The Impact of Regional Regulation Changes on Traditional Markets in the Capital City of Indonesia

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The rise of modern market development corners traditional markets in urban areas, because it uses the concept of selling products that are more complete and more professionally managed. Researchers used a qualitative approach with descriptive methods to determine the impact of new regional market regulations on traditional markets Jakarta. The research data is based on interviews, observations and document reviews. The research finds that the implementation of new regional market regulations have had little impact because the Jakarta government has not yet referred to that regulation and only monitors modern market stores that abuse licenses by random inspection. The implementation of government responsibilities was not optimal enough to affect traditional markets, because only half of traditional market traders said that their turnover after revitalisation increased and only few traditional market traders received a loan.

\textbf{Key words:} Traditional market, modern market, market distance, regional government responsibility

Introduction

The rise of the development of modern markets such as hypermarkets and supermarkets corners traditional markets in urban areas, because it uses the concept of selling products that are more complete and more professionally managed. Modern markets in Indonesia are growing 31.4\% per year, while traditional markets are shrinking 8\% per year. In 2011 there were 13,450 traditional markets with around 12.6 million small traders (Kompas, 2011). Problems that occur in traditional markets are not entirely caused by modern markets but there are still internal problems such as user fees, and a lack of awareness of traders to pay market fees. However, the presence of modern retailers around traditional markets will have an impact on the reduced number of consumers who shop at traditional markets, due to segmentation.
Indonesia is like a home for minimarket businesses in Southeast Asia. Nielsen's What's Next report for Southeast Asia shows that the number of minimarkets in Indonesia reached 43,826 stores in 2017. From year to year, this growth increased by around 3.2% (Marketeers, 2019). Furthermore, data from the Indonesian Market Traders Association (IKAPPI) said the number of traditional markets dropped dramatically from 13,540 to 9,950 markets in 4 years (2007-2011) (Sindonews, 2018). If this continues to be allowed, it can make small traders or traditional retailers lose their livelihood. Traditional markets will slowly disappear and may sink along with the development of the current retail world, which is dominated by modern retail.

According to Euromonitor International, Indomarco Prismatama as the owner of the Indomaret minimarket network and Indomaret Point is the best-selling retailer in 2017, and managed to collect sales of US $ 4.89 billion and beat its closest competitor Alfamart, which posted sales of US $ 3.97 billion (TheJakartaPost, 2018). The large sales value is the reason for investors to open new minimarkets. The large number of sales and stores that are increasing in number every year will result in the growth of modern markets, and will corner traditional markets.

Based on The Nielsen Quest for Convenience Report 2018, 58 percent of consumers said they would choose a retail store with a location that was convenient for them, and 48 percent chose a store that has an organised layout that makes it easy to shop. There are several factors in considering the choice of location or place so consumers are interested, including easily accessible traffic, parking facilities, transportation, the composition of the store, the location of the store and the terms and conditions for the use of money (Sopiah and Syihabudhin, 2008: 139). Slow changes in people's shopping patterns will certainly occur and affect the sales turnover of traders in traditional markets. Modern markets and traditional markets compete in the same market, because almost all goods sold in traditional markets can also be found in modern markets, especially modern markets in the form of hypermarkets and supermarkets. Consumers' shopping interest in traditional markets will decrease as a result of this.

The position of modern markets close to traditional markets can be a threat to the existence of traditional markets due to shifting consumer preferences for the facilities and advantages offered by modern markets. This can kill businesses in traditional markets which also have an impact on the economy of local communities because they cannot compete with modern markets. To protect traditional markets, government intervention is needed in terms of regulating economic facilities and infrastructure so that modern and traditional markets can develop harmoniously, be in need each other, strengthen each other, and benefit each other. The protection of traditional markets as the centre of economic activities of small and medium-sized enterprises should be done to ensure the sustainability of small and medium
enterprises (Noor, 2013: 107). The government intervention of the provincial government of Special Capital Region (SCR) Jakarta has amended Regional Regulation No. 2 of 2002 to No. 2 of 2018. Amended Regional Regulation No. 2 of 2002 concerning SCR Jakarta Private Market is expected to be able to encourage traditional traders to rise and develop towards healthy business competition in the city of Jakarta.

