



A Phenomenon of Spatial Economic Democracy: Emerging Small-Medium Enterprises along the Street Corridors of Yogyakarta, Indonesia

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ABSTRACT

In the case of Indonesia, the development of economic activities and physical growth of cities are mostly done by small and medium actors. The activities are scattered in strategic locations known as “fast growing areas”. Certain aspects, such as: changes in business climate, global economic crisis, as well as the influence of democracy and decentralization on the Indonesian economy, have marked the growth of self-sufficiency and the increase of spontaneous efforts of communities for economic development. All of these have implied rapid changes in using every lot of land considered suitable, especially along the street corridors of urban areas. This study investigates the phenomenon of the growing small-medium businesses along the main street corridors in Yogyakarta City, Indonesia. Applying qualitative approach, with field observation and interview methods, findings of this study show that communities actually expect a real economic development, and physical development of the city can help the spread of retail businesses as part of fulfilling their facility needs. Furthermore, urban development, which is marked by the growth of many small and medium enterprises in Yogyakarta, indicates spatial democracy, the dynamics of which are based on the spirit of the economic life of the society.

1. INTRODUCTION

Population affects the physical development of a city because the increase of population will add new activities and will consequently have effects on the formation of the supporting activities. It is expected that over the next decade more than 70% of the world's population in developing countries would live in urban areas [25].

There are various activities that characterize urban areas, such as: residential or settlement activities, transportation, industrial, commercial, entertainment activities and services. In the view of Gallion and Eisner (1983) the word “city” as a place of concentration implies territorial population that can permanently

provide support to economic activities [18]. The support could be in terms of centre of town, centre of activities of the exchange of goods and people, educational activity centre, centre of administration of the existing urban activities and diversity in regional activities that opens opportunities and attractiveness of rural people to come into town.

In case of urban development, each activity has distinctive characteristics that affect the selection of location. Economic activities, trade and services for example, are more likely to grow in strategic places. The urban commercial activities have an enormous influence on the economy of the whole city as Gabriel (2013) has asserted that a city can be considered a capitalist space [19].

Urban development is inseparable from urbanization, which occurs in practically all countries in the world. Urbanization is a process towards community and economic development in material civilization through massive scale industrialization that occurs in urban areas [7], [42], [33].

Yogyakarta is just like many other cities in Indonesia, in the sense that urbanization and development are interrelated [15], [28]. While development is often understood mainly as economic growth, urbanization can be seen among the results of development process, in which there is a tendency of capitalistic approach. It can then be said that the implication of the urbanization is a process of capitalist development in a democratic community.

Urbanization as part of the development process cannot be separated from the aspect of "space" in which the process takes place, and space cannot be separated from land that is a natural resource needed to support human needs [33]. Basically the availability of land is limited, while the demand for it tends to increase continuously, i.e. for urban needs such as housing, offices, trades, commercial services, industries, and for non-urban needs such as supporting urban agriculture, farming, plantations, and agro industries.

Among the activities that have lately been growing rapidly along urban collector streets are small businesses. Actually, the spatial growth of trading activities into a row of shops on the roadside, which eventually tends to form a permanent commercial district, has long been found in many cities. Even in Indonesia, the existence of this kind of growth was found in the colonial period, done by native as well as non-native businessmen [21].

The interesting aspect is that retailers generally invest expecting for immediate profit and return [22]. However, in Yogyakarta it is indicated that many small-medium businesses do not only consider the short-term profit but also think for the long-term one by investing in the property sector, namely purchasing land plots for the businesses. They are often found in one location, and the business conducted is subject to change, especially when it is considered unprofitable, i.e. the benefit cannot cover or refund the cost of the property investment.

The implication is that the next property buyers are usually entrepreneurs who capitalize and develop creative businesses in order to survive the increasingly fierce competition. The original affected landowners are thus forced to sell their properties because they have failed in the competition.

This study is aimed at answering the following questions:

- What factors have encouraged the growth of the commercial areas dominated by small to medium retail businesses in the urban Yogyakarta?
- Which factors are dominant and why?

