

# 4

## The Response of the Survey Village to Changes in Policy and Industrial Structure since the 1970s

It was not until 1976 that the survey kampong in the village of Ciluluk began to see any chance of recovery from the disastrous situation that had occurred in its weaving industry over the previous three years. The following measures were adopted by the villagers and surrounding areas to overcome the crisis that was threatening their rural weaving industry. (i) They experimented with a number of new products, the market for which had not yet been monopolized by the large textile firms and power-loom weaving firms, and attempted to make existing products cheaper than the power-loom weaving firms. (ii) For this purpose they made concerted efforts to cut production costs. (iii) They organized a new division of labor among themselves. (iv) Many weavers turned to commerce in an attempt to open new urban markets for their products among middle- and low-end consumers. Measures (iii) and (iv) were especially effective in enabling Ciluluk village to help develop that part of the textile-producing region that was not yet subordinated to factories and wholesalers in other regions.

### **The Whole Production Area's Response to the Weaving Crisis**

#### *New Products*

Up through the 1950s sarong had been the village's main textile commodity. Sarong disappeared from the village hand-loom in the 1960s, partly because the power-loom weavers in Majalaya and Bandung developed the technology to machine weave *sarong* in the later years of the decade. Unbleached shirting (*belacu*) appeared as the village's main commodity in the 1960s, but then petered out in the 1970s. During that decade there were village weavers who had concluded wage contracts (*makloon*) to put out *belacu* for a Chinese-run factory in Majalaya. Even today there are weavers in the villages on the periphery of Majalaya that continue wage-

weaving for that same factory; but the relationship with the survey-village weavers was not long-lived, having been discontinued in the 1980s.

In the midst of the serious pique recession beginning from 1973, in 1975 one villager, Mr. N., embarked on a *hirkup* contract<sup>1</sup> under a wholesaler's putting-out arrangement in the gauze (*perban*) production which had began in very small scale in the survey village. Dishcloth (*lap piring*) production also began at the same time under the same kind of arrangement. From then on, the weavers in the survey village and its surrounding area shifted toward pre-finished gauze and dishcloth as their main products. Also at that time rural weavers around Majalaya were also producing house-cloth (*lap mobil*) using 1S-count cotton yarn (*benang katun*), even though it was not widely produced in the survey village. Local weavers also tried their hand at towels (*handuk*) and shawls (*syal*). What these experimental products had in common with conventional ones were that they were low-quality, but low-priced, commodities that had not yet been monopolized by the power-loom firms.

What the village weavers produce today are three different kinds of dishcloth varying in woven fabric density and weight: *lap piring kandel*\* (heavyweight dishcloth, 65 g per piece), *lap piring sedeng*\* (medium-weight dishcloth, 50 g per piece) and *lap piring ipis*\* (lightweight dishcloth, 35 g per piece). In making the two lighter types, a polyester yarn or a blended yarn of polyester and cotton (TC) is used, and when considering what the cloth will be used for, such synthetic material is not suitable, because it is not as absorbent as cotton. In any case the thread is very easy to come by. Obviously, the more cotton used, the better the quality of the cloth.

Speaking of the quality of yarn used by the village weavers, in both their dishcloth and gauze, they use BS (*benang sisa*), yarn whose quality has not passed inspection at the spinning mill and even discarded yarn<sup>2</sup> which is purchased by the weavers or local wholesalers at the Majalaya yarn market. Among this type of yarn, the supply of synthetic types are plentiful, the supply of cotton scarce; therefore, whenever possible synthetic yarn is substituted for cotton. As to the quality of the finished product, all one has to do is compare it to any product made of acceptable-quality (*orsinil*) cotton yarn sold at any market to see just how poor it really is.

However, using BS yarn will realize inexpensive products. For example, the BS yarn of 20S-count cotton and TC40S-count widely used by the village weavers sells for between Rp. 1,700 and Rp. 2,500, compared to the Rp. 2,700 to Rp. 3,600 per kilogram of *orsinil* yarn (average Majalaya yarn-market prices between October 1985 and September 1986<sup>3</sup>). BS yarn cannot be used by power-loom weavers because of its tendency to tangle.

The thicker the type of dishcloth produced, the more attention and labor is required in weaving it.

Furthermore, BS yarn is a mixture of fairly good and very poor quality yarn. The local wholesalers buy the fairly good BS yarn in bales weighing 181 kg. (*bal*) at the Majalaya market and supply it to their *hirkup* wage weavers. In contrast, independent small-scale weavers will most of the time go to Majalaya and buy the poorer quality BS yarn in smaller quantities. For this reason, the dishcloth material contracted under putting-out arrangements between local wholesalers and *hirkup* wage weavers will

be of somewhat better quality and higher priced than the cloth woven by independent weavers and sold to petty traders. Local wholesalers will also purchase pre-finished dishcloth from the independent weavers, which has the same quality as the dishcloth contracted under putting-out arrangements.

At the time of my questionnaire survey of Ciluluk village, the prices of each type of dishcloth woven by independent weavers were Rp. 1,100–1,150 per dozen lightweight cloths, Rp. 1,500 per dozen medium-weight cloths and Rp. 1,650 per dozen heavyweight cloths, while those woven by *hirkup* wage weavers putting out for local wholesalers were Rp. 1,400, 2,000, and 2,400 respectively. The reasons for the difference is that wholesalers ordered, for example, lightweight cloth made of TC40S warp and 20S-count cotton weft, while petty traders dealt in cloth with no cotton yarn.

