

CHAPTER I

INTRODUCTION

A. Background

Indonesia is a developing country and has a large population, based on Indonesian statistical data, the total population of Indonesia reaches 268 074.6. Developing countries will always make changes in economic development. This economic development is intended as an effort that must be undertaken by the community to achieve a fair and prosperous condition (Hasan and Aziz, 2018). However, recently Covid has become a major focus of Indonesian nation because of the problems it continues to cause, one of which has an impact on the Indonesian economy. But since the existence of this pandemic, the country had an economic crisis which is estimated to be weaker from previous years, even according to the Minister of Finance that economic growth can be depressed to a level of 2.5% to 0%, this can happen when a good prevention strategy is not implemented and right to overcome it (Hanoatubun 2020).

In a study conducted by Sihaloho, 2020, it was explained that the Minister of Finance of the Republic of Indonesia, Sri Mulyani, even said that the crisis caused by the current coronavirus was much more complex than the 1997-1998 and 2008-2009 crises. This happened because the causes of the current recession could not be contained. Some of the economic impacts of

Covid-19 on the Indonesian economy were presented at the Ministry of Finance's April 1, 2020 Press Conference, such as:

1. Threats of health problems and life threats because of the risk of increasing cases to tens of thousands of people.
2. Threat of loss of income, especially for the poor and families who work in the informal sector.
3. Bad Credit to MSMEs, because MSMEs cannot run a business normally.
4. Disrupted corporate systems and banking conditions that can experience liquidity problems.
5. Rupiah depreciation, financial market volatility and capital flights.

The current global economic slowdown has had a major impact on Indonesia's economic growth. This can be seen in the sensitivity analysis of the Indonesian economy. According to Nasution et al, 2020 based on a sensitivity analysis it was found that if there was a 1% slowdown in the Chinese economy, then this would affect and have an impact on the rate of economic growth in Indonesia, which was -0.09%. This is also in line with the further sensitivity analysis where, every 1% of the European Union's economic slowdown will have an impact on the rate of economic growth in Indonesia, namely -0.07%, India (-0.02%), Japan (-0.05%) and United States (-0.06%). The same picture also occurs for most commodities, namely every

10% decline in the price of crude palm oil (CPO) will have an impact on the Indonesian economy by 0.08%, positive oil is 0.02%, and coal is -0, 07%.

Economic development is carried out very rapidly in various developing countries including Indonesia, there are several development sectors carried out by a country, namely the economic sector, the political sector, and the socio-cultural sector. Optimizing human resources can be said to be an economic success because optimizing human resources that are appropriate and on target can increase economic growth.

Better economic development will affect national income because of the wide range of jobs needed by the community and can reduce the unemployment rate. Not only does it provide positive impacts that can increase economic growth, but the development also has negative impacts, namely problems around employment, poverty, and education.

Development can be conceptualized as a process of continuous improvement of a society or a social system as a whole towards a better or human life (Iryanti, 2003 in Priyandika 2015). Development that is the result of planning must be a manifestation of justice and involve community participation so that local communities can play an active role in the planning process and monitoring measures. Economic development is reflected in the

occurrence of changes in new flows relating to the flow of income and benefits to local, regional, and even national communities (Dewi, 2013).

The presence of the informal sector arises from an increase in the workforce in cities. The informal sector is those who open a business with relatively little capital and produce certain materials to meet community needs. According to Widodo (2005) In Samosir (2015) informal sector is an unorganized sector, unregulated, and most legal but not registered. Those who have a background, not a businessman, trying to enter the world of small-scale businesses to look for opportunities to work and generate income.

وَقُلْ اَعْمَلُوا فَسَيَرَى اللّٰهُ عَمَلَكُمْ وَرَسُولُهُ وَالْمُؤْمِنُونَ وَسَتُرَدُّونَ اِلَىٰ عِلْمِ الْغَيْبِ وَالشَّهَادَةِ فَيُنَبِّئُكُمْ بِمَا كُنْتُمْ تَعْمَلُونَ

The meaning: *And say (O Muhammad SAW) "Do deeds! Allah will see your deeds, and (so will) His Messenger and the believers. And you will be brought back to the All-Knower of the unseen and the seen. Then He will inform you of what you used to do."*

If the above verses are studied in detail, then we will find the motivation to strive to obtain a source of livelihood, through continuous and diligent work will be achieved happiness and well-being in return for every job done.