- How are these factors working and could a new theory be developed from the phenomenon?

2. THEORY AND METHODOLOGY

2.1. The growth of small-medium enterprises in urbanized area

Entrepreneurship is defined by Cole (1959), Davidson (2011), and Steyaert and Hjorth (2008) as an activity that involves the creation, maintenance or extension of a profitable business. Gartner (1990), in refining the definition of Cole, explains that entrepreneurship comes from the behaviour that leads to the formation of a new organization, that is, innovation [17].

Cuervo et al. (2007) also support this view. Venkataraman (1997) describes entrepreneurship as the production of new goods or services, as the opportunity, with all its consequences, and as a new business initiative designed and then developed to meet the needs of the market [43]. Meanwhile OECD (2007) describes entrepreneurship as a means and process of creating and developing creativity-based economic activities and innovations, and full of risk, and then run the new organization or the existing one [31]. Entrepreneurship can also take the form of purchase procedure, with some form of change, both in terms of organization or product marketing. If the purchase does not result in a change in management, it cannot be said to be entrepreneurial. For example, buying or investing in a franchise business that is controlled by a network of big business, in this case, buyers of the franchise management can be described as investors, so they are not businessmen. Similarly, if the change is only for companies that are bought purely juridical form of business only, then it cannot be categorized as an entrepreneurial activity.

Also, entrepreneurship is often associated with the creation of a new business venture, or self-employed, and an expression of entrepreneurial behaviour. It is also associated with the activity of economic enterprise in a broader scope, either by building a new business, solving business problems, or deciding to go back to business as before, but each individual entrepreneur needs to be alert to the possibility of changes in the economic situation that can affect their lives, although slightly. Every individual is a potential business innovator and always looks for better ways to do things. Thus, entrepreneurship is the character of human behaviour doing a new venture. Because entrepreneurship is an attribute of human action, it can be said that all individuals are self-employed entrepreneurs. However, some individuals may be more entrepreneurial than others, and the entrepreneurial behaviour of some groups may appear to differ systematically compared with others. It is

because every decision process is shaped by cognitive and emotional states that affect how individuals learn and feel about an important attribute for them [29]. In addition, becoming entrepreneurs is a result of various factors including relatives, parents, and the milieu [24].

The hypotheses from Clifford Geertz (1963) about the Indonesian indigenous entrepreneurs are worth noting, as follows:

1). Entrepreneurs generally appear within a homogeneous environment and community groups and have distinctive characteristics that distinguish them from other factions in the society. The emergence is generally a crystallization of the larger segments of society, which has a long history as a class of “the external” that has the same orientation over a wider area.

2). At the ideological level, this group of entrepreneurs see themselves as the perfect container of religious values and amid great moral society which they consider heretical, conservative or apathetic.

3). Successful reforms and renewals of the problems faced by this group are generally organizational rather than technical.

4). The main task of the native entrepreneurs in a society that is in transition and pre - off - runway period is that they use traditional ways to achieve new goals.

Geertz’s opinions on the factors affecting the early development of small businesses are as follows:

- it was due to the impact of the development of the plantation economy, where small traders who became bigger in number and clustered based on their areas of origin worked professionally;

- the presence of Arab merchants who broadcasted the development in the religious groups and the establishment of community-based organizations as well as regional and national networks of the small businessmen;

- the existence of the gentry as a group of high prestige traders has a crucial role and a very dynamic mobility;

- another group is the “little people”, with the greatest number, who would later become the group of small traders in the market places and on the streets (the PKL).

2.2. The populist economy and economic democracy in cities

The physical growth of the Indonesian cities is likely to experience sporadic pattern mainly due to the rapid growth of commercial activities. At least five important issues are there. First, rapid urbanization has been causing excessive rural-urban migration, especially due to lack of job creation in the rural agricultural economy that can also be related to

increasing poverty in rural areas [33], [16]. Agricultural economy is considered much less promising for future life by the rural youth, which makes them urban oriented. On the other hand, cities are unprepared in providing jobs for the fast increasing population, especially for the migrants [34]. It is also due to the less optimal city planning for the development of economic activities that meet the needs of the population, especially regarding business development.

