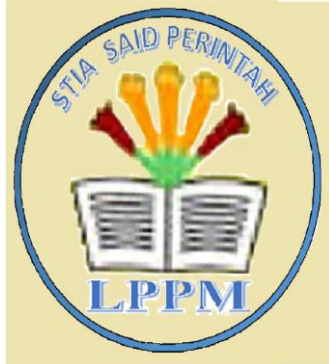


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## The Existence of Non-Star Hotel Businesses in Facing Government Efficiency Policies

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### Abstract

*This study explores the condition of non-star hotels in Kupang City in response to government efficiency policies using a qualitative approach with four hotel owners. The findings show that these hotels primarily serve small events and personal stays rather than government institutions. While the policy has no direct impact, it indirectly reduces income stability, with occupancy declining by about 50%. To cope, owners cut operational costs, and most employees often family members are paid below the minimum wage, sometimes with delayed payments. Government support is perceived as limited, leaving non-star hotels operating in a vulnerable condition.*

*Keywords: Non-Star Hotels, Efficiency Policy, Business Survival.*

## Introduction

The accommodation sector is currently facing challenges, especially from segments originating from the government, because since the enactment of Presidential Instruction No. 1 of 2025 concerning efficiency policies, one of which is the limitation of MICE (Meetings, Incentives, Conventions, and Exhibitions) activities held in hotels. The impact of efficiency policies is felt by star-rated hotels in Kupang City, in the news of [pos-kupang.com](https://pos-kupang.com) 22-03-2025 where the efficiency of the government budget, made the income of the Sahid T-More hotel experience a decline and made the hotel have to reduce its workforce (<https://kupang.tribunnews.com/2025/03/22/efisiensi-anggaran-pemerintah-hotel-sahid-t-more-kupang-hadapi-tantangan-berat>); the same thing is also included in (<https://kupang.tribunnews.com/2025/03/28/efisiensi-anggaran-pemerintah-berdampak-pada-bisnis-perhotelan-di-kupang>) reported that the Neo El-Tari Kupang Hotel is very dependent on the government sector their largest income comes from MICE activities organized by the government, this budget cut directly impacts the hotel's income. These news stories emphasize the negative impact of the government's efficiency policies on star-rated hotels in Kupang City. Based on data from the Central Statistics Agency of Kupang City, there are 75 accommodation business units including star and non-star hotels <https://kupangkota.bps.go.id/id/statistics-table/2/NDI1IzI=/jumlah-akomodasi-hotel-bintang-non-bintang-.html>.

There is no recent data regarding the details of the number of non-star and non-star hotel business units. The latest data from BPS which classifies accommodation into star and non-star hotels in more detail was updated on August 29, 2024, <https://kupangkota.bps.go.id/id/statistics-table/1/MTM0IzE=/direktori-hotel-dan-penginapan-di-kota-kupang-2022.html> where data was found on the types of accommodation in Kupang City consisting of : tourist lodge (4 unit , Provision of other term accomodation (6 Unit), Budget Hote/Jasmine Type Hotel (40 Unit), 1 Star Hotel (2 Unit), 2-Star Hotel (6 Unit), 3-Star Hotel (7 Unit), 4 Star Hotel (2). If we look at the data from the Kupang City Central Statistics Agency, updated on August 29, 2024, in more detail, it is known that the most common type of accommodation business is jasmine (40 Unit). As a type of accommodation business, this type of budget hotel will definitely experience the impact of the government's efficiency policy.

Non-Star Hotels were previously better known as “jasmine hotels”, this has undergone a change in designation because it is adjusted based on Law Number 10 of 2009 concerning Tourism and its derivative regulations, Minister of Tourism and Creative Economy Regulation Number PM. 53/HM.001/MPEK/ concerning Hotel Business Standards, this term refers to hotels that are not included in the star hotel category (one to five stars) based on the hotel business standard assessment. Meanwhile, in terms of business ownership, according to Sunaryo, (2013) non-star hotels are generally managed by local owners and have a small to medium business scale, so they can be categorized as part of Micro, Small, and Medium Enterprises in Tourism. In Dindin Abdurrohman, (2021) provides an overview of MSMEs from a monetary perspective in (Law of the Republic of Indonesia No. 20 of 2008) and in terms of the number of workers (Central Statistics Agency).

