

CHAPTER I

INTRODUCTION

1.1. Background

The economic development of a region or country cannot be separated from the economic activities of its community. Economic activities themselves are all activities carried out by individuals, firms and governments to produce, distribute and consume goods and services in a society. The economy is formed from several business sectors, including the formal sector and the informal sector with the aim of earning a decent income in meeting the needs of life and for family welfare (Sembiring, 2020). The most common form of informal sector business is trading, especially in traditional markets.

Traditional markets are economic activities that play an important role in the matter of advancing and driving economic growth in Indonesia and have a natural competitive advantage (Chris, 2006). In Indonesia, the role of traditional markets is very important because they are a forum that can be directly utilized by the surrounding community, especially farmers and fisherman, to sell agricultural products, as well as owners of micro, small and medium enterprises (MSMEs) (Kadi, 2021). The existence of this traditional market also helps various levels of society, because in traditional markets there are many actors who have important roles and try to prosper their lives, such as traders, buyers, porters, parking attendant and so on (Guna, 2015). They are all actors who play an important role in maintaining the existence of traditional markets in Indonesia (Ayuningsih, 2013).

Trade is one of the pillars of the economy for the people involved in it. Everyone does trade activities to earn income, because income is very important to support the life of a family. The income earned by traders is used to meet the needs of daily life and increase capital (Sudrajat, 2014). Income level affects welfare, the higher a person's income, the higher the level of welfare of his family members and the more needs and desires that can be achieved, vice versa (Wahbi, 2020).

The welfare of traders can be measured by the income they generate. Therefore, the factors that affect the income of traders must be considered so that the income of these traders can be stable and the welfare of traders can increase.

In starting a trading business, one of the most important things that need to be considered and needed is capital (Susila, 2014). The definition of capital according to the Big Indonesian Dictionary in Nugraha (2011), capital is money that is used as the main for trading, releasing money that can be used to produce something that increases wealth and so on. Capital is a very influential factor in the trader income, because the level of income earned by traders depends on the amount of capital used to run the business.

Theoretically, capital affects the increase in the number of goods or products to be traded so that it will increase income. The income received by each individual or community is highly dependent on the ownership of capital or factors of production. The relatively large business capital will allow a business activity to run smoothly and achieve the goal of trading activities, namely a high level of business income (Fata, 2010).

In addition to capital, another factor that can affect income is the length of business, which means the time the trader has been running his business (Sumarwan, 2014). The longer the trader pursues his business, it will affect his ability or expertise, so that it can increase efficiency and be able to reduce production costs which are smaller than sales results. The longer you are in the trading business, the more you will increase your knowledge of consumer tastes or behaviour. If trading skills increase, more business relations will be attracted and the number of customers will also increase. In other words, the longer the business actor has been in the trading business, the more knowledge he will get and this will affect the level of income he will receive.

Working hours is also a factor that can determine the level of income received by traders. According to Hanum (2017) working hours is the amount or length of time used to trade or open their business to serve consumers every day. Sumarsono (2009) states that the more working hours sacrificed, the more

productivity will be, and the income earned will increase. Working hours can affect the income of traders because a large number of working hours will increase the productivity value of traders, in other words, the more working hours that traders have, it will provide an opportunity for buyers to buy their merchandise, and more buyers will certainly increase their income and profits (Muryati, 2015).

Several studies related to the factors that affect the income of traders have been carried out. Sandoro (2021) found that simultaneously capital, working hours, business location and the total visitors have a significant effect on the trader income at Kenjeran Park Tourism Surabaya. While in the partial test, it was found that capital and the number of visitors had a significant effect on income, but the variables of working hours and business location had no effect on the income of traders at Kenjeran Park Tourism Surabaya.

Herman (2021) also conducted a study entitled "Analysis of Factors Affecting Trader's Income at the Panam-Pekanbaru Traditional Market, Indonesia". Using multiple linear regression analysis, it was found that partially working hours and capital variables have a significant effect on the income, while the length of business has no significant effects on the trader income. While simultaneously the variable of capital, working hours, and length of business on trader income have a positive effect.