Before the Provincial Government of SCR Jakarta amended Regional Regulation No. 2 of 2012, based on research conducted by Hikmawati and Nuryakin (2018), the regression results indicated a non-linear relationship between the number of modern retailers, especially supermarket and traditional retailers, and performance. The coexistence of one supermarket is positive for traditional market performance and negative afterwards. The research question is what is the impact of new market distance and regional government responsibility on traditional markets in SCR Jakarta? This research aims to determine the impact of new regional regulations of market on traditional markets SCR Jakarta.

**Theoretical Framework/Related Research**

**Modern Market**

The market is a meeting place for sellers and buyers to carry out transactions, a means of social and cultural interaction of the community, and community economic development (Purnomo, 2013: 8). Market Definition, according to the Regulation of the Minister of Trade of the Republic of Indonesia No 70/M-DAG/PER/12/2013 concerning Guidelines for Structuring and Guiding Traditional Markets, Shopping Centres and Modern Stores, is an area of buying and selling goods with more than one seller, which are referred to as shopping centres, traditional markets, shops, malls, plazas, trade centres and other designations.

In modern market regulations in Indonesia in the form of the Republic of Indonesia's Minister of Trade Regulation No. 56/M-DAG/PER/9/2014, the term Modern Shop is a supermarket as referred to in Law Number 7 of 2014 concerning Trade. Based on Law Number 7 of 2014 concerning Trade, what is meant by a convenience store is a shop with a self-service system, which sells various types of goods in the form of minimarkets, supermarkets, department stores, hypermarkets, or wholesalers in the form of wholesalers. Modern markets start from supermarkets and department stores. Supermarkets can be classified according to the scale of the business, by such metrics as floor area, turnover and network. The minimum area for department stores and supermarkets is 600 square meters per one outlet. It can also be a chain store with the same total area. The figure is based on the calculation of the average floor area of department stores and supermarkets that are associated with the facilities available. The floor area for department stores is generally at least 5,000 square meters, while supermarkets are around 1,200 square meters. However, in Indonesia this limitation does not always apply,
such as the "Matahari" supermarket, which has a number of outlets less than 5,000 square meters. The facilities provided are at least air-cooled so that consumers get the convenience of shopping and employee shopping patterns apply (Malano, 2011: 77). The emergence of modern markets is indeed beneficial for consumers, but it is a threat to the existence of traditional markets (Malano, 2011: 79).

The modern store is a shop with self-service or a self-service system, a fixed price system (without bargaining), and sells various types of retail products (Purnomo, 2013: 27). Based on Jakarta Regional Regulation Number 2 of 2018, modern stores are called self-service shops. Supermarkets are self-service shops that sell various types of goods in retail in the form of: minimarkets, supermarkets, department stores, hypermarkets or wholesalers in the form of a grocery.

**Traditional Market**

In understanding traditional markets in regulations in Indonesia in the form of the Republic of Indonesia's Minister of Trade Regulation No. 56 / M-DAG / PER / 9/2014, the term Traditional Market is interpreted as People's Market as referred to in Law Number 7 of 2014 concerning Trade. Based on Law Number 7 of 2014 concerning Trade, what is meant by public market is a place of business that is organised, built and managed by the Government, the Regional Government, private sector, State-Owned Enterprises, and/or Regional-Owned Enterprises, which can be in the form of shops, kiosks, stalls, and tents owned/managed by small and medium traders, non-governmental organisations, or cooperatives as well as micro, small and medium businesses that buy and sell goods through bargaining. Based on pepres no. 112 of 2007, traditional markets are markets built and managed by the Government, Regional Government, Private, State-Owned Enterprises and Regional-Owned Enterprises. This can also be in cooperation with the private sector with businesses in the form of shops, kiosks, booths and tents owned/managed by traders small, medium, non-governmental organisations or cooperatives with small scale businesses, small capital, and with the process of buying and selling merchandise through bargaining.

