

The Role of Traditional Markets in Improving the Economy of the Community in Indonesia

Septyan Budy Cahya^{1*}, Waspodo Tjipto Subroto², Norida Canda Sakti³

¹⁻³ Pendidikan Bisnis, Universitas Negeri Surabaya, Surabaya, Indonesia

Author Correspondence: septyancahya@unesa.ac.id*

Abstract. *Traditional markets play an important role in the local economy in Indonesia, especially in creating jobs, income distribution, and preserving culture. This study uses a Systematic Literature Review (SLR) approach to analyze literature related to the role of traditional markets in improving the economy of people in Indonesia. Through the analysis of relevant scientific articles, it was found that traditional markets contribute to the informal sector, creating jobs, reducing economic disparities, strengthening social networks, and preserving local traditions and culture. However, challenges such as competition with modern markets and inadequate infrastructure are the main obstacles to the sustainability of traditional markets. This study recommends that revitalizing traditional markets through modernizing facilities, empowering traders, and implementing digital technology should be a policy priority to support inclusive and sustainable local economic development.*

Keywords *Traditional Market, Community Economy, Indonesia.*

1. INTRODUCTION

Traditional markets are an important element in the lives of Indonesian people, especially as centers of local economic activity. Since ancient times, traditional markets have been the main place for the exchange of goods and services, forming close social relationships between traders and buyers (Geertz, 1963). This market not only functions as a location for economic transactions but also as a social and cultural space that reflects the traditional values of society. Traditional markets have a strategic role in community economic development, especially in developing countries like Indonesia. Traditional markets provide employment for millions of people, especially in the informal sector (Tambunan, 2009). As centers of economic activity, traditional markets provide employment opportunities for various levels of society, including small traders, farmers and fishermen. According to the Central Statistics Agency (BPS), around 60% of informal economic transactions in Indonesia occur in traditional markets (BPS, 2022). This shows the importance of the existence of traditional markets in supporting the economic sustainability of lower society. Apart from that, traditional markets are also often a symbol of local cultural sustainability because they maintain various traditions, such as the bargaining system and the use of local products (Nielsen, 2011).

The development of modern markets and e-commerce provides significant challenges for traditional markets. According to research by Suryadana and Wiranatha (2018), modernization of traditional markets through infrastructure improvements and more

professional management can increase the competitiveness of these markets. Apart from that, strengthening the role of traditional markets also has an impact on preserving local culture and traditions, considering that these markets are places of social interaction that reflect the cultural diversity of local communities. The study by Anselmsson et al. (2020) states that effectively managed traditional markets can increase traders' income by up to 30% and make a significant contribution to local economic growth. In addition, digitalization of traditional markets through the integration of information technology can help traders expand their customer reach, thereby increasing their competitiveness in modern markets.

Revitalizing traditional markets is an important step to overcome this challenge. Strategic approaches such as improving facilities, empowering traders, and promoting local products can encourage the sustainability of traditional markets. Research by Riza and Aditya (2021) in Indonesia shows that the revitalization of traditional markets can increase local economic activity by up to 25% in five years. Thus, research on the role of traditional markets in improving the community's economy becomes very relevant. This is important to identify the challenges faced as well as strategic solutions to ensure the sustainability of traditional markets amidst global competition.

2. LITERATURE REVIEW

Traditional markets are places where sellers and buyers meet to carry out direct transactions, usually at negotiated prices (Kotler & Keller, 2016). This market acts as a driving force for the local economy, providing access to daily necessities at affordable prices, as well as being a place that allows economic participation for people with little capital. Usually, traditional markets have a typical physical location, such as a kiosk, stall or simple trading table, and provide various basic needs such as food, clothing and other household needs. According to the Ministry of Trade of the Republic of Indonesia (2015), traditional markets "are business places built and managed by regional governments, regional companies, private companies, cooperatives, or non-governmental organizations with business places in the form of shops, kiosks, or stalls that are owned or managed by small traders, medium, and cooperative." Geertz (1963) explained that traditional markets in Indonesia reflect close social relationships, where economic transactions are often based on trust and long-term relationships. In this context, traditional markets are not only an economic space, but also an important social space. Traditional markets are trading places

that reflect direct interaction between sellers and buyers, with bargaining activities as their characteristic (Riza & Aditya, 2021). According to research by Anselmsson et al. (2020), traditional markets are not only centers of economic transactions but also function as social spaces that strengthen relationships between individuals in the community. This makes traditional markets an important element in local economic development, especially in developing countries.

