
Economic Behaviors of Street Vendors in Makassar Traditional Markets

Thamrin Tahir¹

Abstract:

This paper aims to explore the considerations behind the economic behavior of street vendors in traditional markets at Makassar, by employing qualitative research design. Data were collected through a semi-structured interview to 23 participants, who were recruited through purposive sampling technique. The results suggested that the street vendors were still categorized into the traditional economic subsystem behavior, in which the distribution of goods is still done directly, simple, and traditional, both in supply and demand. Profit maximisation and utilisation were done under the priority scale through several personal and cultural considerations over economic-rational considerations, whereas networking development was exclusively conducted on their own close environment (family, fellow merchants, costumers, and the local suppliers).

Key words: *Economic behavior, street vendors, traditional market, Indonesia*

¹ *Faculty of Economics, Universitas Negeri Makassar, Jl. A.P. Pettarani Kampus
Gunungsari Baru, Makassar, 90222, South Sulawesi Indonesia.*

Thamrin.tahirfeunm@gmail.com

Introduction

Lee and Newby (1983) assert that the basic problem of sociology is mainly revolves around social action between social relationships. Social actions are defined as the actions of an individual which has deep meaning or subjectively significant for themselves and directed toward the actions of others (Becker, 2013).

In addition, Weber (2015) started his analysis of social actions by asserting that the changing pressures towards confidence, motivation, and goal on the members of the community who will determine the future actions and behaviors.

In his view, Weber (2015) claims that the decision to act is usually taken with consideration of the particular meaning or value in a person, which is guided by the norms, values, ideas on the one hand and the situational condition on the other hand, and directed to achieve certain goals, in a way that subjective considerations effectively and efficiently. This kind of consideration would reflect the economic behavior of a person.

Economic behaviors in this paper are understood as the all activities directly related to the pattern of commodities distribution, profit utilization, and network development (Turner, 2001).

In the middle of the high-speed competitive environment, street vendors in traditional markets are struggling to for their existence (Haeruddin, 2010). Despite of the rapid modern changes brought by the globalization, these traditional vendors presences remain significant in colouring the national economic landscape in Indonesia, for example.

One of the successful role performed by street vendors in traditional markets in a modern city is as a bridge in connecting the social system of traditional producers (farmers) to the modern social system (city consumers) and at the same time become an alternative as a solution to the rising unemployment problem in the modern city, despite of the strict competition with multinational companies in Indonesia such as Alfamart, Carrefour, Giant, Hero, Indomaret, Lotte, Walmart (Haeruddin, 2010; Indonesian Commercial Newsletter, 2011).

Recently, traditional market's existence in this supercomplex global competition is getting marginalized. As argued by Becker (2013), economic behaviors at the recent days of globalization are individualized and tend to prioritize the profit maximization. Consequently, street vendors in traditional markets need to be adaptive to overcome these rapid changes.

Otherwise, it will put their bargaining position in precarious one (Ceci and Lubatti, 2012). Also it can be argued that in order to survive, they need display particular economic behaviors in their social engagement (Messner, 2013). This paper aims to

explore the considerations behind the economic behaviors among street vendors in traditional market in Makassar in their efforts to survive in the era of modern globalization.

Literature Review

The study of economic behavior is firstly generated as the sociologist dissatisfied with models that developed by economists. Economists are perceived as neglecting the social factors which eventually lead to failure in predicting people's economic behaviors (Dobbin, 2004). In addition, economic behaviors are seen as one of the example of social behaviors which influenced by same forces as other sorts of social behavior.

Also, Dobbin (2004) argues that economic behavior is claimed as not purely influenced by rational choice since what an individual perceived as rational is actually shaped by societal conventions, power, and network. In addition, Folmer (2009) argues that sociology is better in explaining economic behavior in the real life compared to the economics itself.

Along similar line, as argued in his seminal work (2002), *The Protestant Ethic and the Spirit of Capitalism*, Max Weber tries to distinguish the character of modernized, bureaucratic, secularized in Western society, in which the scientific and rational considerations are highly valued than belief, and where processes are oriented toward rational goals, as opposed to traditional society where for Weber "the world remains a great enchanted garden" (1993, p. 270). A further investigation needs to be done to explore considerations in the Non-Western society which contribute to the economic behaviors (Giuliano, 2007).

