Medan City Government Regulation in Managing Traditional Markets and Modern Stores

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Abstract

The objective of this study is to describe the government regulation in the management and implementation of local regulations related to the existence of modern stores for traditional markets in Medan city. The research method used was descriptive qualitative, which is to explore and to clarify phenomena, by describing the data and facts relating to the problem of the study. The results indicate that the impact on the existence of modern markets is a dilemma, on the one side it has a positive impact on the national economy but on the other side it has the potential to cause a decline in income and the number of traders in traditional markets. To overcome this dilemma, several regulations were issued, namely Medan Mayor Regulation No. 20 of 2011 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores in accordance with Presidential Decree No. 112 of 2007 article 1 paragraph 11 (eleven) and paragraph 12 (twelve) and Regulation No. 20 of 2011 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores.

Keywords
Regulation, Impact, Modern Stores, Traditional Markets

Introduction

The traditional market is one of the most obvious indicators in terms of the implementation of community economic activities in an area. According to Manki (Setyawan, et al., 2015) the market contains buyers and sellers for good and service. The market itself is divided into two namely modern stores and traditional markets. Modern stores on a smaller scale can easily be found around us in the form of a modern store with a red and blue yellow logo. Both of them certainly have very striking differences in terms of physical facilities and infrastructure; the way of transaction to distribution of goods (Dakhoir, 2018).

Currently modern stores are growing more along with the increasing public interest in shopping places that are close to residential areas, comfortable with rooms equipped with air-cooling, maintained cleanliness, and friendly service. Although it does not necessarily diminish interest in the existence of traditional markets, which are still closely related to the level of kinship where the bargaining process is often encountered, it is also due to the fact that the goods available are still relatively fresh, especially for products such as vegetables and fruits.

It cannot be denied that the existence of modern markets nowadays has become a demand and consequence of the modern lifestyle that develops in society. It does not only in metropolitan cities but also in small cities. It will be very easy to find minimarkets, supermarkets and even hypermarkets around where we live. These places promise
convenient shopping places at attractive prices. However behind its pleasure, it has made small and medium-sized traders or consumers complain.

The proliferation of hypermarkets and minimarkets in a number of big cities has worried traditional market traders. Minimarkets that have sprung up in housing estates are almost acceptable in every part of society. The market that was previously controlled by grocery and snack shops now is being taken over by minimarkets.

Seeing this competition phenomenon, the government as the policy maker issued a regulation through the Presidential Regulation of the Republic of Indonesia No. 112 of 2007 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores to regulate, foster and provide implementation guidelines for the creation of regularity in the implementation of traditional markets, shopping centers and modern stores. The Presidential Regulation contains general provisions, the arrangement of traditional markets, provisions regarding the existence of shopping centers and modern stores, provisions on the supply or distribution of goods to modern stores, licensing, guidance and supervision, sanctions and finally the transitional provisions.

The policies in the implementation of traditional markets and modern stores have clear rules, to maintain business competition in a conducive climate and the economy of the community can continue to rotate along with the sustainable development. Sustainable development is defined as development that aims to meet the needs of the current generation without having to disrupt the needs of future generations with three aspects, namely economic, social and environment. (Pratiwi & Santosa, 2018).

Medan Market Trading Company, with all its policies, is expected to be able to accommodate traditional market interests in terms of management and development as a method of anticipating the rise of modern retail growth. By this way, Medan government is making efforts towards the creation of good governance in order to serve the interests and advance the welfare of society. According to the United Nation Development Programs (UNDP), the good category in good governance is a point in upholding the people's interests, independence, empowerment and effectiveness, in achieving effective and efficient government goals and functions (Kaban, et.al., 2016).

Method

The data were obtained using data collection techniques through literature study, namely by collecting and analyzing library materials relevant to the study (Purwanto, 2005). Data were in the form of research articles and news in newspapers, related to laws and regulations in Medan City. The research method used was descriptive qualitative, which is intended for exploration and clarification of a social phenomenon or reality, by describing the data and facts relating to the problem of the study (Sugiyono, 2000), namely Medan City government regulation in management and implementation of local regulations related to the impact of the existence of modern stores on traditional markets.

Based on data analysis obtained, the researcher used descriptive qualitative analysis techniques, namely the data obtained would be analyzed and outlined in the form of spoken and written words (Suyanto & Sutinah, 2011). This technique aims to describe the facts and data obtained systematically. Research data derived from the results of the literature study were then used to clarify the description of the research results into a conclusion (Zed, 2008).

Results and Discussion

Traditional Markets Versus Modern Stores

Modern market began to develop in Indonesia in the 1970s, but it was still concentrated in big cities. However, since 1998 the development of modern stores has grown along with the entry of foreign investment in the retail business sector. Modern stores nowadays starts to expand into small cities to find customers. Modern stores are a new phenomenon in society, physical buildings are good and luxurious, complete infrastructure (AC, escalator, parking, WC, Cleaning Service, Security), management by the private sector, ownership / institutions are generally individuals or private, capital is very strong, consumers are generally middle to upper community groups, fixed price payment methods and can be cash or credit (Soeratno & Arsyad, 2003).