According to Hill (1997), traditional markets have a major contribution to local economic development. These markets provide employment for many small traders, farmers, and fishermen. In addition, traditional markets also help reduce economic disparities by distributing income more evenly among local economic actors. Tambunan (2009) added that the informal sector such as traditional markets has a strategic role in the economy of developing countries, especially in facing the economic crisis. Traditional markets are able to survive and adapt faster than the modern sector because of their flexible nature. Traditional markets play an important role in local economic development. As the center of community economic activity, traditional markets are a place of interaction between local producers, traders, and consumers. In the context of the local economy, traditional markets contribute to job creation, increasing community income, and preserving local culture. Traditional markets are one source of income for small and medium enterprises (MSMEs). As a place to trade daily necessities, traditional markets provide access for low-income people to obtain goods at relatively affordable prices (Dewi, 2020). In addition, traditional markets also support the distribution of local agricultural products, thereby shortening the supply chain between producers and consumers. Despite their strategic role, traditional markets face various challenges, such as competition with modern markets and e-commerce. According to Siregar (2018), modernizing traditional markets through improving infrastructure and management can be a solution to increase competitiveness. In addition, digitalization can also help traditional market traders expand their market reach. Traditional markets not only function as places for economic transactions, but also as social and cultural centers. Activities in traditional markets reflect the social dynamics of the local community, which in turn strengthens social cohesion. Research by Muktadir and Usman (2023) shows that revitalizing traditional markets can increase local economic activity. Traditional markets have great potential to support local economic development if managed properly. Modernization and digitalization of traditional markets need to be prioritized to face the challenges of the times, so that the sustainability of traditional markets can be maintained. Studies show that traditional markets have a

significant impact on job creation, especially for low-income groups. The World Bank (2021) reports that around 70% of the workforce in the informal sector in Indonesia depends on traditional markets. These markets are also the main channel for distributing local agricultural and craft products, which in turn increases the income of small producers.

Research by Suryadarma et al. (2010) shows that traditional markets face serious challenges due to competition with modern markets. Factors such as convenience, product variety, and standardization offered by modern markets often attract consumers to switch. Inadequate infrastructure, such as poor sanitation and limited access to transportation, are also major obstacles to the sustainability of traditional markets. Despite their strategic role, traditional markets face various challenges, including competition with modern markets and e-commerce. According to Suryadana and Wiranatha (2018), the main weaknesses of traditional markets lie in the lack of adequate facilities, unprofessional management, and a less clean and orderly image. These challenges make consumers tend to switch to modern markets that offer more convenience.

3. METHODS

This study uses a Systematic Literature Review (SLR) approach to analyze relevant literature on the role of traditional markets in improving the community's economy. The SLR process includes three main stages:

- A. Literature Identification: Literature searches are conducted through national and international journal databases. Keywords used include "traditional markets", "economic development", "local economy", and "Indonesia".
- B. Literature Screening: Relevant articles are selected based on inclusion criteria, such as a focus on traditional markets, links to economic development, and empirical data. Irrelevant articles, such as those that only discuss modern markets, are excluded from the analysis.
- C. Data Analysis and Synthesis: The selected literature is analyzed to identify patterns, key contributions, and relevant findings. The results of the analysis are used to develop a conceptual framework in this study.

4. RESULTS

The results of the systematic literature analysis of national and international journals and articles show that traditional markets play an important role in local economic

development in Indonesia. The main findings in this study include the contribution of traditional markets to the community economy, the challenges faced, and the revitalization and modernization strategies implemented to increase the competitiveness of these markets.