Third, economic activities undertaken by merchant community, aristocratic merchants and religious groups affect the growth of urban space utilization, and it has long been there in Indonesia since the colonial period [21]. However, it has not until now been anticipated by many of the urban plans, shown by the discrepancies in the implementation [4], [5], where planned land for non-commercial use can easily be changed to commercial utilization. This is especially so for urban street corridors having strategic value for community economic activities on small-medium scale, which grow fast either regularly or sporadically. Fourth, the emergence of new centres in rapidly growing urban areas, which is not followed by the provision of spaces, facilities and infrastructure to support the economic activities, makes the impression that cities grow sporadically [1].

Finally, the democratization in Indonesia has demanded populist economy [34], [40], and this is practically understood by people with expressing their economic freedom either formally or informally (in terms of street vendors or PKL = *pedagang kaki lima*), which ultimately will affect the freedom in the use of space for economic activities.

De Tocqueville (1985) has made a forecast, or a sense of fear that disclosure would lead to a redistribution of excessive democracy [13]. Economists estimate that the redistribution has aggregate costs and expenses which may be exploited by political actors, and it will give effect to the reduction of the redistribution of the benefits received by the community [6].

Recently, commercial activity is growing rapidly along the city streets, especially the retail businesses [10].

In Indonesian cities, the phenomenon has encouraged, to a significant extent, the involvement of the majority of people, including the rural migrants, in productive activities (see Sugiri et al. (2011) for the case of Semarang). The growth is due to the influence of the general living pattern of the urban community, i.e. living, working and shopping [39].

People can take advantage from the opportunities in the growth of commercial activities that is found in almost every corner of the city, particularly in strategic areas. The activities are growing and located in the living, working as well as shopping

places. Where there are growth centres in the city, there will be rampant growing of commercial areas. This condition is more prevalent in the last decade when Indonesia has become more democratic. This can contextually indicate a result of economic democracy to meet the needs of the society on the whole, and an expression of the individuals practicing economic democracy [34], [30], [2].

While democracy itself is literally taken from the word *kratos* that is in the hands of *demo* (in Greek), it also embodies the sense of spatial differences. With regard to democracy in the spatial sense, the most important is an understanding on *'oikos*, *agora* and *ekklesia*. *Oikos* is a space within the scope of private households, where one of them is free from the influence of political power. *Agora* is a space that is used for market place, where there are commercial transactions between the private and the public. *Ekklesia* is a space for political activity conducted formally, where people come together to make collective political decisions that are binding.

Some compelling argument can be made by thinking of the main differences in space and especially as metaphor that should not be taken literally in the physical sense.

Thus, they can be referred as three different epistemic attitudes. First, there is the attitude that comes with the solipsistic mind, and it is characterized by infinite freedom but dangerous claustrophobia. Then, there is that one enjoys looser attitude in conversations with friends and colleagues, in which ideas can be explored uncharted and one can change one's mind without losing face. The third is the attitude of the rigid and formal speech to the public, in which ideas and words need to be delivered calmly, so that they can be justified by everyone [20].

There are two important things for cities to be considered as spatial democratic space for the people [27]. First, cities are often used to develop democratic practices by the society. In particular, interpersonal relationships and intensity of contact between community members are facilitated by the city, for example the city as a place to practice participation, or at least to allow democratic practices to thrive. Second, the city can be seen as the space that is quite important for the development of democracy.

The role of city government in relation to the history of the geo - transformation is an important key to the political institutions that are involved in promoting development through scale changes in political organization.

The reorganization of the political landscape that occurred earlier than the modernity associated with the development of "national" or the territorial state is influenced by the spatial structure of cities, which is shown by the mosaic of land ownerships and the development of the city networks.

2.3. The research paradigm and approach

This study investigates the rapid growth of commercial areas dominated by small and medium enterprises evolving retail businesses as an interesting phenomenon. When linked with the position within the framework of scientific research, this study can be classified as a qualitative research.