The above practices also approximate what happens in the weaving of gauze in the village. There are three types: *perban ipis\** (lightweight gauze), *perban sedeng\** (medium-weight gauze), and *perban kandel\** (heavyweight gauze), requiring more care and labor as the weight increases. Petty traders dealt in gauze with warp of TC40S or TC45S yarn and weft of from 20S- to 30S-count cotton yarn, all of which was graded as unacceptable for spinning mills. The local wholesalers, on the other hand, order from their *hirkup* wage weavers gauze woven from between 20S- and 45S-count cotton warp and weft, resulting in a slightly higher price. However, even this product is clearly less expensive than gauze woven from yarn that has passed inspection in spinning mills. For example, one roll (80 cm. wide by 4 m. in length) of heavyweight gauze woven by power-loom weavers in Pekalongan and already bleached will sell at a factory price of Rp. 6,000. A local wholesaler in the survey kampong sold a roll of gauze for Rp. 3,500. The difference of price is not only in the yarn used, but also in such power-loom expenses as depreciation costs and electricity not incurred by hand-loomers.

#### *Transformation of the Division of Labor: A Deepening of the Local Production Structure*

The division of labor within the rural (gauze and dishcloth) weaving industry has changed radically. Before the mid-1960s, village cloth weavers typically managed factories of from 20 to 100 hand-loomers, and either sold their products in Majalaya through local cooperatives (*koperasi*) or received orders with down payments (*inden\**) from Chinese wholesalers in Majalaya or Bandung. In general, there were no textile traders located in the villages.

From the mid-1970s, however, a new division of labor was formed involving locally based wholesalers with small-scale *hirkup* wage weavers putting out products for them, on the one hand, and small-scale independent weavers who bought their yarn in Majalaya and sold their cloth to petty traders, on the other. It was within these two types of production relations that the independent village weavers, *hirkup* wage weavers, home workers, and weaving wage workers were caught up.

After the putting-out system was first instituted by local wholesaler, Mr. N, other influential villagers began to establish themselves as local wholesalers from the late

1970s to organize *hirkup* wage-weaving of both gauze and dishcloth under their own putting-out arrangements. Those commercially minded villagers who did not choose this route became petty traders, who would purchase pre-finished products from local independent weavers to sell them in markets (which will be discussed later) in Majalaya and Bandung after completing finishing-process for commodities. Figure 4-1 is an illustration of the division of labor that has resulted from these various relationships, including the relationships not yet described.

What should be focused on here is the fact that all of the basic parts of the post-1975 division of labor described above are contained within the survey kampong (indicated by the irregular shaped enclosure in the figure). If we include weavers from surrounding areas, we find here the most basic set of production relations. Of course, the kampong as a production center cannot exist without the textile market in Majalaya, and the cloth must still be calendered, a process which is commissioned in Majalaya. It is by virtue of enjoying these external economies that the kampong has become one production point in the Majalaya textile area. However, the village has no production relations as *makloon* wage weavers with large textile makers or wholesalers in Majalaya, or any other urban area, resulting in what can be called a “deepening” of the local production structure in the direction of autonomy for the village and its surrounding area. Now let us look at this type of production division of labor in a little more detail.

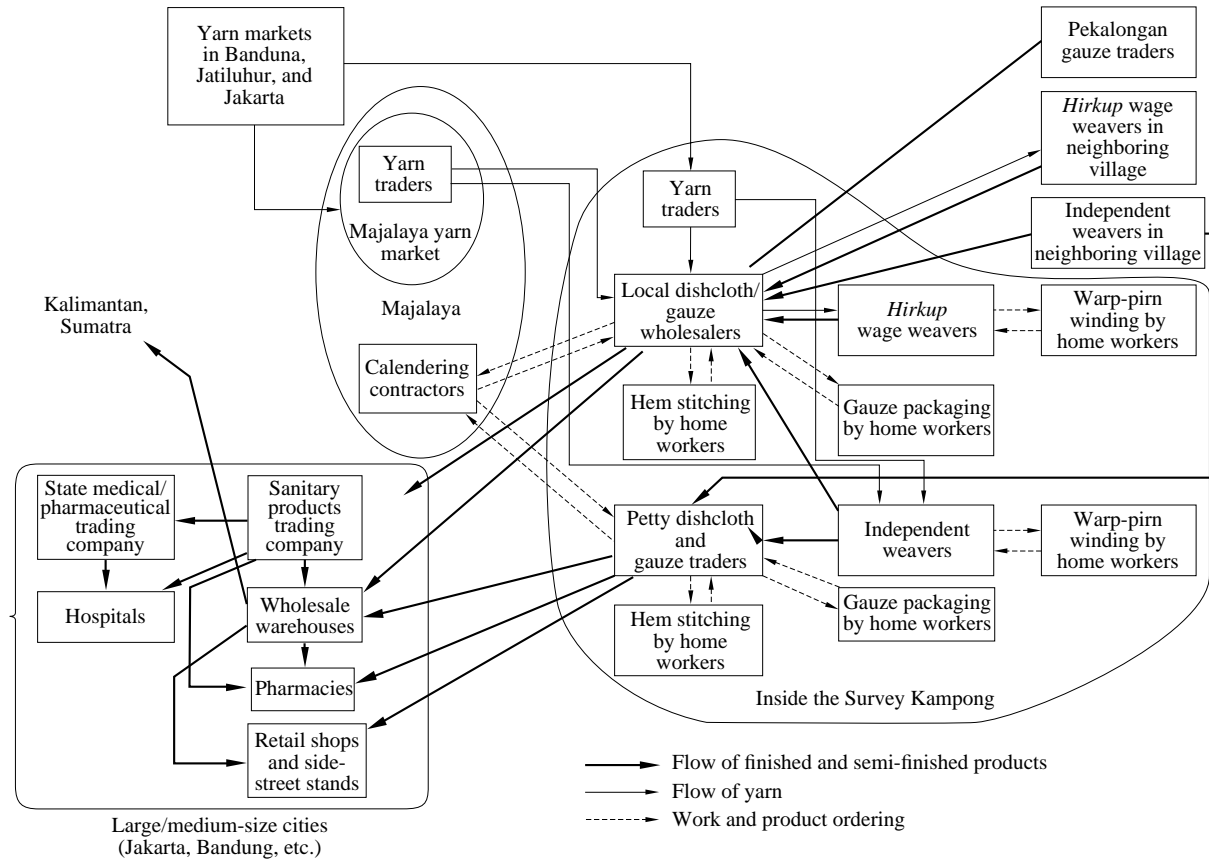
### **Managerial Organization of the Weavers in the Survey Kampong**