The Traditional Market is a representation of the people's economy, lower class economy, as well as a place for traders of a small and medium scale. Traditional markets become the foundation of farmers, ranchers, craftsmen, or other producers or suppliers (Malano, 2011: 13). The definition of traditional market is a market built and managed by the Central Government, Regional Government, Private, State-Owned Enterprises (SOE) and Regional-Owned Enterprises (ROE). This can also be in cooperation with the private sector with business premises in the form of shops, kiosks, booths and tents that are owned/managed by small traders, medium traders, non-governmental organisations or cooperatives with small scale businesses, small capital and with the process of buying and selling merchandise.
through bargaining (Purnomo, 2013: 7). SCR Jakarta government already owns Pasar Jaya. Pasar Jaya is a local company owned by the government of SCR Jakarta that performs public services in the market management sector, empowers market traders, assists price stability and the swift distribution of goods and services.

**Modern Market Versus Traditional Market**

Research conducted by Dwinita Aryani (2011) shows that as many as 66% of merchant respondents stated that the existence of minimarkets has an effect on decreasing income. The average income before the minimarkets was Rp 666,300.00 per day, and the average income fell after the appearance of the minimarket to Rp 289,700.00 per day. This means that the existence of minimarkets had a significant influence on the amount of merchant income in traditional markets. Research conducted by Endi Sarwoko (2008) concluded that the existence of modern retailers of Alfamart and Indomaret around traditional markets in the Malang Regency region only had an impact on the profitability of traditional market traders, and did not have a significant impact on turnover and the number of workers in traditional market. Thus, the existence of modern retailers Alfamart and Indomaret increases competition to get consumers, so traders in traditional markets implement price competition strategies by reducing profit margins so that selling prices are cheaper to keep consumers from switching to modern retail. However, when viewed from turnover, it actually has increased. The increase in the turnover of traditional market traders is due to the number of consumers moving to modern retail, which are generally household consumers, whereas large-scale transactions in traditional markets are dominated by shops / stalls and mobile vendors. Research conducted by Andi Adinda Lestari (2018) in Samarinda concluded that the existence of the Modern Market has an impact on Traditional Market traders. They assume that the existence of the Modern Market affects the turnover, income and number of consumers of traditional markets. They consider the existence of the Modern Market to have a negative impact on their business.

Research conducted by Rika Terano, Rafidah binti Yahya, Zainalabidin Mohamed, and Sahbani bin Saimin (2015) in Malaysia concluded that socio-demographic variables such as age, education, companion, family size and packaging, store environment, and product prices influence the choice between modern retail or traditional retail. Research conducted by Shivanjali Talari (2017) in India concludes that consumers have shifted their choice of stores to Modern retail for all product categories due to product availability, good quality, price and variety. Modern retailers can take a sizable portion of traditional retail but will never close the chance of selling certain categories in special denominations for traditional retail, because traditional retail still has many retail advantages and can grow despite the changes it uses effectively.
Research conducted by Pratamaningtyas Anggraini (2013) found that minimarkets tend to be on main transportation routes and are scattered following the pattern of roads thus creating different service areas when compared to traditional markets. The analysis also indicates that the range of services of the two types of trade facilities is intersecting. The study also found that minimarket services range from 100 to 500 meters, while traditional markets range from 500 to 1000 meters. The research of Melita Iffah, et al (2011) in Malang, concluded that the farther a small business shop is to a minimarket, the less influence it will have. However, the closer a small business shop is to a minimarket, the greater the effect it will have on the number of consumers who come every day.

Modern markets have a very close relationship with traditional markets. The relationship can be in the form of social or economic relationships. From a social perspective, modern markets and traditional markets are located in areas that tend to be close together. In general, modern market businesses set up their businesses near traditional markets. This shows that the two businesses are in the same social area. From an economic perspective, the modern market is in the same market as the traditional market. The three of them sell similar merchandise, including basic food, daily supplies, and household equipment. All goods traded on the modern market can be found in traditional markets. If the modern market stands in the same region as the traditional market, it means that both businesses have the same target consumers, namely the population around the area. This shows that the two businesses have a very close relationship and can influence each other. Modern markets compete with traditional markets in the same market. However, they have significant differences.