A. Contribution of Traditional Market Economy

Traditional markets are the main driver in improving the economy of the community, especially in developing countries such as Indonesia. A study by Hill (1997) highlighted that traditional markets support the reduction of economic inequality through a more equitable distribution of income. Based on World Bank data (2021), traditional markets contribute up to 30% of the total informal economic activity in Indonesia, absorbing more than 12 million workers in the informal sector, the majority of whom are small traders and MSMEs. In addition, research by Zhang et al. (2020) shows that traditional markets help create job opportunities for low-income communities, providing economic stability for vulnerable groups. Traditional markets in developing countries, including Indonesia, contribute 20-25% to the informal sector GDP, most of which comes from the local trade and agriculture sectors. Traditional markets also function as distribution centers for daily necessities, especially agricultural goods, handicrafts, and other local products.

B. Traditional Markets Challenges

Despite their significant role, traditional markets face many challenges, including lack of adequate infrastructure, unprofessional market management, and increasingly fierce competition from modern markets and e-commerce platforms. Research by Suryadana and Wiranatha (2018) shows that traditional markets in Indonesia often do not have adequate facilities, such as limited parking areas, poor cleanliness, and poorly organized management systems. This reduces the attractiveness of traditional markets to consumers, especially among young consumers who prefer the convenience of modern markets. Giantari et al (2017) Menyebutkan beberapa ancaman dari pasar tradisional adalah Pesaing, Daya tawar dengan pembeli, Teknologi informasi. Oleh karena itu, diperlukan pembenahan untuk meningkatkan kunjungan masyarakat ke pasar umum.

C. Positive Impact of Traditional Market Revitalization

Revitalization of traditional markets is becoming an increasingly important strategy to address these challenges. Based on the findings of Lee et al. (2022), modernization of traditional markets through improving physical facilities and digitalization has yielded significant results in many areas. In Bali, revitalization of traditional markets involving facility renovation and the use of digital technology for

marketing and payments has increased the competitiveness of these markets by 35% in the past three years (Suryadana & Wiranatha, 2018). In addition, traders who received training in market management and digital marketing managed to increase their income by 25%. Various revitalization strategies have been proposed in the literature, such as facility modernization, trader empowerment, and digital technology integration. Istarno and Bakar (2023) noted that the revitalization of traditional markets increased traders' income after revitalization. Research shows that revitalization of traditional markets not only impacts traders but also the local economy as a whole. The World Bank (2021) noted that areas with modernly managed traditional markets had faster local economic growth than areas without traditional markets.

5. DISCUSSION

A. Traditional Markets as a Support for the Local Economy

The results of the Systematic Literature Review show that traditional markets in Indonesia play a crucial role in the local economy, especially in the informal sector. Traditional markets are the center of the local economy, supporting the distribution of local goods, and providing economic access for small communities (Rinto & Alexandro, 2021). Traditional markets not only provide access for people to buy goods at more affordable prices, but also support the growth of MSMEs and provide employment opportunities for thousands of people. Otsuka et al. (2020) stated that local market development directly contributes to poverty alleviation in remote areas through job creation and income generation. According to the World Bank (2021), around 70% of jobs in Indonesia's informal sector depend on traditional markets. Research by Anselmsson et al. (2020) also noted that traditional markets support economic inclusivity by providing market access for traders who do not have access to modern markets or e-commerce.

B. Competition with Modern Markets and E-Commerce

The biggest challenge facing traditional markets is competition with modern markets and e-commerce. With the ease of online shopping and convenience offered by modern markets, traditional markets often struggle to retain customers. The disadvantages of traditional markets include their untidy layout, dirty impression, and ineffective waste management systems. Many traditional markets in Indonesia are unable to adopt technology and digitalization effectively, so they are increasingly lagging behind

in this competition. In addition, issues of cleanliness, comfort, and poor management make traditional markets increasingly unattractive to consumers (Merlinda & Widjaja, 2020).