#### *Managerial Organization of Small-Scale Weavers*

Of the seventy-one households intensively interviewed in the survey, twenty-four were in the weaving business and twenty-three provided us with management data, which will serve as the basis for the analysis which follows. We have already mentioned that there are dishcloth weavers, gauze weavers, house-cloth weavers, etc. in the village. Of our twenty-three household sample, nineteen were dishcloth weavers, while the remaining four were involved in gauze production. One household owned four looms, another one household three looms. Nine households owned two looms, one household having lent one of its looms to a daughter and her husband. Eleven households owned one loom, and the remaining household in the sample was the couple who borrowed (free of charge) a loom from the wife’s father mentioned above. As to the number of looms in actual operation, seven households were working two looms, while the others had one loom in operation. No one owned a warper, so it had to be rented from another weaver or a retired factory owner who had one on hand.

Those who carried on *hirkup* wage weaving would be lent in advance from local wholesalers dyed yarn (or pre-dyed yarn and dyestuff), starch for sizing, and wages to pay warp-pirn winding home workers and weaving wage workers when necessary (sometimes *hirkup* wage weavers hire weaving wage workers). As soon as each weaving process was completed and the products handed over to the wholesaler,

Fig. 4-1. Division of Labor and Product and Yarn Flow between the Survey Kampong and Its Periphery



wages would be paid to *hirkup* wage weavers, out of which any prepaid labor costs would be deducted. In reality, finished products would be delivered to wholesalers once each week in return for wages on that portion only, creating a perception among weavers that the money was actually a loan instead of wages.

In the case of independent weavers, after purchasing their yarn in Majalaya, they would do their own bleaching, dyeing, and sizing. However, weavers generally (fourteen households of twenty-three sample households) ordered such local people as relatives, young girls, or elderly (often widowed) women to do the warp-pirn winding work in their homes. Of the sample, only one weaver hired wage labor to do the warping and drawing-in, and three weavers hired wage workers to do their weaving (independent weavers sometimes hire weaving wage workers). In other words, most of these weavers did all the work with their household labor, except the winding.

The weavers who appeared in this new division of labor did own their own looms, the most important means of production, but on a production scale of four looms maximum. Most of the labor was provided by family members with only a small portion being assigned to hired or home workers. Such a production process can by no means be called a “factory system,” but merely petty commodity production.

The origin of this type of production is indicated in Table 4–1, which shows when the weavers in our sample began operations and if their fathers were weavers. From this data, we can see that a total of fifteen weavers in our sample began operations in the 1970s, when the weaving factories of the 1960s made cutbacks in scale or simply closed.

One factor that helped give rise to petty commodity production was a good supply of cheap looms. At the time of the survey, in Majalaya one could buy a set of equipment consisting of a used (ATBM) hand-loom, reel, reeler, bobbin, shuttle, and accessories for between Rp. 10,000 and Rp. 15,000. This was a price that was affordable for even the lower classes in rural society. The low price should be apparent, given the liquidation of equipment that inevitably followed the cutbacks and closures of weaving factories during the downturn in the early 1970s.<sup>4</sup>

TABLE 4–1  
BACKGROUND DATA ON WEAVERS IN THE SURVEY KAMPONG  
ACCORDING TO DECADE OF *BUSINESS START*

	1950s	1960s	1970s	1980s	Total
Father was engaged in weaving		5	4	4	13
Father was not engaged in weaving	1	2	3	4	10
Total	1	7	7	8	23
Inherited looms from parents or parents in law		3	4	2	9
Did not inherit loom from parents or parents in law	1	4	3	6	14
Total	1	7	7	8	23

Source: Field survey by the author.

*Business Analysis and Minimum Operating Capital*

Table 4-2 lists sales, gross margin, manufacturing cost, and required processing time in the weaving of lightweight dishcloth. The production process here refers to a cycle that begins with the purchase of raw yarn, then proceeds to dyeing and sizing, and ends with the weaving of pre-wound warp beams. The column for all independent weavers contains averages of the data collected. The sales volume for *hirkup* wage weavers indicates wages paid out by the wholesaler.