In addition, Manita (2021) also conducted a study entitled "Factors Influencing the Income of Meukek Market Traders in South Aceh Regency". By using multiple linear regression analysis, it was found that the capital partially has a positive and significant effect on the trader income by 0.400. It means that if the value of the capital variable increases by 1 unit, then the income variable value will increase by 0.400. The variable of working hours partially has a negative and significant effect on the trader income by -0.328. This means that if the value of the working hour's variable increase by 1 unit, then the income variable value decreases by -0.328. The variable length of business partially has a positive and significant effect on the trader income by 0.321. This means that if the value of the length of business increases by 1 unit, then the value of the income increases by 0.321. While simultaneously the capital, working hours and length of affect the income of traders.

In addition to the three studies above, research relevant to the factors affecting trader income has also been carried out in several areas in West Sumatra Province. Such as research conducted by Mustika (2018) located in Batusangkar Market, Tanah Datar Regency and research by Armadhani (2023) located in Bandar Buat Traditional Market, Padang City. However, as far as the researchers found, research on the income of traders in traditional markets has never been carried out in Padang Pariaman Regency, especially in Sungai Limau Sub-district.

Most of the previous researches used a Likert scale for measuring each variable, while this research uses actual value quantitatively, namely by asking traders directly how much the unit value of each variable is. For example, in the capital and income variables, the researcher asks how much capital and income the trader has, then the data obtained from the traders will be in the form of rupiah units. Likewise, with the variables of length of business and working hours, the data obtained are units of years for the variable length of business and units of hours for the variable working hours.

Sungai Limau Traditional Market is the only traditional market that is the center of trade in Sungai Limau Sub-district. Traders in this traditional market sell various types of daily necessities ranging from vegetables, fruits, fishes, meats, groceries, snacks to clothes for people's consumption needs. The purpose of traders in this market in general is to earn income to meet their daily needs.

Traders in Sungai Limau Traditional Market mostly still have a small business size, only a small number of traders have large business sizes. This is due to the lack of capital owned by traders. Traders with large capital certainly have complete, many and varied merchandise, while traders with small capital will have limited merchandise. The small amount of capital owned by traders makes it difficult for traders to increase their productivity and results in relatively small incomes. The lack of capital will also make it difficult for this business to develop. In this traditional market there are traders who have been trading for a dozen years and some have just started trading for a year or two years. Traders who have been running a trading business for a long time will probably earn greater income than traders who have just started a business in this market, because traders who have

just started a business are expected to have fewer customers. Traders at the Sungai Limau Traditional Market operate every day, which is Monday to Sunday. Even so, the operating hours of the traders themselves are uncertain, where there are traders who have opened their wares at 06.00 in the morning and some have just opened at 08.30 in the morning. Most of the traders who have been operating since 06.00 am is traders of vegetables, fruits, fish and basic necessities, while those who started operating at 08.30 am mostly snacks and clothes. Besides that, their own trading time is also uncertain, some are closed during the day and some are until the afternoon, some are until night.

The existence of major problems such as the lack of capital owned by traders to develop their businesses, the differences in the length of business undertaken by traders, and difference working hours for selling encourages researchers to conduct research on whether there is an influence of capital, length of business, and working hours on the income that will be received by traders. This research is important to conduct because as we know capital, length of business and working hours are factors that can affect the income of traders. From the results of the research produced later, we can determine and pay attention to what actions and regulations will be taken in order to increase the income of traders in the Sungai Limau Traditional Market.

1.2. Research Questions

Based on the background description that has been described, this research is expected to be able to answer the research questions, namely:

1. Does capital affect the income of traders at Sungai Limau Traditional Market?
2. Does the length of business affect the income of traders at Sungai Limau Traditional Market?
3. Does working hours affect the trader income at Sungai Limau Traditional Market?
4. Does capital, length of business, and working hours simultaneously affect the income of traders at Sungai Limau Traditional Market?

1.3. Research Objectives and Advantages

Based on the formulation of the problem that has been stated, the objectives of this research are to find out:

1. The effect of capital on the income of traders at Sungai Limau Traditional Market.
2. The effect of length of business on the income of traders at Sungai Limau Traditional Market.
3. The effect of working hours on the income of traders at Sungai Limau Traditional Market.
4. The effect of capital, length of business, and working hours simultaneously on the trader's income at Sungai Limau Traditional Market.

This research is also expected to provide information or knowledge to readers regarding the factors that affect the income of traders, such as the effect of capital, length of business, and working hours on the trader's income at Sungai Limau Traditional Market. In addition, this research is expected to provide a reference for further researchers in enriching their research.