The advantage of modern stores does not only use a pricing strategy but also a non-pricing strategy. For a pricing strategy, modern stores, through their economies of scale, can sell more quality products at lower prices. In addition,
modern stores also use price limit strategies, predatory pricing strategies, and inter-time price discrimination, for example discount prices on Sundays and at certain times. Meanwhile, non-pricing strategies include convenience, cleanliness, advertising, quality control, price information accessible to the public, various cash and credit payment options, advertisements, opening longer outlets especially on Sundays, bundling / tying (joint purchases), and free parking (Ifah, et al., 2011).

The business world is arguably a world that cannot stand alone to carry out business activities, there must be rules made by the government so that people trust to run their own business and do not fight over each others with smart consumers who now do not want to go to a traditional market and are bothered by bargaining for an item and sometimes makes the seller accept the risk of not bought because it is not suitable with consumers’ willingness, and the consumers move away to look for the cheaper price in getting great results.

The emergence of this modern market resulted in the shrinking of customers and their income. It is caused by the assumption that traditional markets are dirty and the goods sold are poor quality. If it is balanced with better service and management, the traditional markets will experience sluggishness and activity.

The current phenomenon that is being experienced by traditional markets in Medan is the existence of a modern market next to a traditional market. It has an impact on the economy of traditional market traders and surrounding communities who open businesses at home because it can reduce profits and physical sales from traditional markets. Furthermore, there is a horizontal conflict between traditional market traders and owners or employees of modern stores, especially for those who open outlets in a community with a dense occupancy rate. It is caused by the market shares are women in residential areas who want to get convenience and comfort in shopping. In this case, the difference in price is not a consideration in choosing a place to shop.

It cannot be denied that the existence of traditional markets is actually the lifeblood of the economy of the lower middle class. It is caused by several aspects such as cheaper and negotiable price, close to residential areas, and provide a large selection of products. Another advantage is a great shopping experience, where we can see and hold directly very fresh products. However, it does not mean that traditional markets are not without weaknesses, because so far traditional markets are better known for their weaknesses (Ekapribadi, 2007).

The weaknesses are include the impression that the market looks muddy, dirty, smelly and too crowded with buyers. In addition, the threat that the social conditions of society are changing, where women in urban areas generally have careers so that they hardly have time to shop at traditional markets (Cadillah, 2011).

The rapid growth of modern markets into residential areas has a negative impact on traditional market traders who already exist in the area (Sarimah, et.al., 2016). A distance that is too close will certainly lead to monopoly competition in the region, while the modern market carries out massive promotion to make its merchandise sell. The modern market places discounts on certain items to get more results.

The impact caused by the existence of these modern markets among them are the changes in sales turnover and distance has a significant effect on changes in business profits, while product diversification does not have an effect on comfort and the profits of traditional market trading businesses. While traditional markets do not have comfort and cleanliness and the weakness is irreversible by the design and appearance of the market, the atmosphere, the layout, the variety and the quality of goods (Sarimah, et.al., 2016). On the other side, the existence of modern markets affects variations in the income of traditional traders and becomes a dilemma. On the one side it has a positive impact on the national economy, but on the other side it has the potential to cause a decrease in income and the number of traders in traditional markets.

**Medan City Government Regulation in Managing Traditional Markets and Modern Stores**

Investment is one of the main elements in economic development and growth. With the entry of investment into an area, it is certain that the economy in that region is growing. The form of government regulations in market management can be seen from the resulting regulations in overcoming a problem. The first regulation regarding traditional markets and modern stores is through Presidential Regulation No. 112 of 2007 concerning the Arrangement and Development of Traditional Markets, Shopping Centers with the main point is related to the meaning of traditional markets and modern stores themselves, areas or zoning which are allowed mainly for the
Establishment of modern stores, a form of partnership which should be carried out by modern stores as an effort of improvement in economic community, establishment licensing, and sanctions arrangements.

Then the Ministry of Trade and Industry issued a Regulation of the Minister of Trade No. 53 of 2008 concerning Guidelines for Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores, which contains details of zoning points, trade agreements, and licensing arrangements. The following are types of permits that must be obtained by traditional retailers and modern retailers before starting their business activities:
1. Traditional markets are required to have a Traditional Market Management Business Permit (IUP2T).
2. Stores, malls, plazas and trade centers are required to have a shopping center business license (IUPP).
3. Minimarkets, supermarkets, department stores, hypermarkets and groceries are required to have a Modern Store Business License (IUTM).