TABLE 4-2  
PROFIT AND LOSS STATEMENT FOR INDEPENDENT AND *HIRKUP* WAGE WEAVERS

	Lightweight Dishcloth Independent Weavers		Average of All Independent Weavers		Lightweight Dishcloth <i>Hirkup</i> Wage Weaver	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
No. of looms owned	1.4		1.6		3.0	
No. of looms operated	1.3		1.2		1.0	
A. Sales volume (Rp.)	145,986	100	134,331	100	39,880	100
B. Manufacturing cost (Rp.)	113,832	78.0	103,050	76.7	3,650	9.2
1. Material costs						
Warp yarn	47,719	32.7	43,927	32.7	0	0
Weft yarn	53,131	36.4	48,218	35.9	0	0
Dye	3,003	2.1	2,356	1.8	0	0
Sizing	1,498	1.0	1,335	1.0	0	0
Firewood	888	0.6	875	0.7	600	1.5
Bleach	90	0.1	79	0.1	0	0
2. Labor cost						
Weaving waged-workers	3,168	2.2	2,305	1.7	0	0
3. Expenses						
Shuttle depreciation	400	0.3	407	0.3	300	0.8
Wages for warp winders	2,072	1.4	1,786	1.3	1,500	3.8
Warper charges	338	0.2	334	0.2	250	0.6
Raw-material procure- ment transportation	1,494	1.0	1,405	1.0	0	0
Other	31	0.0	23	0.0	1,000	2.5
C. Gross profit on sales (Rp.)	32,154	22.0	31,281	23.3	36,230	90.8
D. Total work days	45.5		43.2		36.0	
Work days of preparation	9.1		8.6		6.0	
Work days for weaving	36.4		34.5		30.0	
E. Gross profit on sales per work day (Rp.)	707		724		1,006	
Sample size	16		22		1	

Source: Survey done by the author.

Notes: 1. Wages for the weavers and their families are not included in the expenses.

2. On September 12, 1986 the rupiah was devaluated from Rp. 1,134 to U.S.\$1.00 to Rp. 1,644.

3. Date for September through October 1986.

The lightweight-dishcloth making independent weavers, the majority of the weavers surveyed, enjoyed a gross profit on sales to net sales ratio of 22 per cent; however, the manufacturing cost in the table does not contain items for wages paid to the loom owners or their families. It should also be mentioned that none of the weavers here keep any records of income and expenses, partly because there are no income and business taxes. For this reason, collecting business accounting data from these weavers is a difficult task that involves interviewing people who have no knowledge of bookkeeping and then translating the data collected into a profit and loss statement and schedule of cost of goods manufactured categories.

The major problem encountered is the very small amount of gross profit on sales figures. That is to say, for the most part these figures must reflect the fruits of a family labor force made up of a married couple, their children, and possibly a grandparent. One day's work lasts from half past six in the morning to three (sometimes five) o'clock in the afternoon, while weft winding is usually done between seven and nine o'clock in the evening. The average daily gross profit on sales for a lightweight dishcloth weaver of Rp. 707 is less than what an adult male can make hoeing for half a day (7 A.M. to 12 P.M.): Rp. 750 in cash, one meal, and one tea break, or Rp. 1,000 (no meals) in cash during periods of fasting. Moreover, daily gross profit on sales from weaving is about the same as the wage of rice transplantation and weeding work done by female agricultural laborers for half a day: Rp. 400–500 in cash, one meal and a tea break, or Rp. 600–700 during periods of fasting. Within the weaving industry itself, the average daily gross profit on sales of an independent weaving family is not all that different in amount of wage from a hired weaving wage worker who makes between Rp. 600–700 for a day (7 A.M. to 3:30 P.M.) and does not have to do any pirn winding, and was far below the minimum wage scale of Rp. 1,185 negotiated in 1985 between the trade union and factory owners in Majalaya for a seven-hour day.<sup>5</sup>

Figuring that a gross profit on sales of Rp. 32,000 for forty-five work days can be repeated 6.5 times per year, we come to a yearly amount of Rp. 208,000, which was equivalent to 740 kilograms of hulled rice at current prices during the survey (average retail price of hulled rice for the period surveyed was Rp. 225 per liter). Based on Sajogyo's (1977) estimate of 320 kilograms of hulled rice per person as the poverty line (*garis kemiskinan*) in rural Indonesia, this yearly income is sufficient to keep only 2.3 people above the standard, which is clearly not enough for the 23 weavers in our sample who average 4.4 persons per household.<sup>6</sup> In the case of the independent weavers in the sample, it can be safely assumed that the gross profit on sales from weaving constitutes the income of the entire household, and while this amount represents a lower wage scale than agricultural labor, it also shows the low level of income of weaver households.

These independent weavers must maintain their businesses by turning over a small amount of operating capital, like peddling a bicycle, in response to the small size of the gross profit on sales they make. Here is how they do it.

Independent dishcloth weavers must first purchase raw yarn before they can start



up operations. In the case of lightweight cloth, first, about 19.6 kg of warp yarn for winding warp beams must be obtained, and then a minimum purchase of about 5 kg of weft yarn will enable weaving to begin and produce about 24 dozen cloths in a week's time. These products are then handed over to a petty trader for Rp. 27,600 (1,150 per dozen). Of this amount Rp. 20,000 goes to the purchase of yarn, while the remaining 7,600 is used for "living expenses" (*resiko dapur\**). When the yarn on the warp beam is woven, money from gross profits on sales must be allocated to living expenses and to operating capital for purchasing another 19.6 kg of warp and 5 kg of weft to start the process all over again.

However, the delicate balance between living expenses and operating capital can be easily disturbed by such occurrences as the birth of a child, illness in the family, a circumcision ceremony, school expenses, or a delay in payment from a trader, all of which can cut into operating capital and potentially disable the bicycle-peddling management process.

### **Management of Village Traders and Markets**

In the survey kampong alone there are today five wholesalers capable of establishing putting-out arrangements with local weavers, while another fifty petty traders deal only with pre-finished gauze and dishcloths.