In regards of Hofstede and Hofstede's cultural dimensions, Indonesia can be classified in to a collectivistic nation, high power distance, short term orientation, low uncertainty avoidance, restrain tendency, and masculine culture categories (Hofstede and Hofstede, 2015). As a Non-Western country, Indonesia offers rich contextual factors in this research. Street vendors in traditional markets in Indonesia are seen as the representation of the conflict among traditional and modern values as argued earlier by Weber.

Thus, questions remain, whether the economic behavior of street vendors in traditional markets are affected by rational considerations or not? If it is not, what are these considerations that shaped their economic behaviors as encouraged by Giuliano (2007)?

Methodology

A qualitative research design is employed in this research. By using phenomenological approach, this study is able to explore the lived experiences of

street vendors at traditional markets in their consideration of economic behaviors (Moustakas, 1994; Creswell, 1998; Saunders, 2012). During late 2015 to early 2016, 23 respondents were recruited in 5 traditional markets in Makassar city, South Sulawesi Indonesia.

The inclusion criteria are those who are actively professed as street vendors in traditional market for at least 1 year, and selling traditional commodities in their daily operation (daily goods, vegetables and fruits, poultry and fish).

Research data was collected by semi-structured interviews. The collected interview data then categorised into different conceptual value, where the same data whose similar value will be put together into specific group (label) until data saturation is reached. Consequently, researcher was able to construct themes and pick important quotes from the code families and analysed the data. These themes and associated quotes offered abundant and interesting stories behind the economic behaviors of street vendors in traditional markets at Makassar.

Results and Discussion

1. The distribution pattern of goods/commodities and market network development

1.1. The distribution pattern of goods/commodities

The distribution pattern gives an idea of how a vendor acquires the goods (commodities) and the way they offer it to consumers. The pattern of distribution of goods traded each seller and is described by classifying the types of goods that are sold. Moreover, the goods traded in the traditional markets in Makassar can be classified as follow: 1) vegetables and fruits (VF), 2) daily goods (DG), and 3) poultry and fish (PF).

Regardless of the kind, all those goods were directly acquired from the farmer, local distributor, and fisherman. The distribution chain relationship was traditionally initiated from their predecessor (e.g. parents or grandparents, or family colleagues) which created emotional bond among the vendors and the distributors/farmers/fishermen, as exemplified by the following quotes:

'I know this farmer, I know I can trust him because his father used to trade with my family long time ago and it created our emotional bond as the second generation. Therefore despite there are some of his goods are expensive, I still order my purchase with him because I can pay him by way of credit and monthly instalment (Participant #9, DG).

You know, traditional fishermen offer some flexibility in our trade. I can exchange their fish with my daily goods. It is something common for me,

because my cousin is a crew in their ship. We trust each other (Participant #22, PF).

Apparently, the emotional bonds and trust are the main factor of the easiness in the transaction especially on payment flexibility, as the street vendors prefer to dealing with traditional farmer, local distributor, and fisherman instead of dealing with multinational companies' chain. This finding echoes works from Lewicka (2013) and Sashi (2012).

At the same time, it was found that all of the vendors are directly offering their goods in a traditional style (by using mats and small tables). They perceived that, by using traditional style, it will enhance the emotional bond and trust from the vendors themselves and the buyers. It is common in traditional market that a buyer is able to negotiate the price. At this point, the prices of the goods are determined by particular factors such as the condition (freshness) of the goods and how close the buyer and the vendors in their social relationship.

'Sometimes I let the buyer have my cabbages and tomatoes at the cheapest price and even for free, because I am afraid if it is not sold by the day it will get rotten (Participant #1, VF).

The buyers are free to negotiate the price of the fish. As long as I am comfort and happy, then so it is. Even though I only got like \$50 profit margin, I won't mind. As long as I am comfort and happy with the buyer. Conversely, even though the buyer wants to buy my goods at the higher price, but am not happy then I won't sell it to him/her. And what would make me comfort and happy is how me and the buyer interacted. I believe that a transaction should be mutually benefitting all of us. I want to make a long term relationship with my costumers and create a trust among us (Participant #8, PF).

