Batik Laweyan: The Rising and Falling Tide of the Indigenous Entrepreneur
CONTENTS

PREFACE ................................................................................................. v
DEDICATED ........................................................................................... vii
FOREWORD ............................................................................................ viii
CONTENTS ............................................................................................. x
LIST OF TABLES ................................................................................... xv
LIST OF DIAGRAMS ............................................................................... xvi

CHAPTER I INTRODUCTION ........................................................................ 1
1.1. Reasons behind the Research on the Laweyan Batik Industry ......................... 1
   1.1.1. Development of the Batik Industry and the Laweyan Community .................... 6
   1.1.2. Beginning of the Establishment of National, Social, and Political Organizations in the Laweyan Community ...................................................... 8
   1.1.3. Laweyan Entrepreneurs from the Perspective of the National Endeavour to Develop Successful Indigenous Entrepreneurs ........................................ 9
   1.1.4. Description of the Process of Batik Production ........................................... 11
1.2. Focus of the Research ........................................................................ 13
1.3. Research Scope: Batik Entrepreneurs and Members of the Laweyan Community ................................................................. 14
1.4. Research Goals .............................................................................. 16
1.5. Benefits of the Research ................................................................... 16

CHAPTER II THEORETICAL PERSPECTIVE AND LITERATURE REVIEW. ........ 19
2.1. Social, Cultural, and Political Factors .................................................. 20
2.2. Social Capital .................................................................................. 21
   2.2.1. Approach to Social Capital ................................................................ 22
2.2.2. Concept of Social Capital ........................................... 23
2.2.3. Definition of Social Capital ....................................... 26
  2.2.3.1. Definition of Social Capital according to Bourdieu ...................... 28
  2.2.3.2. Definition of Social Capital according to Coleman ...................... 29
  2.2.3.3. Definition of Social Capital according to Putnam ...................... 31
  2.2.3.4. Definition of Social Capital according to Fukuyama .................... 32
  2.2.3.5. Definition of Social Capital according to Grootaert and van Batelaer .... 37
2.3. Economic Approach to Social ........................................ 44
  2.3.1. Game Theory Approach to Social Capital ............................. 44
  2.3.2. Approach to Investment Decisions/Accumulation of Assets for Social Capital 51
2.4. Economic Action, Social Action, and Social Structure .............. 53
  2.4.1. Economic Action as Social Action ...................................... 54
  2.4.2. Social Structure and Social Action ..................................... 58
2.5. Measuring the Dimensions of Social Capital .......................... 61
2.7. Studies about Social Capital .......................................... 71
  2.7.1. Study by Knack and Keefer ............................................. 72
  2.7.2. Study by La Porta et al .................................................. 74
  2.7.3. Study by Bengtsson et al ............................................... 75
  2.7.4. Study by Miguel, Gertier and Levine ................................... 76
  2.7.5. Study by Berggren and Jordhal ....................................... 77
  2.7.6. Study by Isham and Kahkonen ....................................... 79
  2.7.7. Study by Grootaert ...................................................... 82
  2.7.8. Study by Sawyer, Crownston, Wigand and Allbritton .................... 84
  2.7.9. Study by Falk and Kilpatrick ......................................... 85
2.8. Culture ........................................................................... 86
2.9. Politics ...................................................................................... 88
2.10. Summary of Theoretical Perspectives .................................. 89

CHAPTER III RESEARCH METHODOLOGY .................................. 95
3.1. Grounded Theory Qualitative Approach ............................... 95
3.2. Units of Analysis: Entrepreneurs as Individuals and as a Community ......................................................... 101
3.3. Research Location ................................................................. 101
3.4. Data Sources .......................................................................... 102
3.5. Data Collection Techniques and Informant Selection .......... 103
3.6. Data Analysis Techniques: Constant Comparative Analysis ................................................................. 105
3.7. Reliability and Validity of Data ............................................. 108

CHAPTER IV HISTORICAL, SOCIAL, ECONOMIC, AND POLITICAL PERSPECTIVES OF INDIGENOUS ENTREPRENEURS .......... 111
4.1. Historical Perspective of Economic Growth and Institutional Change .......................................................... 111
4.2. Indigenous Entrepreneurs from a Historical Perspective ....... 111
  4.2.1. Indigenization ................................................................. 116
  4.2.2. Middle Class and Government Role .............................. 118
  4.2.3. Capitalism and Marginalization .................................... 126
  4.2.4. Capitalism and Social Capital ...................................... 128
4.3. Summary ............................................................................. 129