It is understandable that a reality would be viewed differently by different societies. This applies to many of the urban development aspects, especially those involving dynamic social, cultural, political and economic processes [32]. A spatial planning study in Aceh also confirmed this view when sustainability indicators were defined by the people themselves [36].

In such paradigm, the purpose of research is usually to develop a local theory, which is constructed or grounded from the experience of the community or resource groups studied. Researchers can add further insight into the understanding of the experience. In essence, grounded theory seeks to achieve a theoretical or conceptual understanding through a gradual process and is done inductively. Therefore, this study also emphasizes on objectivity; however, it remains dependent on criticism and transformation of the socio-economic changes that grow in the community in order to reveal the actual conditions [41], [32], [9].

As apparent from the research questions, this study can be considered a preliminary step towards constructing such a theory. Social constructivism is the philosophical basis, so the information is obtained from field observation and in-depth interviews with key persons.

2.4. Research stages and methods

Six research stages have been completed in this study. First, field observations were done [41], [44]. The initial one was to directly observe all participants in their environment. The participants are those involved in small and medium businesses and affect the urban environment as it is the place of their activities. The observation object is Yogyakarta urban area where small to medium retail businesses are growing along the collector street corridors. Taking into account the homogeneity of the commercial activities involving small and medium retail businesses, more detailed observations were then conducted along corridors that have relatively specific and unique characteristics (e.g. have historical-philosophical values; are developing under the influence of the growth centre with specific activities, i.e. educational activities; the existing activities can mutually support or interact with each other or have a common consumer market).

Second, clustering or grouping was done [26], [23]. Clustering means grouping into several clusters the retail businesses that have similar characteristics

and which are scattered in Yogyakarta. These clusters were then approached as units of spatial analysis where more detailed observations were done, as mentioned above. Third, in-depth interviews with key persons were done. The key interviewees were purposively selected from the population, i.e. those engaged in small-medium retail businesses in each cluster. In addition, interviews were also done with related experts and public figures.

The next stage was documentation. It was to document the results of the observations and interviews in the forms of photographs, digitized maps, recordings, and transcripts. The fifth stage was coding for structuring all the information from previous stages so that analysis could be done more easily and precisely [38]. Coding is used to facilitate researchers in analyzing the data and drawing the conclusions of the study.

Finally, the last stage was the verification of findings. It is a technique for checking the validity of the research temporary findings from the field. In this case, the findings from interviews with the key persons are juxtaposed with the opinions of the related experts and prominent leaders of the region. It is worth noting that only validated findings can be used to conclude the study.

3. RESULTS AND DISCUSSION

3.1. Yogyakarta City: the historical concept

Yogyakarta city development cannot be separated from the history of the city, which originates from the "Gianti Agreement" on February 13, 1755. The agreement was signed by the Dutch Colonial Governor Nicholas Hartingh on behalf of the Governor General Jacob Mossel. This is considered the initial formation of the City of Yogyakarta in the history of "splitting the country" (Mataram Kingdom) into two parts, i.e. one half for the Kingdom of Surakarta (Susuhunan Paku Buwono) and the other half for the Prince Mangkubumi to be his kingdom. The agreement also recognized the Prince Mangkubumi with the title of Sultan Hamengku Buwono Senopati Ing Alega Abdul Rachman Sayidin Panatagama Khalifatullah. After the completion of this kingdom divide agreement, Sultan Hamengku Buwono I immediately decreed his kingdom as Mataram and named its capital as Ngayogyakarta (Yogyakarta). This decree was announced on March 13, 1755. The place chosen to be the capital and administrative centre of the kingdom was called the Banyan forest, where there was a small village called Pachtokan and a rest house named Garjitowati. Susuhunan Paku Buwono II was the first who named the place, and it was later changed to Ayodya. After announcing the above decree, Sultan Hamengku Buwono immediately ordered the people to

clear the forest and establish the palace and the capital city of Ngayogyakarta.