**New Regional Regulation**

Provincial Government of SCR Jakarta has amended Regional Regulation No. 2 of 2002 to No. 2 of 2018. Regional Regulation No. 2 of 2018 aims at integrating marketing and market management policies that cover the supply and distribution of goods as well as activities related to the implementation of People's Markets, Shopping Centres, and Supermarkets; directing the implementation of markets that are in accordance with the spatial plan and the principles of environmental preservation; developing market business competitiveness and the participation of market business actors in increasing regional economic growth; creating legal certainty for businesses in marketing business activities; empowering micro, small, medium and cooperative entrepreneurs in marketing businesses so they can develop, advance, be independent, have competitiveness, and improve their welfare; and fostering cooperation, as well as positive and mutually beneficial partnerships, in creating a fair business climate between Business Actors.

Different from the previous regulation, provisions regarding the distance between the Shopping Centre and the People's Market and between Shopping Centres of the same type,
refer to the regional spatial planning and detailed regional / provincial administration plans / administrative districts, including the applicable zoning regulations. Detailed spatial plans and zoning regulations refer to the regional regulation No. 1 of 2014. This regulation no longer regulates the distance with distance measurements as the previous regulation. In the previous regulation, arrangements for private market businesses, which have a floor area of 100 m\(^2\) to 200 m\(^2\), must have a radius of 0.5 km. If it is more than 200 m\(^2\) to 1,000 m\(^2\), they must have a radius of 1.0 km. If it is more than 1,000 m\(^2\) to 2,000 m\(^2\), they must have a radius of 1.5 km. If it is more than 2,000 m\(^2\) to 4,000 m\(^2\), they must have a radius of 2 km. If it is more than 4,000 m\(^2\), they must have a radius of 2.5 km from the neighbourhood market (traditional market) and be located on the side of the neighbourhood / collector / arterial road.

In this regulation, the Regional Government has the responsibility to conduct supervision, control and empowerment of the management of the People's Market. The supervision, control and empowerment of the People's Market is carried out through the rejuvenation or revitalisation of buildings and facilities of the Local Government Market owned by the Regional Government, and by strengthening the management and institutional management of the Regional Government-Owned Enterprises that manage the Regional Government-owned People's Market. They should also monitor and control the rental price and / or the selling price of the space business at the People's Market, supply merchandise of good quality with competitive prices and / or finance and guarantee processing facilities to market traders in obtaining working capital and business place ownership credit. In addition, the Regional Government is also responsible for growing and enhancing the ability of businesses and traders of the People's Market and increasing the competitiveness of the People's Market.

Method

The Technique of Data Collection

Data is everything that has been recorded and everything that can be documented: rocks, water, trees, humans. Everything is actually a fact, and this fact is always there, no matter if we are aware or not of its existence. Facts also always exist regardless of our naming of it as such (Irawan, 2004: 84). This study uses primary data, which is collected through the results of interviews and observations, and secondary data, which has been collected by data collection agencies and published to the data user community. The data collection methods used are document review using secondary data obtained from various sources and primary data obtained from interviews and observations. Researchers conducted research at the One Stop Investment and Integrated Services of Jakarta, Department of Cooperatives, Micro, Small and Medium Enterprise (MSME) and Trade Jakarta and Traditional Markets in Central Jakarta. This research was conducted in April to December 2019.
Data Analysis

After completing complete data collection activities, the next step is to analyse the data. The author analyses the data to describe the causal relationship between new market distance and regional government responsibility. This causal relationship is based on theoretical foundations, previous research and logical reasoning. Previous studies have shown the impact of modern markets on traditional markets. Data that has been well managed through processing and simplification at a later stage needs to be analysed, which in turn will be a reference for drawing conclusions. Thus, in this research the data analysis is done after the required data has been collected from the results of interviews and observations and document review in the field. The data analysis process will be presented in the form of narratives based on direct quotations from interviews with information providers and field notes in the form of qualitative narrative sentences in accordance with the focus of the problem.