Of the seventy-one households surveyed, ten of them are gauze and dishcloth traders. There are a total of four households who have managed organizations of *hirkup* wage weavers, but now there is only one actually doing it presently. As will be explained in detail later, this trader who runs an organization of *hirkup* wage weavers requires capital means and management skills far superior to other traders and rates the title of a large-scale village textile trader. The three households that use to organize *hirkup* wage weavers and just may again, in addition to one other household who possesses both the capital and sales volume to potentially organize *hirkup* wage weavers, may be classified as medium-scale village textile traders. The remaining five are relatively small-scale textile traders.<sup>7</sup>

As to when each of these trading households got involved in textile commerce, one dates back to the 1950s, no businesses were established during the 1960s, four got started during the 1970s, and the rest came into existence during the 1980s. The business founder in the 1950s is Mr. V., who has already been mentioned as the manager of a weaving factory from that time. His major activity was in the manufacturing end of the industry until stagnation set into the rural textile sector as a whole. During the 1970s, Mr. V. shut down his factory and became a dishcloth and gauze trader, organizing *hirkup* wage weavers to supply his products. It should be clear that village-based textile traders became a local phenomenon only from the 1970s on.

#### *Village Textile Traders Before and After Entering Commerce*

Concerning what these ten traders were doing before entering commerce, the majority, or six, were weavers, and of the five large- and medium-scale traders men-

tioned above, four had been weavers. Let us look at this point in a little more detail and also take up some examples of how their commercial activities developed in terms of business scale.

To begin with, Mr. V. (fifty years old;<sup>8</sup> survey household No. 31 of RK2), a medium-scale trader who got started in the 1950s, was in 1962 the manager of a weaving factory licensed for fifty-four looms, but operated only thirty. He had joined the local cooperative, Koperasi Fajar, in 1956. Up until 1965 he had been weaving *belacu*, but then began producing pique. As mentioned before, he used the surplus from his allocated yarn to trade with local weavers for their *belacu* and sarong and sell these fabrics to Chinese traders. After the cooperative became dysfunctional in 1964 and Mr. V.'s weaving business hit rock bottom, he was able to keep only five or six of his looms in operation. Then after the market for pique completely collapsed in 1973, he began to specialize in the sale of gauze. In order to run his gauze business, he borrowed money from time to time from the Indonesia People's Bank (Bank Rakyat Indonesia) under its KMKP program, for the purpose of organizing *hirkup* wage weavers; but as the weaving industry of Ciluluk slowed down, so did concomitant commerce. In 1983 Mr. V. called upon seventeen of the most influential traders in the village to form a cooperative known as the Kelompok (group) Wargaluyu. The following year the group was registered with the Department of Health, since the public distribution system for hospital-use gauze involved orders to the state enterprise, PT Kimia Farma, for bandages, etc. to fill the demand from national hospitals and health centers. These orders filtered down to the village level through wholesalers. Mr. V., as head of the cooperative, urged the administration to change ordering practices so that the agency in charge could order gauze through the village level cooperatives. As a result, the local offices of the Department of Industry and the Department of Cooperatives (Kandep Perindustrian and Kandep Koperasi), together with the Chamber of Commerce and Industry (KADIN), all made their inspections, but the plan to obtain a supply allotment from the agency failed and the cooperative went out of business. Mr. V. then gradually moved into agriculture, farming the 0.48 hectare of *sawah* he had purchased during the 1960s and 1970s. However, having the potential to develop his business he can still be classified as a medium-scale village trader.

Another medium-scale trader, Mr. W. (forty-eight years old; survey household No. 61 of RK2), is the son of a weaver. From the time of his marriage in 1957, he started a small weaving business operating four looms producing sarong. By 1963 he owned six looms producing pique, and ten years later that scale had increased to a twenty-loom factory for *belacu*. In 1980 he shifted production to gauze and house-cloth, hiring twenty-six workers to do the weaving. It was at this time that he entered the field of commerce. Raw yarn was becoming harder and harder to come by at the marketplace, and the prices of finished products were not rising with the price of raw yarn, so he got out of the weaving business. After obtaining a commercial business permit (Surat Izin Usaha Perdagangan), he started textile-trading activities in earnest, borrowing Rp. 1.5 million (1 per cent monthly interest; lending charges 10 per

cent of the principle) from the Indonesian People's Bank under the KMKP program. He became a local wholesaler organizing *hirkup* wage weavers in the manufacture of gauze, dishcloth, and house-cloth. In 1983 he was swindled out of Rp. 1.3 million in a commercial deal and was forced to pawn a 0.096 hectare fish-raising pond to Haji F (discussed later) in order to make his loan payments. He abandoned his putting-out arrangements with *hirkup* wage weavers and is today a petty trader of dishcloth. His KMKP loan remains outstanding to the amount of Rp. 700,000, monthly interest payments of Rp. 7,000 and late fees of Rp. 2,500. In 1982 Mr. W. participated in the Department of Industry-sponsored Entrepreneurial Motivation Development Program and the West Java BIPIK Project<sup>9</sup>-sponsored Education and Training Program for Small-Scale Industry Entrepreneurs (Diklat Keusahaan Industri Kecil). The certificates acknowledging his participation in these programs hang on a wall of his house. In addition to his trading activities, Mr. W. farms a 0.24 hectare plot of *sawah*, which he purchased in the 1970s, and sharecrops another 0.24 hectare plot of *sawah* owned by a Chinese who lives outside the village.

The life of a petty trader who got into the dishcloth and gauze business with a very small outlay of capital contrasts greatly with the above medium-scale traders, who started out as weavers and then arranged putting-out relationships with *hirkup* wage weavers.

