper price as well.

3.5. Cooperation between Warung

I use the term 'cooperation' to refer to warung owners who approach other warung owners to buy certain goods to re-sell. The common reasons for this cooperation are proximity, the possibility to have discounted prices, and the credit. Warung owners whose goods are bought by other warung owners treat the latter in a similar way to other customers. However, for regulars the sellers may give the buyers special treatment, such as a discounted price or credit. Therefore the term 'cooperation' does not exactly mean that the warung really cooperate in their businesses, since each is basically an individual business.

An example of this cooperation can be found in the case of a warung owner who sells some fried snacks (banana fritters, *bala-bala*, and *comro*) and regularly buys raw materials from another warung on a one day credit. Every evening Ibu Tuti buys flour and cooking oil from Ibu Reni to use the next morning for the snacks. She pays for the material next evening before she is allowed to collect more flour and cooking oil for the next day.

Ibu Tuti states that proximity and the discounted price are the reasons for her preference to buy the material from her neighbour. In her own words she said 'I am able to have a Cicadas market price, not warung price', meaning she can have the flour and the cooking oil at a price similar to that at the dawn market. For these commodities, warung usually charge their customers a slightly higher price than the dawn market. I asked her why she did not buy the material from the market since she goes there every day. She replied that she already buys a lot of things when shopping for her warung at the dawn market and it would be too heavy to carry if she added flour and cooking oil, since she shops on her own. Therefore she prefers to buy these two goods from Ibu Reni, who also benefits by

having a regular customer buying certain goods on a daily basis. Both warung are located just next to each other, so for Ibu Tuti the problem of ‘too heavy to carry’ (and too long a distance) is solved. She collects the flour and the cooking oil by herself while paying for the similar commodities she bought a day earlier.

The longer I stayed in Cicadas the more I was able to observe that it was not just flour and cooking oil that is bought from the next door warung but also other commodities such as coffee and cigarettes. Several times I found Ibu Tuti facing customers who had come to her warung asking for cigarettes only to find that she had run out. She rushed to the warung next door to buy some, gave some to the customer and stored the rest as new stock. A similar thing happened with the coffee powder packed in sachets, which she gets from her neighbour, to make a coffee drink ordered by a customer.

Warung customers do not generally regard such service as a negative experience. It is not a big deal for them to wait for a few minutes for the goods they would like to buy. The next time they need to buy a similar thing they may return to the same warung or go to another warung. Distance is not their main reason for choosing certain warung due to the high density of warung; there may be two or more warung located just next to each other as is shown in Plate 3.9. Cheaper prices (when they have cash) or the possibility of credit (when without cash), are more likely the determinant factors which influence customers decisions about which warung to visit¹⁶.

¹⁶ Which is most important from the customers’ perspective is elaborated further in chapter 4.



Plate 3.9. Two warung located next to each other, the owners 'compete' and 'cooperate'

At first glance, warung owners rushing to other warung to fulfil a customer's request might imply some sort of lack of management to maintain sufficient stocks. However when investigated further, it seems that such a problem is also related to insufficient money (daily capital) when shopping at the dawn market, partly because of the credit they provide to their customers. This is particularly a problem of small-scale warung, while it is less likely to happen to large-scale warung with their better cash flow. This is also about the diversity of warung: for small-scale warung it is harder to have capital tied up in a wide range of goods, while this is not the case of the large warung.

A slightly different form of 'cooperation' can be seen in the case of a Cicadas resident named Bapak Enton who has a business making pia cakes (*kue pia*). I met him buying a large amount of cake ingredients when I was in a warung selling non-perishable goods. I later had the chance to visit him to further investigate his cake-making business.

Every day he visits the warung to buy 18 kg of flour, 9 kg of mung beans, 7 kg of sugar, and some cooking oil, totally worth Rp 126,000, which is paid mostly in cash. He produces 600 pia cakes a day, about 120-150 of which are then sold at six Cicadas warung, including the warung where he buys the ingredients, where he places 25 cakes. The rest are sold in some kiosks in Cicadas and Kosambi

markets. Bapak Enton sells the cakes for Rp 400 each to Cicadas warung owners, who re-sell them for Rp 500 each or 20% higher. He gets a net profit of Rp 60,000-70,000 a day from the business.

Bapak Enton gives proximity as his main reason for buying the cake ingredients from the warung, which is only a few metres away from his home. This saves him the cost of transportation. Since he lives in a narrow alley, only a pedicab can go straight to his home, but a pedicab is expensive. I estimate that it would cost him Rp 4,000 to transport him from a shop at Cicadas market to his home should he buy the material in the market. It could even be higher if the pedicab driver asked for a higher amount of money or was required to assist to carry the tens of kilograms of materials from the shop to the pedicab. The alley can accommodate a motor cycle, but Bapak Enton does not own one nor other means of transportation, so it is much easier for him to go to a nearby warung to buy the relatively large amount of material and then bring it home on foot. Transportation would definitely be required to transport the ingredients should he shop at the market, which is at some distance from his home.

I discussed the buying of the cake ingredients with the warung owner, who added that she gives a discounted price to Bapak Enton because he is a regular customer and buys in large amounts. The warung is a large-scale one whose owner is able to buy and stock warung goods in relatively large amounts¹⁷. For the buyer, it is a rational choice to visit the warung to buy the ingredients he needs for his business given the discounted price, and the limitations of transport and the scale of his business which makes it more feasible for him to buy the ingredients on a daily basis. He, like most owners of small warung, cannot afford to buy the material in bulk, for instance for one week, which might save him transportation costs.

There are other similar cases of ‘cooperation’ between warung owners and between warung owners and other entrepreneurs within the community. The above shows the circulation of money in a local community which enables the

¹⁷ She asks a pedicab driver to transport the goods. I noticed that a pedicab without passengers can transport a relatively large amount of warung goods, which are tied to its chairs to prevent falling. As noted above, only pedicab (and motor cycle) can go into the narrow alley.

community to survive. The money circulates between warung owners, the people—some of whom are also warung owners or other kinds of entrepreneurs such as Bapak Enton—to return to the warung and the people again. Included in the process is the chain of credit (nganjuk) which marks the relationship between warung and their customers, which will be discussed in more detail in chapter 4.

3.6. Conclusion

Extension of salary is one of the main reasons why people establish warung. If we look at the wider picture of Cicadas kampung community, which is predominantly made up of low income people (see Chapters 1 and 2), this explains why there are many warung in Cicadas: warung provides cash relief to deal with the limited salary on which many people find it is hard to make ends meet. Another main reason is related to women's life cycle that is marriage, child bearing, and child care, which lead many women to open a warung, because this business enables them to earn income while looking after the family. This explains why it is women who mostly run the warung.

Warung as a category is not homogeneous; warung vary in terms of the commodities they sell and their business scale. Most warung in Cicadas are small-scale. In terms of commodities, non-perishable goods, snacks, and cooked food, are the most common in Cicadas.

The high densities of warung in Cicadas makes competition unavoidable; as a result warung owners have applied various strategies to overcome the competition problem. At the same time there is often some sort of cooperation among warung owners.

While this chapter discusses the warung issue 'from within' the warung business, examining the warung owners' perspectives, the types of warung, and the relationship between warung owners, the following chapter will discuss warung based on the people's perceptions. How do other people perceive warung? Why do they need warung?