#### **MSME Classification Criteria**

<b>Source</b>	<b>Micro</b>	<b>Small</b>	<b>Medium</b>
Law of the Republic of Indonesia No. 20 of 2008)	< 50 million	50 - 500 million	500 million -10 billion
Central Statistics Agency	1 - 4 labor	5 - 19 labor	20 - 99 labor

Source; Law of the Republic of Indonesia No. 20 of 2008, Central Statistics Agency, (2008)

Bibu et al., as cited in Dindin Abdurahman, (2021) argue that the external environment of MSMEs is highly dynamic, leading to increasing uncertainty, intense competition, and stricter regulatory frameworks. In the context of non-star hotels, several studies have identified key challenges. Rahmat Hidayat et al., (2022) highlight issues related to employee friendliness, adequacy of facilities, and responsiveness to guest complaints, which are crucial for business sustainability. Similarly, Daniel Ohyver and Nursjam, (2020) found that only a small proportion of non-star hotels in South Sulawesi met operational feasibility standards, with common constraints including limited human resource training, inadequate facilities, and low market competitiveness.

In Kupang City, Yunita Badi Nau et al., (2023) examined sanitation conditions in ten jasmine type non-star hotels and found that only six met environmental and building health standards, while the remaining four did not meet the required criteria. Despite these findings, studies and reports on non-star hotels particularly those addressing the impact of government budget efficiency policies remain limited. Therefore, this study seeks to examine the existence of non-star hotel businesses in Kupang City in responding to such policies.

## Theoretical Framework

In general, business existence refers to a firm's ability to survive, grow, and remain recognized amid changes in the economic, social, and policy environment. It implies not only remaining in operation but also sustaining relevance and adapting to evolving market needs. Sutrisno, (2020) explains that business existence is reflected in the capacity to maintain sustainable operations, manage resources efficiently, and respond to environmental changes. Similarly, Tjiptono, (2021) emphasizes that business existence is closely linked to perceived customer value, competitive positioning, and continuity of cash flow. Porter (as cited in Barney & Hesterly, 2020) further argues that a firm's existence is strengthened by sustainable competitive advantage achieved through differentiation, cost efficiency, or market focus.

From these perspectives, sustainability becomes a fundamental element of business existence. It refers to a firm's long-term ability to operate while balancing economic, social, and environmental considerations. Legrand et al., (2023) emphasize that businesses must develop long-term strategies, adapt to crises, and optimize resources without compromising future viability. Closely related to this is financial viability, which reflects a firm's ability to generate profit and maintain positive cash flow. Guilding and Ji, (2022) note that financial stability is a key indicator of business existence, as it enables firms to cover operational costs, meet obligations, and support innovation. Empirical evidence from Hoang, (2021) further shows that hotels that survived the COVID-19 pandemic implemented cost-efficiency measures, dynamic pricing, and product innovation, demonstrating the strong link between financial performance and business survival.

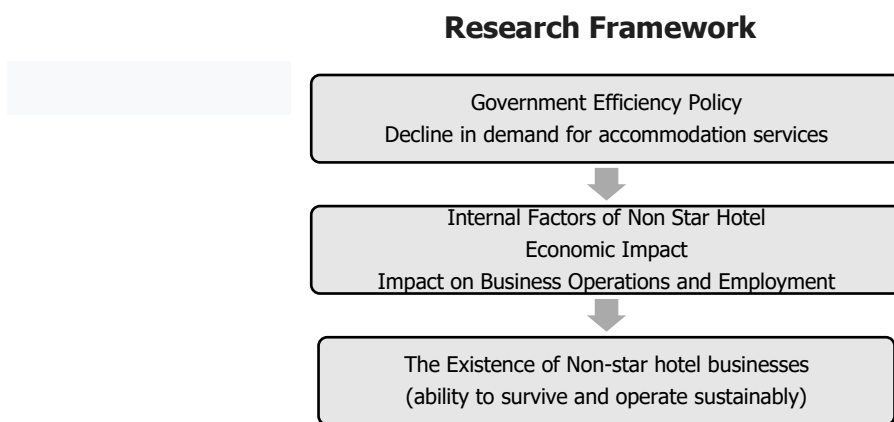
Operational continuity is another critical dimension of business existence. It reflects a firm's ability to maintain its activities despite external pressures. According to Ransley et al., (2022), effective facility management, energy efficiency, and service innovation are essential in supporting operational resilience. Ubjaan (2025) emphasizes that long-term business sustainability requires appropriate, effective, and adaptive strategies in response to changes in the business environment. These factors enable businesses to control costs while maintaining service quality, which is particularly important in the hospitality sector.