Mr. X. (twenty-eight years old; survey household No. 24 of RK2) is the son of a seller of fries for fish raising. He quit elementary school when he was in the fifth grade to work as a weaving wage worker in Ciluluk village. In 1984 he went to Bandung to work as a *becak* driver for five months, then moved on to Majalaya. That same year he acquired Rp. 43,000 from a mutual financing group (*arisan*) and sold his family's sewing machine for Rp. 40,000 to raise the initial capital (*modal*; discussed in detail in Chapter 5) to start trading in dishcloth. Today his sales volume has risen to 400 dozen lightweight and 200 dozen heavyweight dishcloths per month, a good business for such a small-scale operation. Recently, he purchased 2.4 ares of dry fields, but has not yet grown anything there.

In contrast to the medium-scale textile traders in the village who were once the owner/managers of weaving factories, the local small-scale traders hail from such occupations as petty weaver and *becak* driver, then back to *becak* driving. Now, what about the village's only large-scale textile trader among the households intensively interviewed?

Mr. J. (thirty-two years old; survey household No. 87 of RK2) is the first son of an agricultural labor *cum* weaving-factory worker. He left elementary school while still in the second grade to work in a local weaving factory. However, his potential skills were soon recognized; and in 1978 he married the third daughter of Haji H, the village's largest gauze wholesaler, and himself became a gauze trader in 1980. After he switched to dishcloth sales in 1982, his business boomed, enabling him to begin putting-out arrangements with local *hirkup* wage weavers. In 1984 he was able to purchase 0.32 hectare of *sawah*. At the time of the survey in October 1986, he had organized fifteen households of *hirkup* wage weavers, while at the same time buying

cloth from independent weavers. His monthly sales volume included 600 dozen lightweight, 400 dozen medium-weight and 450 dozen heavyweight dishcloths. He has *hirkup* wage weavers that are located in other kampongs and neighboring villages. Two of his *hirkup* wage weavers who live in the survey kampong have also been hired to work his *sawah*.

Mr. P. (survey household No. 93 of RK1, not included in the households intensively interviewed) is the largest dishcloth dealer in the whole village. As of 1986 he had organized about sixty *hirkup* wage-weaver households and boasted a sales volume of about 8,000 dozen cloths per month. From time to time he has received credit for small-scale industry from state-managed banks.

In sum, in the midst of the decline and stagnation experienced by rural cloth weaving from the late 1960s on, the local factory system was dismantled, and a portion of the factory owners went into the dishcloth- and gauze-trading business. Every active wholesaler in the village today is either a former factory owner or the kinsman of one. The other factory owners who did not turn to commerce, like Haji T., went back into agriculture and came to occupy the upper agrarian stratum in the village. We have also seen two medium-scale textile trader who received loans under the Indonesia People's Bank-sponsored KMKP program, but had to abandon their attempts to organize *hirkup* wage weavers due to such trouble as fraud.<sup>10</sup> Of the small-scale traders discussed, two had been former weavers and one a *becak* driver.

#### *Products, Customer Relations, Markets, and Profits*

Local wholesalers first supply yarn rated as unacceptable, but still of fair quality, to local weavers, when the cloth is woven, they grumble as they inspect the quality to ensure that they have a good supply with the proper product mix. The wholesalers will either hire workers (usually young, unmarried males) to do the preparatory work and/or finishing on a piecework basis<sup>11</sup> or consign the processing to home workers. Then there is the task of packaging the finish products, which is done mainly by household labor and partly by wage workers on a piecework basis. Then the items are sold at a relatively high price to a wholesale warehouse.

The products that are bought by petty traders from independent weavers are the result of transactions between these traders, who are unable to buy yarn in enough quality to put out to wage weavers, and those weavers who use the cheapest yarn (which easily tangles and upsets the weaving) in order to produce the cheapest lightweight dishcloths possible.

One way to cover the inability of each party to raise sufficient capital would be for petty traders to lend operating funds to weavers, but this seldom occurs. To the contrary, independent weavers, whenever they have made a surplus over necessary operating capital, will often sell cloth on credit to petty traders (called *nginjeum*,\* literally traders borrowing from producers) until the petty traders can sell the cloth to wholesale warehouses in Bandung and Jakarta. Of the ten interviewed traders of the survey kampong, eight of them responded that they "frequently" borrow cloth from weavers on credit, or borrow cloth on consignment "for a fixed period during the year," like a few months after *Lebaran*, the feast day that marks the end of Islamic fasting. On the

other hand, eleven of the twenty-three households engaged in weaving responded that they either “frequently” or “occasionally” lent cloth to petty traders. Almost none of the small-scale traders hire wage workers, while medium-scale gauze traders will hire workers (usually young, unmarried males) on a piecework basis to do the processing. However, both groups of traders commission home workers to do such tasks as hem stitching and packaging in sterilized oil paper.

The petty traders transport the packaged cloth to Jakarta and Bandung via the cheapest means possible. There they peddle it while staying in low-class hotels, mosques, or the homes of friends and relatives to minimize marketing costs. These traders are able to continue their commercial activities with credit and trust as their only capital at times. However, for one or two months out of the year business stagnates to a point where both weavers and traders face dire straits. Needless to say, instability is a keyword in the business dealings of these small artisans and traders.

Credit plays another part in this process, as independent weavers borrow yarn from dealers at the market in Majalaya. However, the quantity ranges between 2 to 8 kilograms at the most.

Turning to what kinds of market local traders have been able to open or tap into, local dishcloth wholesalers use local transporters to delivery goods to Chinese-run wholesale warehouses in the Tanah Abang textile market at Jakarta and are paid by check (*cek*). Goods are also sold to other markets in Jakarta and the Chinese-run wholesale warehouses at the Pasar Baru bazaar in Bandung. The products are not exported, but are distributed to points throughout the country as far away as Medan in Sumatra and Kalimantan, and can be seen on the display shelves of supermarkets in large cities.