Findings and Analysis

The results of the study is data from sources obtained from key informants (primary data), as well as Central Bureau Agency documents and other documents (secondary data) related to the focus of the problem in this study regarding the impact of establishing a modern market. The research interviews focused on matters relating to the responses, views, and efforts of the impact of new regional regulations on traditional markets. The results of the study obtained by the author through observations, interviews and document review can be described in the results of the study. This section will explain research findings on the impact of new regional regulations of market on traditional markets.

Market Distance

New regulation no longer regulates distance with distance measurements as in the previous regulation. Provisions regarding the distance between the Shopping Centre and the People's Market and between Shopping Centres of the same type, refer to the regional spatial planning and detailed regional / provincial administration plans / administrative districts, including the applicable zoning regulations, which refer to the regional regulation No. 1 of 2014.

The Head of the Department of Cooperatives, MSME and Trade Jakarta, said that minimarkets in the field that have not yet referred to Regional Regulation No. 2 of 2018. There is a number of minimarkets that violate the previous regulation such as minimarkets that use restaurant permits so that there can be a mutual minimarket which is mutually close together. We can only monitor modern markets that abuse licenses by random inspection.
Regional Regulation No. 2 of 2018 in the future is expected to make minimarkets and traditional markets collaborate for regional economic growth, not to stop businesses.

In different places, the Head of Development and the Head of Service Quality Improvement Section said that Licensing is still granted while maintaining and protecting the people's market. In granting permits, it refers to regional zoning and zoning regulations so that not all locations are given permits, there is still protection from local governments for traditional markets. The distance is set at 2,000 meters for a supermarket, if the minimarket is 500 meters. This is one of the efforts to protect the people’s market that is known so far with traditional markets to keep growing. Furthermore, the permit to establish a minimarket must have a recommendation from Pasar Jaya regarding whether there is a traditional market there.

Based on observations in central Jakarta, only 5 of 32 or 16% traditional markets that are managed by Pasar Jaya are not close (more than 500 m) to the minimarkets. This violated regional regulation no. 2 of 2002 for private market businesses that have a floor area of 100 m² to 200 m², and must have a radius of 0.5 km. Based on the Central Statistics Agency Survey in 2019, the percentage of shopping centres around traditional markets less than or equal to 1 km is 20%, more than 1 km and less than or equal to 5 km is 80%, and 0 % for more than 5 km. The percentage of supermarkets around traditional markets less than or equal to 1 km is 60%, more than 1 km and less than or equal to 5 km is 30% and 10 % for more than 5 km. Supervision and enforcement of modern market stores that violate the rules must be carried out strictly. The regional spatial planning and detailed regional / provincial administration plans / administrative districts will not be implemented if there are no strict actions against violators.

**Regional Government Responsibility**

The supervision, control and empowerment of the people's market is carried out through the rejuvenation or revitalisation of buildings and facilities of the local government market owned by the regional government, and by strengthening management and institutional management of the regional government-owned enterprises that manage the regional government-owned people's market. This can also be achieved by monitoring and controlling the rental price and / or the selling price of the space business at the people's market, as well as the supply of merchandise, prices, and / or financing and guaranteeing processing facilities to market traders in obtaining working capital and business place ownership credit. In addition, the regional government is also responsible for growing and enhancing the ability of businesses and traders of the people's market and increasing the competitiveness of the people's market.
The Head of the Department of Cooperatives, MSME and Trade Jakarta said that the SCR Jakarta Government provides tangible support for the creation of a conducive business climate in the Capital City. The presence of a minimarket can absorb employment opportunities and meet the diverse needs of the Jakarta community. In addition, the Provincial Government of SCR Jakarta is committed to reducing poverty, reducing unemployment, increasing the welfare and prosperity of the people and making the most of the economic potential of the city of Jakarta. Traditional traders / traditional markets in Jakarta are already managed by Pasar Jaya. At present Pasar Jaya is committed to revitalising the market in order to attract the public to shop at the market. The Head of Development Division of the One Stop Investment and Integrated Services said that the Provincial Government of SCR Jakarta through DPMPTSP provides support in encouraging a conducive business climate, while providing an environment that is able to systematically, independently and sustainably encourage the empowerment of Micro and Small Enterprises (MSEs) through policies in the aspects of business licensing.