In addition, market relevance determines whether a business can sustain its position in a competitive environment. Kacmar, (2023) states that firms in the service sector must

continuously understand and respond to changing customer needs and preferences. This is closely linked to the role of human resources, as employees' competence, commitment, and satisfaction significantly influence service quality and organizational performance. Legrand et al., (2023) highlight that a skilled and motivated workforce strengthens business resilience, while Eppang et al., (2024) demonstrate that flexible employment strategies and local training can enhance the sustainability of small tourism enterprises.

Finally, adaptability, innovation, reputation, and legitimacy are essential in reinforcing business existence (Ubjaan & Sipahelut, 2022; Kaya, et al., 2026). Le and Phi, (2021) argue that innovation includes not only technological advancement but also new approaches to service delivery, operations, and market engagement. Matijević et al., (2025) show that small lodging establishments that adopt digital platforms, develop local-based products, and collaborate with communities are more resilient. At the same time, Tjiptono, (2021) emphasizes that external recognition through customer trust, community support, and government relations strengthens long-term positioning. This is supported by Marco Lajara et al., (2022), who find that corporate social responsibility initiatives enhance customer loyalty and contribute to business resilience.

Based on previous studies, theories and research, the research framework can be described as follows;



## Method

This study employs a qualitative approach, which, according to Sugiyono (2020), is descriptive in nature, with data presented in the form of words or images rather than

numerical values. This method is appropriate for understanding the uniqueness of the research object and for constructing and interpreting social phenomena.

Data were collected using source triangulation through in-depth interviews with four informants. The selection criteria for informants included: actively operating businesses, willingness to participate in interviews, availability of at least one seminar room, and a strategic location. Data analysis followed the qualitative procedures proposed by Miles and Huberman (as cited in Sugiyono, 2020), which consist of data collection, data reduction, data display, and conclusion drawing.

## Discussion

### General Profile of Informant

Code	Role	Length of business	Room Capacity	Location
H 1	Owner	± 5 year	20	close to the airport
H 2	Manager	± 10 year	25	close to government offices and supermarkets
H 3	Owner	± 8 year	23	close to hospitals, supermarkets, places of worship
H 4	Owner	± 9 year	15	close to traditional markets

### Market Segments and Facility Usage Patterns

H1: "Our hotel has one meeting room with a capacity of up to 30 people. Occasionally, seminars or meetings from government agencies are held, and we also provide rooms for overnight stays. Our market segment includes all groups, not only government employees. Most guests stay in transit due to the hotel's proximity to the airport."

H2: "Previously, our meeting room was used for meetings or seminars by government agencies, but now this is very rare. It is mostly used for church meetings or family gatherings, and general customers also no longer use our services regularly."

H3: "Most guests who stay are civil servants from the districts or outside the city. However, their purpose is mostly personal, such as seeking medical treatment, visiting family, or vacationing."

H4: "Our market segment is open to the public, although most guests using our room facilities are civil servants. However, meeting rooms are rarely requested by government agencies."

Based on the interviews, all informants indicated that their hotels serve a broad market segment, not limited to civil servants. Although civil servants constitute the majority of guests, their visits are primarily for personal purposes rather than official duties. In addition, hotel meeting rooms are more frequently used by the general public for small-scale events such as birthdays, family gatherings, and church activities, while government-related events are rarely held in non-star hotels.