Petty traders, on the other hand, carry their own goods to Chinese-run wholesale warehouses and retailers in towns and cities all over West Java and Jakarta. There are also those who peddle small quantities to retail shops and side-street stands. Village traders and their agents can be seen in Jakarta with their arms full of packaged cloths peddling them around Pasar Pagi bazaar. Payment for the goods displayed in retail shops can be either cash on delivery or cash for goods sold.

Here we see the village’s wholesalers plugging into a very broad sales network, while petty traders travel around supplying customers and trying to open up new markets. Both of these activities constitute attempts to get through the crisis that struck the weaving industry in and around the survey kampong at the beginning of the 1970s. Checks are discounted in Majalaya<sup>12</sup>, and sometimes they are dishonored, causing serious management problems for local traders. The plastic bags containing the dishcloths are printed (by a local printer in the village) with a trademark that is counterfeit copy of one used for machine-woven products, but traders can tell the difference at a glance.

The situation is basically the same in the case of gauze traders. Gauze is supplied to state-run medical and health product sales companies by a number of state-designated medical product trading firms and wholesalers. There are local gauze wholesalers who have been granted supply allotments from the state-run trading company, but this probably will not last long. The failure of Mr. V. to form a gauze cooperative

in order to gain such an allotment is a case in point, meaning that in the end products made around the survey kampong will go to wholesale warehouses and medical product manufacturers, then to other such makers, or will be directly delivered to the state trading company and then supplied to hospitals and pharmacies. Local wholesalers and medium-scale traders with a fixed sales volume have the trademarks of their customers printed on the products, this time legitimately, before they deliver the goods.

There are also petty traders involved in the gauze business who do not have the wherewithal to organize their own *hirkup* wage weavers. Most of them either print

TABLE 4-3  
PROFIT AND LOSS STATEMENT AVERAGES FOR DISH CLOTH AND GAUZE TRADERS, SEPTEMBER 1986

	Small-Scale Traders		Medium-Scale Traders		Large-Scale Traders	
	Amount (Rp.)	% of Sales	Amount (Rp.)	% of Sales	Amount (Rp.)	% of Sales
A. Sales	624,170	100	1,529,991	100	5,000,000	100
B. Cost of goods sold	475,811	76.2	1,186,891	77.6	3,801,243	76.0
Materials:						
Raw dishcloth and gauze	448,628	71.9	1,164,038	76.1	1,160,000	23.2
Yarn supplied to <i>hirkup</i> wage weavers	0	0	0	0	1,713,149	34.3
Tags	893	0.1	540	0.0	7,200	0.1
Sewing Thread	754	0.1	450	0.0	2,250	0.0
Bleach	3,982	0.6	6,000	0.4	54,400	1.1
Dye	2,297	0.4	2,735	0.2	13,333	0.3
Sizing	1,311	0.2	228	0.0	33,651	0.7
Firewood	0	0	0	0	2,400	0.0
Wages:						
Sizing, dying, bleaching	0	0	0	0	25,020	0.5
Expenses:						
<i>Hirkup</i> wage weaving	0	0	0	0	648,000	13.0
Calendering	5,568	0.9	3,150	0.2	69,840	1.4
Hem stitching, gauze packages making	12,378	2.0	9,750	0.6	72,000	1.4
C. Gross profit on sales	148,359	23.8	343,100	22.4	1,198,757	24.0
D. Selling expenses:	50,333	8.1	186,424	15.0	412,211	8.1
Package printing	2,188	0.4	2,250	0.1	10,000	0.2
Transportation, delivery	38,327	6.1	32,725	2.1	80,000	1.6
Packaging paper, boxes, bags	3,125	0.5	42,799	2.8	3,500	0.1
Paint, oil	48	0.0	162	0.0	211	0.0
Other packaging cost and wages	0	0	41,891	2.7	22,500	0.5
Nylon packages	5,760	0.9	28,500	1.9	40,000	0.8
Discounted check	0	0	37,500	5.2	250,000	5.0
Other	885	0.1	597	0.0	6,000	0

TABLE 4-3 (Continued)

	Small-Scale Traders		Medium-Scale Traders		Large-Scale Traders	
	Amount (Rp.)	% of Sales	Amount (Rp.)	% of Sales	Amount (Rp.)	% of Sales
E. Operating profit	98,026	15.7	156,677	7.5	786,546	15.7
F. Operating profit per day	3,268		5,223		26,218	
Sample number	5		4		1	
Initial operating capital <sup>a</sup>	173,344		570,254		3,346,004	
Profit/capital ratio <sup>b</sup> (%)	28.3		13.7		15.3	

Source: Surveys carried out by the author.

Notes: 1. Wages of the traders and their families have not been included in the calculations.

2. In order to get an idea of real costs, discounted check, taxes, and other costs have been calculated as selling expenses.

<sup>a</sup> Initial operating capital is thought to include costs to raw dishcloth/gauze for a half month, all expenses of the *hirkup* wage weaving of a pre-wound warp beam, and selling expenses for the finished products.

<sup>b</sup> The profit/capital ratio is operating profit divided by initial operating capital multiplied by 100.

no trademarks or counterfeit ones on their products, which mainly include gauze and bandages for the retail trade, and sell them to both wholesalers and retailers.