The Government of DKI Jakarta adjusted the legal form of Pasar Jaya from regional companies to regional public companies with the task of carrying out business management of markets and other market facilities in the context of regional economic development and supporting regional budgets and contributing to regional economic growth through regional regulation no. 3 of 2018. Pasar Jaya was established with the intent and purpose of supporting regional government policies and programs in the fields of economy and trade as well as helping create food security and consumer protection in the region, building and developing markets by applying good corporate governance principles, playing an active role in helping the availability supply, increasing the stability and affordability of staple goods in the regions, and providing guidance and training to Market Traders. Construction and development of facilities in the Building Market Area for activities that are integrated with the Market in the form of office buildings, hotels, rental apartments, rental apartments, sports facilities, multipurpose buildings and other buildings support the development of Market functions as stated in regional regulation no 7 of 2018 about business management and the development of Pasar Jaya. Based on the Central Statistics Agency Survey 2019, 56.36% of Traditional Markets in DKI Jakarta have been revitalised and 51.22% traditional market traders said that the turnover after revitalisation has increased.

Bank DKI is ready to support business development or working capital needs for traditional market traders. Bank DKI is Commercial Bank and ROE whose shares are owned by the Provincial Government of SCR Jakarta and Pasar Jaya. Bank DKI has a special credit product for Pasar Jaya traders, the product name is called Monas Small Business Loan, which is useful for additional working capital and productive investment. Furthermore, Bank DKI launched the Trader Card in November 2019 for Cipinang Rice Central Market Traders, which can be used as an ID card, ATM card and Bank DKI Jakcard, as well as a merchant
levy payment card. With this Trader card, trading in Cipinang Rice Central Market will be easier when they want to apply for credit to Bank DKI because the financial portfolio of the business they have undertaken has been recorded in the traders' account activities. In line with the recommendations of Muhammad (2019), the banks can assist the small retailers in documentations for easy access to credit facilities.

To facilitate transactions, JakOne Mobile can also be used as a payment tool by using the scan to pay feature of merchants that have collaborated with Bank DKI. Shopping at Traditional Markets no longer bothers with wallets and cash. JakOne Mobile Bank DKI in collaboration with PD Pasar Jaya facilitates uses QR Code payments so that consumers can transact more easily with the Scan to Pay feature of JakOne Mobile. The penetration of internet and mobile phone users encourages people to use electronic-based financial services (Rizki and Priyono, 2018). But the percentage of traditional market traders who receive development and access assistance or capital loans is only 18.9%, based on the Central Statistics Agency Survey 2019.

Conclusions and Research Findings

Conclusions

The results of research on the impact of the new regional regulation on traditional markets in Jakarta city are:

a. The implementation of new regional regulations of market which regulate distance has had a limited impact, because the SCR Jakarta government has not yet referred to the new regional regulations of market and only monitors modern market stores that abuse licenses by random inspection.

b. The impact of the implementation of government responsibilities in the new regional regulation of market has not been optimal enough to affect traditional markets because only half of traditional market traders said that their turnover after revitalisation has increased and only a few traditional market traders receive loans.

Implication of Research Findings

The implications of the research findings and the advice that can be given is expressed as follows:

a. The Jakarta government is expected to conduct strict supervision and law enforcement of modern market shops that violate the rules and also refer to the new regional regulations of market. In order to be able to carry out government responsibilities to traditional
markets optimally, the government is expected to be able to collaborate with regionally owned enterprises.

b. Bank DKI is expected to be able to focus on developing their business in the MSME segment. The opening of a number of service offices in Pasar Jaya is expected to increase credit absorption by Pasar Jaya traders and provide banking services to Pasar Jaya traders and market visitors.

c. Perumda Pasar Jaya is expected to maximise its role in economic empowerment, food stability, especially for small groups according new regional regulation.
REFERENCES


