How to Rejuvenate Traditional Markets

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Research Article

Abstract

We propose a research agenda for exploring the efficacy of indigenous markets, with pasar in Indonesia as an example. The piecemeal application of policies across multiple provinces has been variable in its success. Indonesia offers a rich and varied palette of research projects, aimed at exploring the unique marketplace phenomenon of pasar. Our initial finding is that there is a considerable advantage of Jakarta over Bandung pasar, in terms of both tangible and intangible measures of quality.

Article Type: Research Corner

Introduction

Indonesia has a turbulent history, leading to many legacies including local markets, called pasar. After independence in 1945, following Dutch colonization from 1800, and Japanese occupation in WW2, Indonesia was ruled by the 'New Order' from 1965 until 1998. Then, the country was heavily monitored and controlled centrally. Unfortunately, this bureaucratic centralization steadily diminished the quality and timeliness of public services. When the authoritarian regime ended in 1998, decentralization offered transformative opportunities. The new regime created local governments in every city and province, with greater authority over their own political and financial resources. Thus, local government became more aware of and closer to citizens. Reciprocally, citizens came to expect higher-quality services, greater transparency, and improved accountability (Lewis, 2017; Miao et al., 2019).

For over ten centuries, pasar were the only markets selling necessities locally. Culturally and economically pasar have been important institutions but, despite their marketplace dominance, Indonesian society has viewed them negatively. For example, the sometimes-unhygienic environments made pasar unpleasant to visit. The evolution of these 'tired' traditional markets has engendered increasing dissatisfaction, by merchants and customers alike, with central and regional Government.

Administrative Systems In Indonesia

The collapse of Suharto's regime and subsequent decentralization in 1998 created a tremendous change in Indonesia's socio-political situation. The Government reduced its role in the economy, shifting towards market mediation within a globalized open system (Lewis, 2017). Previously, state-owned and locally-owned enterprises were expected to support Indonesia's regional development. This sometimes foundered due to a lack of professional management. Consequently, the Government promoted privatization of public enterprises, hoping market-based incentives would improve economic performance. Thus, modern markets emerged in Indonesia, from the late 1990s. This affected the management and operation of pasar, as regards sustainability and decentralization, and created a context where local government had increased authority, politically and financially (Lewis, 2017).

As decentralization increased, the Government issued a law giving governors, mayors, or regents greater powers, and creating a higher level of political influence, which remains intact today. Throughout Indonesia, pasar are now one of the most important public resources that the State funds. Where pasar were underperforming, new legislation held Governors accountable, signaling serious intent to meet public demand for better services.

The above suggest the following research questions:

- Whilst decentralization was intended to improve economic efficiency, has it in fact had a detrimental impact upon the traditional markets (pasar) of Indonesia?
- Are these effects experienced across all provinces of the country, or does the differing legislation permit some markets to perform better than others?
- With the increase in urbanization in Indonesia and the associated developments of modern markets, should Government continue to support pasar, as the people would wish?

Current Traditional Markets

The transformation of pasar to more market mediated entities allows them simultaneously to serve the public and to make a profit. As in all free markets, the fundamental way of making a profit is by offering and selling products and services that best satisfy their customers. This incentivizes merchants to compete with one another by striving hard to please their customers. Such a transformation of pasar goals and structure has been the goal of numerous decrees of Central Government. They are implemented by supervisory boards, appointed by the governors to supervise and advise the merchants trading in pasar.

Despite the similar structures of diverse pasar, the challenges and efforts to sustain their existence vary greatly. In their many forms, the threats from modern markets such as hypermarkets and supermarkets, are profound (Najib and Sosianika, 2017). They have become popular in developing countries since the 1990s, and continue today in Asian countries such as China, Indonesia, Malaysia, India, and Vietnam (Schmitt, 2015).

The main threat to the existence of pasar is modern markets, which generally offer a better environment and atmosphere for shopping, providing customers with attractive alternatives. Modern market practices implement up-to-date organizational and management theories to provide customers with diverse and high-quality products. As pasar offer essentially a form of retail business, modern markets can readily compete vigorously by offering customers superior services (Najib and Sosianika, 2017). Further, as modern markets increase, customers have access to more alternatives when choosing where to shop, which threatens the existence of pasar in Indonesia's urban shopping areas.

Pasar have long been perceived as unhygienic, making them unattractive and unpleasant places to visit. This negative image blunts the current competitiveness of pasar, driving potential customers to modern markets. For example, in large urban communities like Jakarta and Bandung, the younger generations

greatly value the neatness of modern markets (Miao et al., 2019), over the perceived sloppiness of pasar (Prabowo and Rahadi, 2015). Despite lower prices in pasar, they now prefer a fixed price for goods in modern markets and are disinclined to bargain. This market phenomenon of abandoning pasar in favor of modern markets is well known in Indonesia. Its speed of advance has accelerated because of local and nationwide media reporting very poor physical conditions in some pasar. Yet attitude polls suggest that the public believes pasar should be preserved (Prabowo and Rahadi, 2015).