The Principles of Medan Mayor Regulation No. 20 of 2011 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores in accordance with Presidential Decree No. 112 of 2007 article 1 paragraph 11 (eleven) and paragraph 12 (twelve) states that those who have the right to give business licenses both in the form of traditional markets, shopping centers and modern stores are the responsibility of the local government, and the making of zoning regulations is the authority of the regional government. So Medan city government issued Regulation No. 20 of 2011 concerning the Arrangement and Development of Traditional Markets, Shopping Centers and Modern Stores, in which the main points of regulation are as follows:

1. Traditional Markets, Shopping Centers and Modern Stores
2. The location for the establishment of the Traditional Market must refer to the Regional Spatial Plan, and the Detailed Spatial Plan including the Zoning Regulations.
3. The establishment of a traditional market must fulfill the following needs:
   a. Taking into account the socio-economic conditions of the community and the existence of traditional markets, shopping centers, and modern stores as well as small businesses including cooperatives in the area.
   b. Provide a parking area of at least the size of the parking needs of 1 (one) four-wheeled vehicle for every 100 M2 (one hundred square meters) of the selling floor area for the Traditional Market; and
   c. Providing facilities that ensure clean, healthy, safe, orderly traditional markets and comfortable public spaces.
4. Modern shopping centers and store establishments consider the following:
   a. The socio-economic conditions of the community and the existence of traditional markets and MSMEs in the area concerned.
   b. Paying attention to the distance between hypermarkets and traditional markets that have existed before.
   c. Provide a parking area at least as large as the parking needs of 1 (one) unit of four-wheeled vehicles for every 60 M2 of sales area for shopping centers and modern stores.
   d. Facilities that guarantee clean, healthy, safe, orderly and a comfortable layout for shopping centers and modern stores.
5. The establishment of traditional markets or shopping centers for modern stores besides minimarkets must analyze the socio-economic conditions of the community, the existence of traditional markets and SMEs in the area concerned.
6. Analysis of the conditions referred to includes:
   a. Population structure according to livelihood and education
   b. Household economic income level
   c. Population density
   d. Population growth
   e. Partnership with local MSMEs
   f. Absorption of local labor
   g. Resilience and growth of traditional markets as a means for local MSMEs
   h. The existence of existing social and public facilities
   i. Positive and negative impacts caused by the distance between hypermarkets and traditional markets that have been there before and
   j. Corporate social responsibility
The emergence of several impacts as a result of not complying with the regulations contained in local regulation, is a
decrease in sales turnover from small traders. It is since the buyers certainly choose the price of goods that are
cheaper as imposed by modern stores with a pricing strategy. The role of the government in regulating the existence
of traditional markets and modern stores which is covered by the Regional Regulation is actually a translation of
what is mandated by the law. However, at the implementation stage in the field there are still inconsistencies with
the applicable regulations. For example, the implementation of Article 20 which regulates zoning or applying a
minimum distance for modern stores and others which is still not fully fulfilled. There are still many modern store
outlets in the form of minimarkets located in the middle of a traditional market environment. Apart from that, the
locations chosen by the minimarket owner investors often target the locations that already have a high population
density.

Observing the prevailing regulations, the government is determined to maintain the existence of traditional markets
without losing the potential taxation of investors in this sector. It can be seen from the large number of traditional
markets accompanied by the growing number of modern stores. In the framework of harmonizing traditional
markets and modern stores, it is necessary to do supervision and enforcement with reference to the applicable
regulations. In the case of supervision, it can be applied from the stage of granting a license to modern stores up to
the physical suitability stage of the building as stipulated in the regional regulation. Action is absolutely necessary if
violations are found, as part of law enforcement which aims to create order in society.

Conclusion
Competition between modern stores and traditional markets is getting tapered, since modern stores are considered
the cause of the drastic drop in sales turnover of traditional markets. Consumers prefer modern stores for reasons
that are quite rational, such as offers with an attractive price strategy, a comfortable place and various other
facilities. It becomes a dilemma for traditional marketers because they are threatened with losing potential market
share and from the consumer side, the existence of a modern market is the hope of creating comfortable market
conditions for them to visit. The forms of Government Intervention in Management and the implementation of
regional regulations regarding the impact of the existence of modern stores on traditional markets in Medan is the
issuance The Principles of Medan Mayor Regulation No. 20 of 2011 concerning the Arrangement and Development
of Traditional Markets, Shopping Centers and Modern Stores in accordance with Presidential Decree No. 112 of
2007 article 1 paragraph 11 (eleven) and paragraph 12 (twelve). Regulations have been issued, but they do not run
according to the definition of regulations, so that the impact on the existence of modern markets is a dilemma for the
government. On the one side, it has a positive impact on the national economy, but on the other side, it has the
potential to cause a decline in income and the number of traders in traditional markets. The presence of modern
stores has a very significant impact on traditional markets where consumers can see and feel the comfort that exists
in the modern market environment and the discomfort in traditional markets that makes consumers cautious about
the security environment is not properly maintained.

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