### **Impact of Efficiency Policies on Business Operations**

H2: "Since the efficiency regulations were introduced, there has been no demand for meeting rooms, especially from government agencies. The occupancy rate of the rooms we provide has also dropped by almost half."

H4: "Most of the guests who stay at our hotel are civil servants, although not for official business. However, after the government implemented the efficiency policy, the number of guests has decreased significantly, with almost 70% of our rooms remaining unoccupied."

All informants reported a significant decline in demand for meeting rooms from government agencies, accompanied by a reduction in overnight stays. Several informants indicated that room occupancy rates have decreased by approximately 50%, compared to previous levels of 70–80%, particularly during holiday periods. This decline demonstrates that, although indirect, the efficiency policy has had a substantial impact on hotel demand and overall business performance.

H1: "We have five workers. When the hotel has many guests, we can pay them according to their wages. However, since the efficiency policy, the number of guests has decreased, and wages are not paid in full."

H3: "We have seven workers, all of whom are relatives from the village who are studying while helping at this hotel. Due to the decline in occupancy rates, we are unable to pay their full wages."

The decrease in demand has also affected financial stability and operational practices. Some hotel owners reported delays in employee wage payments, with an average workforce of around five individuals, most of whom are family members. In response, hotel operators have implemented cost-efficiency measures, including reducing expenses for

electricity, water, and telecommunications, as part of their efforts to sustain business operations under constrained conditions.

### **Business Survival and Adaptation Strategies**

H1: "We provide discounts for events, especially children's birthday parties for those living around this area, as well as discounts for guests who regularly stay at this hotel."

H3: "We offer affordable packages for family events so that activities can still take place, even if they are not government-sponsored."

H2: "We now promote mainly through Facebook and WhatsApp, and many people book rooms for social or church gatherings."

Despite experiencing declining revenues, all informants reported efforts to sustain their business operations through various adaptive strategies. One of the main approaches involves offering price incentives, such as discounts for meeting room usage particularly for small-scale events like birthdays and family gatherings as well as special rates for repeat guests. These strategies aim to attract non-government customers and maintain a steady flow of visitors.

In addition, hotel owners have increasingly relied on digital promotion to expand their market reach. Social media platforms such as Facebook and WhatsApp are used intensively to promote services and communicate with potential customers. This shift reflects a broader adaptation toward more flexible and market-oriented strategies, enabling non-star hotels to remain operational despite reduced demand from government-related activities.

### **Conclusion**

Non-star hotel businesses in Kupang City continue to operate despite the pressures arising from government efficiency policies. Their market segment remains broad and inclusive, serving not only civil servants but also the general public, with most guests visiting for personal purposes rather than official duties. The use of meeting room facilities has shifted from government-related activities to community-based events such as family gatherings and church activities. Although occupancy rates have declined significantly—by around 50% these businesses demonstrate resilience by maintaining operations and adapting to changing market conditions.

## Recommendation

It is recommended that non-star hotel operators strengthen their market orientation by diversifying services, enhancing promotional strategies through digital platforms, and building partnerships with local stakeholders such as travel agents and transportation providers. At the same time, greater attention from the government is needed, particularly in providing more inclusive tourism promotion, easing administrative requirements such as certification processes, and offering support programs tailored to small-scale hospitality businesses.

## Research Limitation

This study is limited by the small number of informants, which may not fully represent the overall condition of non-star hotels in Kupang City. In addition, the use of a qualitative approach restricts the ability to measure the economic impact of government policies in quantitative terms. The focus on a single location also limits the generalizability of the findings to other regions with different characteristics.

## Future Research

Future research is encouraged to adopt a mixed-method approach by combining qualitative insights with quantitative analysis to obtain more comprehensive and measurable results. Expanding the sample size and including a wider geographical scope would improve the representativeness of the findings. Further studies may also explore comparative analyses between regions or examine the long-term impact of government policies on the sustainability of non-star hotel businesses.

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