A large number of informal sector sectors have the potential to be appointed as one of the business sectors that absorb labor. Therefore, informal sector activities become an alternative to reduce the unemployment rate, this

is due to the inability of the formal sector to absorb more workers due to rapid population growth that exceeds employment generation (Korompis 2005). In Indonesia, there are several sectors of work which are divided into nine sectors, namely: agriculture, quarrying, industry, electricity, building, trade, transportation, finance, services. Islam through the Nas Al-Quran and Sunnah also strongly recommends a person to trade, because trading activities have benefits for many people, namely meeting the needs of many people. Rasulullah also explained, namely:

حَدَّثَنَا يَزِيدُ حَدَّثَنَا الْمَسْعُودِيُّ عَنْ وَائِلِ أَبِي بَكْرٍ عَنْ عَبَّاسِ بْنِ رِفَاعَةَ بْنِ رَافِعِ بْنِ خَدِيجٍ عَنْ جَدِّهِ رَافِعِ بْنِ خَدِيجٍ قَالَ قِيلَ يَا رَسُولَ اللَّهِ أَيُّ الْكَسْبِ أَطْيَبُ قَالَ عَمَلُ الرَّجُلِ بِيَدِهِ وَكُلُّ بَيْعٍ مَبْرُورٍ

The meaning: *“Having told us Yazid told us Al Mas'udi from Wa'il Abu Bakr from Abayah bin Rifa'ah bin Rafi' bin Khadij from his grandfather Rafi' bin Khadij he said, "It was said," O Messenger of Allah, what kind of livelihood is it the best? "he said:" The work of a man with his own hands and every sale and purchase that is mabrur.” (Narrated by Ahmad in musnad no 16628)*

The hadith above describes the work that is the best or the most blessed, namely work that is done by yourself and pursuing various economic activities in all its forms to meet the needs of the world. The hadith also describes the recommendation to conduct a good trading business following Islamic law. One of the trade sectors that are of great interest is the informal sector. Street vendors are one of the many informal sectors in urban areas.

In August 2019 the number workforce at D.I. Yogyakarta in August 2019 as many as 2.204 million people, an increase of 0.56% (12 thousand

people) compared to August 2018. The Labor Force Participation Rate was 72.94 percent in August 2019. Meanwhile, the Unemployment Rate D.I. Yogyakarta in August 2019 experienced a decrease of 0.21 percent compared to the TPT in August 2018, which was 3.35 percent.

The large number of informal sectors that are currently developing cannot be separated from the flow of urbanization. (Alisjahbana, 2006 In Lamba 2011) sees the informal sector as a result of the rural driving force and urban attractiveness. The rise of development in urban areas has become a magnet for residents to seek employment in urban areas. But this can have a fully positive impact because some of the villagers who come to urban areas do not meet the job qualifications. The lack of experience and high competitiveness causes them to turn to traders to continue their life.

The difficulty of the economy experienced by the community, both immigrants and the indigenous people of Yogyakarta, made them choose an alternative business in the informal sector, with relatively small capital to support their needs, one of which is becoming a street vendor. Becoming a trader is included in the informal sector. Street vendors are traders with relatively little capital doing business in the production and sale of goods (services), the business is carried out in places that are considered strategic in an informal environment. In simple terms, the formal and informal activities of the working population can be seen based on their employment status.

Based on table 1.1, there are 2 components of formal workers, namely doing business with the help of permanent workers and the category of labor/employee, and the rest is included in the component of informal workers.

Table 1. 1 Percentage of Working Population According to Main Work Status and Formal / Informal Activities at D.I Yogyakarta, August 2017 - August 2019

Main Work Status	2017	2018	2019
Laborer/Employee	40.20	41.35	44.26
Freelance	14.93	16.05	17.70
Employer Assisted by Temporary Workers	18.76	18.12	15.27
Family Worker / Unpaid	13.65	12.81	11.54
Free Workers in Nonagricultural	7.31	6.05	5.15
Employer Assisted by Permanent Workers and Paid	3.25	4.24	4.08
Free Workers in Agriculture	1.89	1.38	2.00
Total	100	100	100

Based on Table 1.1, in August 2019 the DI Yogyakarta statistical center agency stated that as many as 1,103 million people (51.66 percent)

worked in informal activities consisting of workers with their own business status, employer assisted by temporary workers, family worker / Unpaid, free workers in non-agricultural and free workers in agriculture and 1.032 million people (48.34) work in formal activities.

The Indonesian economy has experienced a shock since the introduction of the coronavirus disease as a national disaster. Based on Law No. 24 of 2007 concerning Disaster Management, referring to article 7 paragraph 2 regarding the status and level of national and regional disasters determined by several indicators, namely in terms of the number of victims, property losses, damage to infrastructure and facilities, and socio-economic impacts.