The place of origin of Ngayogyakarta City (Banyan forest) is now a beautiful small town with a castle called Garjitawati guest house, which at the time of Paku Buwono II was named "Ngayogy" and used as a dismissal of the bodies of the kings who would be buried in Imogiri cemetery. Ngayogyakarta was later on declared as the name of the capital of the Hamengku Buwono's kingdom. Ngayogyakarta name is a combination of two words, Ngayogy and Karta. Ngayogy means worthy, honourable, beautiful, dignified, noble, while Karta means action, work and charity. Thus Ngayogyakarta means beautiful place that is always dignified and respectable.

The lesson learned with regard to the concept of spatial democracy is the "philosophical spatial" aspect, which was implemented in the region by the Sultan Hamengku Buwono I. The concept includes the empowerment strategy devoted for the welfare of his people. In the era of regional understanding, the Kingdom of Mataram can be divided into three parts:

- *Nagara*, i.e. the city with the palace of the king (*Hofstad*) as the centre of all activities;
- *Nagara Agung* (Great *Nagara*), i.e. the area around the city (*Ommelanden*);
- *Mancanagara*, the foreign territories, regions that are far away (*Buitengewesten*).

This territorial division aims to facilitate coordination, in order to create an effective and efficient administration [35].

The territory of *Kasultanan* (kingdom) Ngayogyakarta used to comprise 33,950 *karja* (while *Kasunanan* (also means kingdom) Surakarta had 32,350 *karja*), including among others: Madiun, Magetan, Caruban, half of Pacitan, Kertosono, Kalangbret, Ngrowo (now Tulungagung), Japan (now Mojokerto), Jipang (now Bojonegoro), Teras Karas (now Ngawen), Sela, Warung (now Kuwu Wirasari), and Grobogan. With all the limitations, namely the low fertility of most of the area, Sultan Hamengku Buwono I still exerted power and funds for the welfare of the people.

The VOC (Dutch East India Company) was very concerned with the spatial development of Ngayogyakarta, so it eventually built Fort Vredenburg in the intersection tip of the Palace. Inspired when looking down the street as far as the eyes could see while sitting in the palace throne (*mijossineweko*), the Sultan decreed to build a monument (*Kiai Jaga = Lingga*), which is a point or place of *manunggaling kawulo lan gusti* (unity of the people and the king) in maintaining Ngayogyakarta. The unity is in social, economic and defence aspects. So the concept of economic empowerment and well-being had actually been implemented by Sultan Hamengku Buwono I, who

felt that the palace was owned by the people, and not by the king.

The spatial concept of Ngayogyakarta is called “*Dwi Naga Rasa Tunggal*”. “*Sari-Rasa-Tunggal*” means Unity by itself and “*Sarira-Satunggal*” means Personality. The concept of *Tugu/Kiai Jaga* (*manunggaling kawula lan Gusti*) monument is the concept of “philosophical aisle” of the imaginary axis connecting Mount Merapi (the symbol of purity), Kraton (Palace as a symbol of middle-neutral world) and the South Sea (the symbol of soiling).

Overall, the spatial concept of Yogyakarta City has a sense of people empowerment and unity in sincerity, mentally and physically between the people and the king to develop the city to achieve the welfare and defence purposes for the people and the region. This is the starting point for the development of the city of Yogyakarta, forming a horizontal – vertical pattern, i.e. the grid pattern.

The next two sections discuss findings from the field, namely the Sosrowijayan and Dagen street corridors. These two corridors are part of Yogyakarta commercial area (see Fig. 1 and Fig. 2).