Table 4-3 shows the sales volumes and operating profits of various cloth traders classified according to scale. Wages of household members have not been included as an expense. The table clearly shows the differences in purchasing, sales, and profits between small-scale traders and medium- and large-scale traders. We should mention that the operating profit of small-scale traders is greater than the gross profit margin of weavers. Case by case data tells us that only one small-scale trader surveyed made less than Rp. 1,000 per day, like the independent weavers studied. However, as we will see in the next chapter, the average trader requires more operating capital than his weaver counterpart.

#### *Market Conditions and the Weaving Industry in the Survey Village*

It is by the above-mentioned methods that weavers in the survey village make low-quality products which sell at inexpensive prices. For example, at a well-known supermarket on Thamrin Street in Jakarta, the same heavyweight dishcloths as dealt by wholesalers in Ciluluk were as of August 1986 selling for between Rp. 400 and Rp. 500 a piece, while a popular brand of comparable power-loom woven dishcloths (the trademark of which the village weavers counterfeit) sold for Rp. 800-900 a piece. Moreover, the poorest quality lightweight dishcloths made in the village by independent weavers and sold to retailers were going for Rp. 200 a piece. It is the same in the case of gauze made in the village. Woven products of the study village are much cheaper than power-loom woven products and marketed to lower income groups in the cities and villages.

This is how rural-made industrial products came to meet the demand of low-in-



come urban and rural groups during Indonesia's economic growth period that began in the latter half of the 1960s. The survey kampong's cloth weaving industry, which formed its division of labor for the purpose of producing and marketing inexpensive goods, has indeed survived and grown in response to an increase in demand for such goods.

Nevertheless, as the incomes of consumers continue to rise in real terms, we will no doubt begin to observe a trend in demand towards better quality products. Even in the survey kampong, the products made under the putting-out system of local wholesalers are of fairly good quality, since they use the best of the "unacceptable" standard yarn available. We will discuss in the following chapter if village weavers will be able to respond to such a demand trend in terms of transition to factory production that can make relatively high-quality items.

## Notes

- 1 The putting-out arrangement in Majalaya is called *makloon*, in which a wholesaler or large-scale power-loom weaver typically hands over to the wage weaver a prepared roll of warp yarn called a warp beam. In contrast, the *hirkup* putting-out arrangement is characterized by a wholesaler handing over unprepared yarn to the wage weaver.
- 2 Products of unacceptable quality and even scrap are used widely by the small-scale manufacturers in Indonesia. Blacksmiths (*pandai besi*) use scrapped train line rails. The portable kerosene furnace makers of Citeureup (Bogor District) use discarded oil drums. According to a survey of ninety-eight businesses by the Padjadjaran University Management Institute (Indonesia 1980b: 48), twenty-five of them responded that they use scrap materials.
- 3 The Rp. 1,134 to the U.S. dollar exchange rate of September 12, 1986 has devaluated to Rp. 1,644 per U.S. dollar.
- 4 According to Hill (1979: 304), who carried out a survey in Majalaya during 1976, hand-looms in good condition were selling for Rp. 10,000, while in Bali, where the hand-weaving industry has not yet declined to any critical extent, a comparable loom was selling for Rp. 50,000. In another study, Hill (1980: 95) mentions that a brand-new hand-loom would run between Rp. 50,000 to Rp. 75,000, while a good used model could be purchased for about Rp. 10,000. These figures are not very different from what this surveyor found in the kampong surveyed and Majalaya in 1986. Incidentally, almost all of the hand-looms being used at that time in the kampong had been manufactured in the Sorean region (Bandung District) around 1938 and bore the trademark "Hasan." Assuming the difference between the prices of hand-looms in 1938 and 1986 as similar to the difference between *sawah* and other prices for the two years described in Chapter 3, a hand-loom should have been worth Rp. 500,000 in 1986. In the midst of the hand-weaving industry's decline from the last years of the 1960s, the prices of looms became very depressed and remained so thereafter.
- 5 The figure quoted here is the minimum wage scale (Hardjono 1990: 33) contained in the collective labor agreement (Indonesia 1980a) reached in 1985 between the West Java Regional Headquarters of the Textile and Garment Union (P.D. SBTS-FBSI JABAR), All Indonesian Labour Federation (FBSI), and the All Indonesian Textile Enterprises Association (PERTEKSI) Representative of West Java.



- 6 The poverty-line standard mentioned is an average taking into consideration differences between adult and child requirements.
- 7 The classification of the kampong's traders into large-, middle-, and small-scale traders was done on the basis of actual status differences that exist among traders in the village. These differences stem from not only the characteristics mentioned in the text, but also perceptions as to how they fit into the village's social structure. This classification is also an attempt to investigate rural industrialization in relation to agrarian stratification. The reader should also be aware that the distinction made in the present research between "local wholesalers" and "petty traders" has been done so on the basis of whether they organize *hirkup* wage weavers.
- 8 All ages given are as of the survey year 1986.
- 9 Proyek BIPIK (Proyek Bimbingan dan Pengembangan Industri Kecil—Program to guide and development small-scale industry).
- 10 There is the case of one gauze trader who received in 1983 an order for Rp. 5.5 million worth of cloth from a company in Bandung through a relative in Cicalenga who was a middleman (*calo*). The company made a prepayment of Rp. 500,000, and the trader began filling the order in places like the survey kampong. After the trucks came from Bandung and picked up the gauze, the trader went to the company, found it closed down and the company management nowhere to be found. He notified the police and bore the expenses for an investigation into the incident, but the culprits were never found, and little headway could be made with the middleman in Cicalenga. Incidents of such fraud are frequent in the textile trade.
- 11 Mr. P., the largest wholesaler in Ciluluk village, has a continuous labor force of pieceworkers under his hire.
- 12 In Majalaya a check dated (issued) one month previously will incur service charges of 10 per cent.