With the number of Indonesia's population, Indonesia may be susceptible to being exposed to the coronavirus. Covid-19 (Coronavirus Disease 2019) is a new type of coronavirus that attacks the respiratory tract that causes infections in the respiratory tract, such as the common cold, causing serious consequences such as Middle East Respiratory Syndrome (MERS) and Severe Acute Respiratory Syndrome (SARS). Coronavirus was discovered in an extraordinary incident in Wuhan, China in December 2019, this has become one of the diseases caused by a new type of coronavirus which was later named Severe Acute Respiratory Syndrome Coronavirus 2 (SARS-COV2). The Center for Strategic and International Studies (CSIS)

Indonesia on 9 April 2020 announced that the first case announced by the central government was on March 2, 2020.

Covid-19 has spread in various provinces in Indonesia, one of which is D.I Yogyakarta. D.I Yogyakarta is a local transmission area, namely an area where the spread of viruses or cases of infection occurs only between communities in the area. As for the cases that occurred in Yogyakarta, from March 2020 to September 2020, the total positive cases were 1,869 cases. As of February 2021, data showed that there were 27,251 positive cases. The significant increase shows that Covid-19 is not just ordinary cases but has reached extraordinary cases.

Therefore, the Governor of DI Yogyakarta, Hamengkubuwono X determined that business activities that have the potential to become a gathering point for many people, such as tourist destinations, cinemas, entertainment venues, or similar businesses, are required to follow government procedures related to preventing the spread of Covid-19 by maintaining a minimum distance of 1,6 meters. This was done to follow up on the implementation of the emergency response status for the coronavirus disease 2019 (Covid-19) in the Special Region of Yogyakarta. Following the rules set by the government, all economic activities in D.I Yogyakarta have decreased.

D.I Yogyakarta is known as a tourist destination area, the city which is nicknamed this special city has its charm for foreign tourists or domestic tourists visiting Yogyakarta. The most visited destination is Jalan Malioboro. The Malioboro area is a combination of three roads, namely Jalan Margo Utomo, Jalan Malioboro and Jalan Margo Mulyo.

This area is in a straight or imaginary line that connects important elements such as Mount Merapi, Tugu Jogja, Kraton Yogyakarta to Parangtritis Beach. Jalan Malioboro is the center of gathering for tourists because it not only serves various shopping centers but Malioboro also presents historical buildings such as the palace, the square city, the Vredenburg fort, and office buildings. Malioboro is an iconic city of Yogyakarta because Malioboro is a strategic place located in the middle of the city of Yogyakarta and can provide jobs for people in the Malioboro area.

Not only the Malioboro area, but Alun-Alun Yogyakarta is also one of the people's favorite places for culinary delights. There are two squares in Yogyakarta, namely Alun-Alun Utara and the Alun-Alun Selatan (Kidul). The existence of this Alun-Alun serves as an open place to accommodate all the activities of the citizens, with the presence of Alun-Alun which can be said to fulfill various functions and roles of the palace as the center of government. During the Dutch colonial government, Alun-Alun is considered to have the symbolic power of power in the eyes of the people. square is not just a field

covered with sand, but it also keeps the values of wisdom, history and also holds cultural heritage.

Basically, Alun-Alun cannot be separated from the philosophical concept that underlies its order. Alun-Alun is synonymous with crowds surrounded by street vendors, in contrast to Malioboro which is known as a place for souvenirs and handicrafts typical of Jogja, Alun-Alun Kidul is characterized by cultural and historical tourist attractions as well as food and beverage tourism spots and becomes a place of recreation. Alun-Alun Kidul or known as Alun-Alun Pangkeran. In the past, Alun-Alun Kidul was used as a training ground for palace soldiers, but now it is a place for street vendors to sell food and peddle pedestrian carts rented by traders. The number of street vendors who sell in the Alun-alun Kidul area.

Judging from the tourism statistics data in 2019 shows that the number of tourist visits in the city of Yogyakarta is 433.027 foreign tourists and 6.116.354 domestic tourists with the total number of tourists visiting the city of Yogyakarta is 6.549.381. The above data shows that the possibility of tourists will visit the city of Yogyakarta to enjoy nature destinations, history, and cultural destinations. It is undeniable that many tourists will take the time to enjoy typical Jogja snacks and shop for souvenirs or typical Jogja crafts offered by street vendors (Visitingjogja.com, 2020)

According to Nugroho in Saputra (2014), he explains that street vendors are the terms used for hawkers who live above road-owned areas. Street vendors are those who sell in a strategic place with relatively little capital and do not require certain skills and sell by taking advantage of situations, crowds, and public places that are visited by many tourists. This allows street vendors to provide jobs in urban areas where sometimes their goods and services are not available in the formal sector. Street vendors belong to the informal sector. An informal sector is a form of business that is often found in society, businesses that are managed by individuals. The informal sector usually has a narrow scope, because it has minimal capital, does not require special training and knowledge, can be done by anyone, and often borrows goods and services from other large traders.