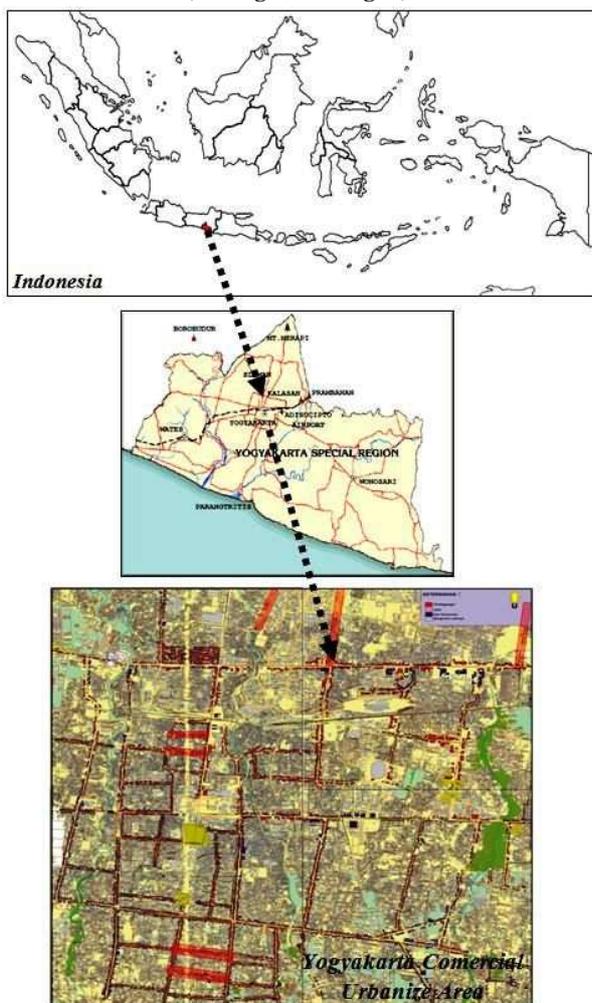


Fig. 1. Yogyakarta commercial urbanized area (source: Bappeda DIY (Development Planning Agency of Yogyakarta Special Region) and Own Observation, 2014).

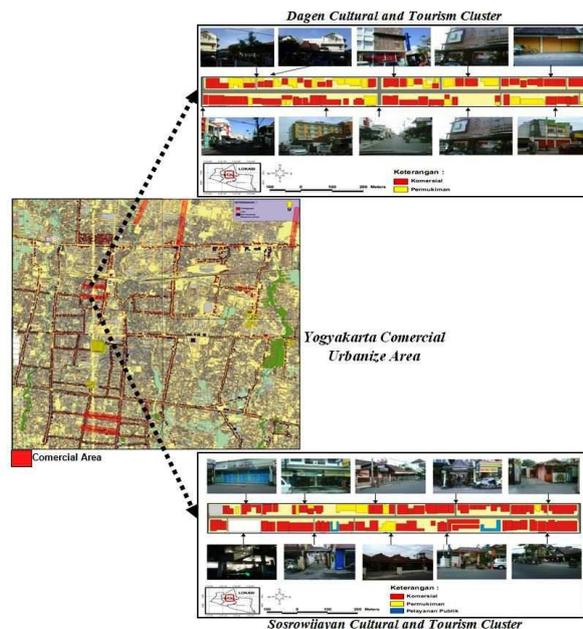


Fig. 2. Sosrowijayan and Dagen street corridors within Yogyakarta commercial area (source: Bappeda DIY (Development Planning Agency of Yogyakarta Special Region) and Own Observation, 2014).

3.2. Small-medium businesses along the corridor of Sosrowijayan Street

The growth of small businesses in the Sosrowijayan area is inseparable from the historical value of the city. Historically, the growth of commercial activities in Yogyakarta was initiated from the Kraton area around Malioboro Street, which then expanded to the village of tourism, i.e. Sosrowijayan to Dagen Streets and the Flower Market. Its strategic location as part of the connecting roads between Gandekan and Malioboro Streets is a factor driving the growth of the small-medium businesses in the area. Recent situation in the Sosrowijayan Street corridor can be seen in Figure 3. Based on the interviews with six key persons who are engaged in the businesses (owners of homestays, coffee shops, travel and souvenir shops), it was identified that many buildings used for the business are private properties while some plots of land are rented with an average rental price of IDR (Indonesian (Rupiah) 15 million/year. The high price of the lease is offset by the higher revenue generated by the business, i.e. about IDR 10 million/month.

The rental rates are around Rp. 15,000,000 - Rp. 25,000,000 (SWJ/3B/02).

Operating revenues could reach Rp. 18,000,000 - Rp. 600,000,000 (SWJ/3D/04).