As of 2018, pasar comprised 2.5 million merchants spread throughout 14,182 units in Indonesia. The Indonesian government has issued many laws to improve the management of pasar. Their role in the development of pasar is significant, in terms of financial resources (e.g., rents for stalls, taxes). This signals their importance to Indonesia's polity. Under these regulations, local government is responsible for merchants' competence and the management of pasar. In return, merchants and pasar managers have the right to support from local government. Despite this regulatory activism, progress has been slow, with merchant resistance hindering implementation. This has hampered the modernization or revitalization of pasar.

How Does Quality Of Service Affect Pasar?

Here, further empirical research is called for e.g., to measure customers' perceptions of quality, intent to repurchase, and loyalty etc. (cf. Parasuraman et al.,1985). This research should relate to both tangible (e.g. access) and intangible (e.g. kindness) factors. For both customers and merchants, it is worth exploring whether differences exist because of inherent characteristics like gender, location etc (cf. Helgesen and Nesset, 2010; Schmitt, 2015).

As an indication of what is possible, we reference ongoing research by the authors, which has a fieldwork element, conducted in Indonesian (Bahasa). This involved pasar stakeholders rating the perceived quality of pasar on 24 attributes, using a five-point Likert scale (See Table 1). Evidence was obtained from two pasar in Jakarta, and three in Bandung. Eight key measures are presented in Table 1, under *Tangible* and *Intangible* headings, showing t-statistics for testing the difference between means between the Jakarta and Bandung samples.

The quality ratings for Jakarta pasar are all significantly better than for Bandung. In the Indonesian media, press and digital, the premier pasar are conventionally considered to be in Jakarta. It is both the regional and national capital, and their pasar probably warrant – and get - more support as recognized 'national champions.' Certainly, this presumption is affirmed empirically by our brief study. There is much more that can still be done in this vein, hopefully using the research referred to in this article as a stepping-stone.

Declarations

Ethical Approval

Ethics approval was granted from the Ethics Committee of the host University, for the instrumentation (e.g. questions posed), the individuals being approached (and potential sensitivity thereof), and the data sought (including possible commercial sensitivity) during the fieldwork. In addition, one of the procedures that the fieldworker had to complete before the interviews with all respondents, and all other fieldwork activities, as an Indonesian national, was to obtain approval from the Ministry of Internal Affairs Republic of Indonesia, stating the province (region), the objective of the research, the main questions of the interviews, the proposal draft (background, literature reviews, research method), and other necessary information.

Further, this Ministry required this fieldworker to send the project proposal draft and the 'big picture' of the research objectives to the local government (Jakarta and Bandung) and to the pasar head offices (Jakarta and Bandung). As a result, all respondents understood: the fieldwork access had Ministry approval; the interviewees already knew what to expect in the interviews; and the interviews were undertaken for research work which would go into the public domain, and could, in principle, be publish. Indeed, respondents all asked for a copy of the research, were it to be published. All interviewees agreed to the interviews being recorded, and their assent to participate on the terms mentioned above was part of what was recorded on tape.

Conflict of interest

The authors have no conflict of interest to declare.

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Tables

Table 1

Comparison of Perceived Quality: Jakarta vs Bandung
(t-tests of means)

Quality Measure	Jakarta (mean)	Bandung (mean)	Significance
Tangible			
Arrangement of the stalls	3.94	3.20	$p^{***} < 0.001$
Brightness of the pasar	4.00	3.47	$p^{***} < 0.001$
Zoning (by product) arrangement of stalls	3.99	2.96	$p^{***} < 0.001$
Access to the pasar	4.11	3.47	$p^{***} < 0.001$
Intangible			
Hospitality of pasar management	3.70	3.13	$p^{***} < 0.001$
Kind attention given to customers	3.86	3.30	$p^{***} < 0.001$
Support of merchant's business expansion	3.71	3.23	$p^{***} < 0.001$
Promoting the pasar as a good place to do business	3.84	3.11	$p^{***} < 0.001$

*** Sig. at 1% level

Source: Andriana et al. (2022)

Notes to Table 1

ample sizes N_J = 205, N_B = 215; J = Jakarta, B = Bandung

attributes used of which eight in Table 1; all remaining attributes are significantly superior for J compared to B

wers on pasar, perceived quality attributes on a five-point Likert scale: poor = 1, fair = 2, average = 3, good = 4,
ellent = 5

rviews with stakeholders in Indonesian (Bahasa).