C. Traditional Market Revitalization Strategy

Based on findings in several studies, an effective traditional market revitalization strategy must include three main elements: infrastructure modernization, trader empowerment, and digitalization. In market revitalization, Putra and Rudito (2015) stated that the purpose of revitalization is to develop traditional markets and local communities in better conditions. Better conditions can mean financial and social benefits. Furthermore, Alfianita et al. (2015) also stated that the revitalization of traditional markets aims to increase competitiveness, so that they can continue to compete with modern markets. According to Zhang et al. (2020), digitalization of traditional markets is key to expanding consumer reach and increasing trader income. Examples of successful digitalization include the introduction of e-commerce platforms specifically for traditional markets, which allow traders to sell their products online, as well as the use of applications for digital payments and product promotions. Market revitalization also requires improving the quality of market management. Research by Suryadana & Wiranatha (2018) shows that well-managed traditional markets, both in terms of cleanliness, facilities, and management systems, can significantly increase the number of visitors and sales. Training and education for market traders is also important to improve their skills in managing businesses and marketing products.

D. Impact of Revitalization on Community Welfare

Istarno & Bakar (2023) shows that revitalization of traditional markets not only has an impact on increasing trader income, but also on the economic welfare of the surrounding community. According to Anggraini and Hermawan (2017), revitalization of traditional markets is carried out by paying attention to certain standards to improve the quality of service and comfort for visitors. Well-developed traditional markets drive local economic growth by providing jobs and increasing incomes for traders, farmers, and other communities. In some cases, revitalizing traditional markets has even been able to reduce poverty levels in the area (World Bank, 2021).

E. The Role of Traditional Markets in Cultural and Social Preservation

In addition to economic impacts, traditional markets also play an important role in preserving local culture. Jones et al.'s (2018) research shows that traditional markets

are able to bridge economic and social gaps in local communities. Traditional markets not only function as centers for economic transactions, but also as spaces for social interaction. Geertz (1963) describes the personal relationship between traders and buyers, creating trust that strengthens social cohesion in local communities. Traditional markets are also often a place for local cultural celebrations, for example by preserving traditional foods and local crafts. This market is not only a place for economic transactions, but also a place for social interaction that strengthens relationships between individuals. According to Anselmsson et al. (2020), traditional markets are often symbols of local culture and identity. Therefore, revitalizing traditional markets can also function as an effort to preserve cultural heritage, in addition to improving the economic welfare of the community.

6. CONCLUSION

Traditional markets play a very important role in the local economy in Indonesia, both in terms of job creation and as a place to distribute affordable local goods. Based on the analysis, traditional markets have an impact on the informal sector, absorb millions of workers, and help increase the income of small traders and local farmers. However, traditional markets face various challenges, including the lack of adequate infrastructure, competition from modern markets, and e-commerce. Revitalizing traditional markets through improving facilities, more professional management, and implementing digital technology are important steps to increase the competitiveness of traditional markets. Market digitalization, such as the use of e-commerce platforms and digital payment systems, has been shown to increase traders' income and expand their market reach. In addition, management training for traders and efforts to improve the quality of market management can improve the image of traditional markets, attract more consumers, and encourage the sustainability of these markets. In addition to the economic impact, traditional markets also have important social and cultural values. This market is not only a place for economic transactions but also a social space that strengthens relationships between community members. Therefore, the revitalization of traditional markets does not only focus on the economic aspect but also on preserving local culture and identity. Thus, revitalization and modernization of traditional markets should be a policy priority to support inclusive local economic development. The government, together with the community and the private

sector, need to continue to work together to create an environment conducive to the growth of traditional markets, while maintaining the social and cultural values inherent in them.

7. LIMITATION

This study has several limitations that need to be considered. First, the data used is limited to the literature available in a certain period, so there may be other studies that have been missed. Second, the results of the study may not be fully generalized to all regions of Indonesia because each traditional market has different characteristics. In addition, the measurement of the impact of traditional market revitalization is limited to the available quantitative data, and long-term impact evaluation requires more detailed data. The perspectives of traders and consumers are also less explored in this study, which could potentially provide a deeper understanding. Finally, this study emphasizes more on the economic aspect, while the social and cultural aspects of traditional markets still need to be explored further to obtain more holistic results.

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