Most of the land in the Sosrowijayan street corridor area is used for business. However, the majority of the interviewees have stated that their current business places serve firstly as places to live. The rapid economic growth in the area due to the large demand and the opening up of opportunities is the

main factor driving the land use change. Here is an excerpt of the interview with Edi Karyono, the owner of a homestay:

Travellers need places to stay and I wanted to have a place of lodging that helps their needs. This location is suitable for businesses (SWJ / 4B.3 / 06).



Fig. 3. Small to medium businesses in Sosrowijayan Street corridor (source: Own Observation, 2014).

The high strategic value of the location supported by the demand is recognized by owners of motivating business as causing the land use change. The purpose of family economic improvement is the main consideration for someone to open a business, particularly in support of the tourism business. The rapid growth of economic activities in the area accompanied by changes in the land use also affects the price of land. One of the sources named Mr. Ipung, who has occupied the location for 44 years, states that since he firstly occupied the land to this day, there has always been an increase in land price of around IDR 5 to 10 million per m² per year. Here is an excerpt of the interview with Mr. Edi Soebagy, owner of the Coffee Corner:

Land here is promising and has a lot of advantages here. That is why the land can be sold at any expected price (SWJ / 5F.4 / 13).

In addition to its strategic location that is close to the tourist area of the Palace and Malioboro shopping district, this area is also supported by good access and easy transport modes as well as adequate infrastructure. This greatly helps businesses to develop. Furthermore, its location is also considered safe and flood free. However, there are also problems noted by the City Government, i.e. some problems in the drainage system as well as the improper availability of parking space, which have resulted in frequent traffic congestion.

The drainage and waste disposal systems are insufficient for the fast growing business area. It is understandable because the area was planned for residential use. Similar reasons apply with regard to the lack of parking lots. It is being further debated by the stakeholders in the area. This also becomes one of the most important challenges for the dynamic spatial management based on community preferences.

Despite some problematic situations mentioned above, it cannot be denied that the commercial area in Sosrowijayan has positive impacts especially for families who are trying to improve their economy. In turn, the growing business activities in the area would also increase the economic growth of the city.

It is also important, although often overlooked, that the spatial aspects of the commercial activities be anticipated. The existence of commercial activities in a region can trigger land use change; thus, spatial planning should take into account the spatial preferences of democratic persons in doing certain actions that can affect the spatial situation of the region. Understanding people's preferences and the dynamics of development are important in the planning process, so that the spatial plan can be implementable.

3.3. Small-medium businesses along the corridor of Dagen Street

Historically, Malioboro area is closely related with the Palace of Yogyakarta because the first king managed it as a place to welcome guests and visitors.

Additionally, according to the Javanese philosophy, Malioboro Street is also viewed as the "philosophical aisle" of the imaginary axis connecting Mount Merapi (symbol of purity), the Palace (symbol of the world as the central and neutral entity) and the South Sea or *Parangkusumo* (symbol of dirtiness).

The historical site preservation combined with the economic function of the Palace and Malioboro areas also have impact on the surrounding areas including the street corridor of Dagen. The high number of tourists visiting Yogyakarta results in high demand for hotels and guesthouses, triggering the growth of many hotels and guesthouses in the Dagen area. There

are various types of businesses in Dagen Street. Along the way on the north and south sides is the location of the commercial venture type. The situation is illustrated in Figure 4.



Fig. 4. Small to medium businesses in Dagen Street corridor (source: Own Observation, 2014).

The majority of the respondents have acknowledged that their business places are their properties, while the rent rate could reach IDR 50 million per property per month. Many of the businessmen have lived in the area for ten years, while some of them have even been there for 30 years. The majority of the business places are also home for the businessmen because this area is considered beneficial. Their revenues vary from IDR 15 to IDR 200 million/month. So it is normal that, in the end, the dominant land use is changed to commercial, not residential as previously planned, although many of the building permits are still for residential use. Here is an excerpt of the interview with a key person named Wiwid, Hotel Krishna:

It was formerly planned for residential use only, but later on, changed to commercial, and it can assist the government in improving local revenue anyway. Indeed, the owner is native here, and the land is owned by him. But if it was used for dwelling only, it would have lost its high potential, so this hotel was built (DGN / 4B.6 / 06).