In the area of a Alun-Alun Kidul, there are several types of street vendors, namely food street vendors, afternoon street vendors, and accessories street vendors. The majority of traders in Alun-Alun Kidul area are food street vendors, beverage street vendors, toy street vendors, and hawkers.

The existence of street vendors in urban areas, especially in Alun-Alun Kidul, can provide new jobs. Many people make street vendors a choice for those not accommodated in the formal sector. The informal sector is a choice because it is relatively easy to enter than the formal sector, does not need special skills, and a promising market so that it can reduce unemployment and

poverty. In the history of the Indonesian economy, informal sector business activities have great potential and have played a role in employing by absorbing labor independently. Long before the economic crisis in the informal sector existed, the 1998 national economic recession only increased the number of workers working in the informal sector. Informal sector traders are people who have relatively little capital.

The business is carried out in places that are considered strategic in an informal environment. Characteristics of the informal sector are highly variable in the field of the production of goods and services of small-scale production units are owned by individuals or groups, a lot of use of labor (labor-intensive), and the technology used is relatively simple. Own workers usually do not have a formal education, generally do not have the skills and working capital. Therefore, the productivity and their earnings tend to be low compared to the business activities carried on in the formal sector.

Income informal workers not in the form of wages fixed each month, as well as formal workers. Wages in the formal sector are intervened by the government through the Provincial Minimum Wage regulation. But the income of informal workers is free from government interference. Judging from the economic conditions during the Covid-19 pandemic, it certainly had an impact on the income of informal workers due to a decrease in economic activity during the Covid-19 pandemic. In research conducted by Fahlefi et al

(2020) The Covid-19 pandemic has an impact on the economy of people who work in the informal sector, especially the transportation sub-sector. The income of workers in this sub-sector has decreased by 56% so that some workers leave this job or switch to other jobs such as farming, selling, coolie, and washing scrub. This condition results in unfulfilled household needs, so they have to use existing savings, make savings, and rely on special assistance in handling Covid-19, even some wives are forced to work to help the family economy.

In general, informal workers admit that the negative and positive impacts caused by the Covid-19 pandemic have been felt directly or indirectly. In Prasetya and Hidayat's research (2020) The negative impact of working in the midst of the Covid-19 pandemic is a significant reduction in income, especially for small traders who have to spend capital as usual, but the profits they get decreased drastically and even lost to bankruptcy. Meanwhile, the positive impact felt by informal workers during the Covid-19 pandemic was almost non-existent, but without realizing it, there were positive things behind the pandemic, felt or not, as informal workers were more aware of digital technology, prioritized cleanliness and health overwork, and prioritized management life for the future. Not only that, there are several inhibiting factors that are felt by informal workers, especially traders, namely

the reduced number of buyers, reduced income by more than 50%, and worries about being exposed to the virus (Sinaga and Purba, 2020).

With the spread of the number of street vendors in Alun-Alun Kidul area, it can increase the income of traders but also creates competition among traders which causes unstable income. The recent disaster has affected the income of street vendors, especially since there was a large-scale social restriction and forced street vendors to take a break from buying and selling activities. The decreasing number of tourists also affects the income of street vendors. Based on the above background, the authors are interested in researching "**The Impact of Covid-19 on the Income of Street Vendors in Alun-Alun Kidul Area, Yogyakarta**".

B. Research Question

The population growth that continues to increase in the city of D.I Yogyakarta has increased the number of workers. People who tend not to have regular income generally turn to the informal sector to make ends meet. This is because the informal sector does not require the qualifications required in the formal sector.

From the background described by the author, this research will be formulated into several points of problem formulation as follows:

1. How does the implementation of social and physical distancing affect the general condition of traders in Alun-Alun Kidul area.
2. What is the impact of Covid-19 on the income of street vendors in Alun-Alun Kidul area.
3. How is the strategy of street vendors dealing with economic conditions during the Covid-19 pandemic.

C. Research Objective

1. To analyze the impact of social and physical distancing on the general conditions of traders in Alun-Alun Kidul area.
2. To find out the impact of Covid-19 on the income of street vendors in Alun-Alun Kidul area.
3. To find out what are the strategies of street vendors in dealing with economic conditions during the Covid-19 pandemic.

D. Benefit of Research

1. Theoretically

The results of this study are expected to be used as a comparison to increase knowledge, especially for those who are interested in the problems studied in this study.

2. Practically

Can be used as material for further evaluation for the development of street vendors.

3. For the Faculty of Economics and Business, University of Muhammadiyah Yogyakarta, it is hoped that it can add to the existing research treasures.
4. For writers, contribute to thinking to broaden the horizons of scientific thinking in the disciplines that the author is engaged in.
5. For the government, as useful input for the community or related industries.