CHAPTER V SOCIAL HIERARCHY AND CYCLE OF LAWEYAN BATIK INDUSTRY .................................................................. 135
5.1. Social Hierarchy of Laweyan Batik Entrepreneurs ............... 136
  5.1.1. Geographical Location ................................................... 136
  5.1.2. Inhabitants ................................................................. 137
  5.1.3. Social Structure ........................................................... 138
5.2. Success of Batik Entrepreneurs and Government Role ....... 143
5.3. Period of Decline ................................................................. 146
5.4. Difficult Times ................................................................. 149
5.5. Social Hierarchy, Social Action, and Social Capital ......... 150
CHAPTER VI ATTITUDES OF BUSINESS PEOPLE AND FUTURE PERSPECTIVE OF THE LAWYEYAN BATIK INDUSTRY ........................................ 153
6.1. Introduction ........................................................................ 153
6.2. Attitudes of Entrepreneurs during the Period of Success .................................................. 154
6.3. Attitudes of Entrepreneurs during the Period of Decline .................................................. 160
   6.3.1. Laweyan Batik Kampong .............................................. 162
6.4. Role of the Market in the Laweyan Batik Industry .................................................. 168
   6.4.1. Pasar Klewer as a Centre of Information and Actualization of Laweyan Batik Entrepreneurs .............................................. 169
   6.4.2. Decline in the Role of Pasar Klewer in the Laweyan Batik Industry .................................................. 178
6.4.3. Future Perspective of the Laweyan Batik Industry .................................................. 182
   6.4.3.1. Perspective of Social Capital in the Success of the Industry .................................................. 182
   6.4.3.2. Perspective of Social Hierarchy in the Success of the Industry .................................................. 185
6.5. Summary ........................................................................ 189

CHAPTER VII DISCUSSION AND THEORETICAL CONSTRUCTION OF THE EXISTENCE OF THE LAWYEYAN BATIK INDUSTRY .............. 191
7.1. Social and Cultural Aspects in the Vertical Mobility of the Laweyan Community .................................................. 191
   7.1.1. Period of Success of the Batik Industry .................................................. 191
   7.1.2. Era of Independence .................................................. 199
   7.1.3. Summary ........................................................................ 202
7.2. Social and Political Dynamics in Laweyan .................................................. 203
   7.2.1. Period of Success in the Batik Industry .................................................. 203
   7.2.2. Independence Era and Beginning of the Decline of the Laweyan Batik Industry .................................................. 206
7.3. Manifestation of Social Capital in Laweyan Trade Networks .................................................. 208
   7.3.1. Batik Trade Networks in a Social, Cultural, and Political Context .................................................. 208
7.3.2. Failure of the Formal Coordination Mechanism to Replace the Informal Trade Network in the Laweyan Batik Industry ........................................... 212
7.4. Propositions for Social, Cultural, and Political Factors and their Connection with Social Capital ........................................... 214
7.5. Major Propositions ......................................................... 217
7.6. Theoretical Construction ................................................... 219

CHAPTER VIII CONCLUSIONS AND IMPLICATIONS ....................... 223
8.1. Conclusions ................................................................. 223
8.2. Implications ................................................................. 228

INDEX ...................................................................................... 232
REFERENCES ........................................................................... 234
This book aims to explain the dynamics of the Laweyan bank industry, which in the past enjoyed a period of great success and today is struggling to survive. The social structure of Javanese society, and especially the Solo community, is well known for the social hierarchical relationship between the upper class, or priyayi, and the proletariat or peasants. This hierarchical relationship reflects the relationships of power, dominance, community, culture, politics, economy, and wealth. In this social structure, merchants do not belong either to the upper class or to the peasant class. Their status falls somewhere between these two classes but they have no power over the class below them, unlike members of the priyayi.

After independence, the increased access to vertical mobility in the community, through education, meant that members of the Laweyan community became less interested in becoming entrepreneurs. For this reason, becoming an entrepreneur was the final choice of occupation when the possibility of becoming a new priyayi, either by becoming a civil servant or another highly regarded occupation, was already closed. On the other hand, the various forms of formal social coordination mechanisms that already existed were unable to replace the role of social capital as an informal coordination tool.

Albertus Maqrus Soesilo is a lecturer in the Faculty of Economics and Business at Universitas Sebelas Maret. He earned a BA degree from Universitas Gadjah Mada, a Master's degree from Pittsburg State University, Kansas, USA, and a Ph.D. from Universitas Brawijaya. Dr. Soesilo currently teaches and researches in the field of industrial and institutional economics.