Apparently, the main reason for the land use change is to get more benefits or added value. In turn, it also affects the price of land in the area, which was initially of only about IDR 200 to 300 thousands per square meter, while now it reaches IDR 5 to 15 million per m². The closer to Malioboro it is located, the more expensive the land price is.

The high price of land is a chance for local people as well as investors. The increasing value of assets also opens broader opportunities of multiplier effects for the local population. Here is an excerpt of the interview with Agus Santoso, Family Inns when asked about the general condition of the surrounding area:

Many people are selling, improve the economy, provide employment (hotel employees are on average natives here, while the existing situation here, 3 out of the 10 employees are native here) (DGN / 9A.1 / 22).

Strategic location, easy access and transportation modes, as well as adequate infrastructure can be considered factors supporting the growth of commercial activities in this area. But it is worth noting that the need for parking space is far from being fulfilled. As the function of this area was residential, large parking spaces were not part of the plan. Now, the land is so highly occupied that leaves no space for parking. However, some residents used to rent their parking space for IDR 30 thousands per night. Here is excerpt of the interview with Hasim, a souvenir shop owner, regarding site selection priorities:

Traffic in this area is always crowded almost all the time. Factors that affect the growth of this area are environmental situations, land availability and accessibility to many visitors. These influence the development and progress of the business (DGN / 9I.2 / 30).

The high value of land also results in competition not only for the locals but also for the immigrants who agglomerate to involve in the business activities. The high interest of the public in the commercial activities should be an important input to consider the spatial preference of the community in selecting location as the embodiment of the spatial democracy. Ignoring the spatial arrangement of the existing situation would lead to difficulties in the spatial management. Most of the land use change in the Dagen street corridor is from residential function into commercial venture retail function. The main reason is that the building owners would like to increase revenue. Also, there is no restriction in changing the function of the buildings.

These give opportunity to the public to express freedom in setting up and managing their businesses. In turn, these reasons trigger the local people to make changes in the function of the buildings. As a result, the land use change to commercial keeps happening rapidly.

The growth of the retail activities in Dagen Street brings a positive influence on the surrounding area. This is because Dagen Street is close to the main road so that many people can easily come to the area. As the determination of location is very important for business, with the location that is easily accessible, this area will attract more and more consumers.

4. CONCLUSION

Having investigated the case of two important street corridors in Yogyakarta, it can be concluded that the rapid growth of small to medium retail businesses is encouraged by three factors.

First of all, the history of Yogyakarta has brought its current spatial development concept that supports people empowerment with the philosophical basis of unity between the *Sultan* and the people.

The second is a location factor. Both the Sosrowijayan and Dagen corridors are located in strategic positions, especially related to the tourism economy. The more strategic a location is, the larger the demand. That is why strategic location is crucial, and it is usually related to good access or transportation network and adequate infrastructure as apparent in the two street corridors.

Thirdly, and it is worth highlighting, the freedom of the people in choosing and developing their businesses meets the 'encouragement' of no restriction in the building function change. Criticism may say that it is a kind of weak implementation of the spatial plans; however, a counter-argument would say that the more important is the spirit of democracy of the people, which in turn can empower them developing the people's economy. Spatial plans should therefore not obstruct the phenomenon, but facilitate it within the framework of sustainable urban development.

It is also apparent that those factors work together and integrative in encouraging the phenomenon. None of the factors can be separated to work alone. For example, although the philosophy of unity between the people and the king has come into the existence of, say, SME encouraging spatial pattern, the SMEs would not grow without the existence of the two other factors. So, perhaps it is not about what factor is most important, but which one is locally specific.

In this regard, the location factor cannot be the one because it is common all over the world. However, the two other factors can be considered specific, especially the third one, although the two are related each other. The phenomenon of the fast growing small to medium businesses along the street corridors of Yogyakarta can be viewed as that of spatial economic democracy, and it is potential to construct a locally grounded theory. Therefore, this study can be

considered a necessary preliminary part of a larger research that will elaborate such a new theory.

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