I know a buyer who is really really poor. She cannot afford to buy the goods for her family. She is a widow and she has 5 little children, her late husband was my friend. I give her the lowest price... discount for every goods she buy and I always give her free a 5kg rice per month. I know it seems irrational, but I just do what I must to do (Participant #7, DG)'.

According from the above quotes, it seems that the street vendors are tending to use the personal and cultural considerations in their economic behaviors. Also, it was found that the personal and cultural considerations among vendors themselves are significant. This is in line with Becchetti, Pelloni, & Rosetti (2008), who argue that the tendency to happiness is significant in determining one's behavior, or in this study is economic behaviors. Also, most of the participants admitted that the other vendors are not their competitors; instead the other vendors are perceived as their collaborators.

'Sometimes when my goods are out of stock, I can easily borrow from the other vendors, and vice versa. Or when my customer does not get what he was looking at my shop, I voluntarily refer him to the next vendors, and vice versa. We believe that we can succeed together by helping each other (Participant #5, DG).'

1.2. Market network development

Market network is an important factor in a business activity, even for the street vendors in the traditional markets. The market network can be regarded as a link through in which the goods delivered from producer to consumer. Market network encompasses about the position of the vendors among the other vendors. According to several participants in this research, it is discovered that the street vendors in the traditional markets at Makassar develop their network by the following steps:

Joining the business. While some portions of the vendors admitted that they started join the business as an apprentice/ assistant for other traders, most of the vendors joined the business as they inherited the business from the parents or family. Apparently the business is a family affair whereas the oldest son will inherit the business and be responsible for it. Also, as they inherited the family business, the market network initiated by their parents is also kept by the younger generation.

Develop the market network. In this study it was found that the vendors developing their network:

Through family. As they joined the family business, it seems that the other family are contributing to develop the market network. This can be done by introducing new potential distributors or costumers. It was perceived that by helping the business, they are helping the family at the same time.

Through the friendship of street vendors. By establishing an emotional bond among vendors, it seems that the market networks are developed by their collaborations.

Consumers. By offering payment flexibility, pricing strategy, and other privileges such as delivery service, the street vendors are able to develop their market network, which influence their existence and at the same time by being competitive to the bigger companies (multinational companies).

Suppliers. By establishing network to the traditional suppliers it creates a mutual benefit for the both parties. At the one hand these traditional suppliers are helped in distributing their goods to the end consumers in the city and at the other hand street vendors are benefited to get the more fresh goods directly from the farms.

According to the findings above, it can be seen that the study is supporting work from Devi (2013), Boulaksil et al (2014); Bamford (2015). However at the same

time, this study is also contributing to the extant literatures by showing that among the street vendors themselves they regarded each other as collaborator instead of competitor.

2. Profit utilization

It was found that one of the reasons why the street vendors are doing the business is because of the financial reason (gaining profit). In gaining profit, most of the street vendors admitted that they tend to have a continuous of small profit than an occasionally big profit. All of them claimed that this consideration would help them in the long run. According to the interview data, it was discovered that the vendors are willing to have a Rp. 500 (US\$ 0, 05) profit per item in each transaction. This pricing strategy is one of the strategies offered by the vendors in order to attract more customers.

'You know it is hard to compete with those giants (multinational retail companies) recently... [Therefore] we must be creative. I am willing to slash my price to the minimum standard in order to survive... Moreover, this pricing strategy successfully attracted many new customers and I actually get a lot of profit this year (Participant #12, VF)'.

Another interesting finding is that most of the profits generated from their business were allocated to their savings. It was found that their savings were intended to fund their children's education since :

"I don't want my daughter ended up like me, to be a street vendor in a market. She must be better than me, it is the reason why I always encourage her to study and I give most of my profit to her education" (Participant #4, DG)'.

Despite the fact that the street vendors are dominated by Moslem vendors, they tend to put their profit in the conventional banks instead of the Shariah banks. This finding is in line with Haeruddin's work (2016) that the Shariah bank's products are perceived less familiar among people in the Makassar city. The street vendors claimed that they did not know the advantages of the Shariah bank's products. Moreover, some of their profits are functioned as business capital and some portions are transferred to their family in the village (sub-urban/remote area).

Another finding of this study is that the vendors allocate 5% of their profits to an emergency budget. This post is intended to incidental cost, such as social donation/ loan to the family or fellow vendors who need more money in their daily operation. It is argued by the street vendors that such a social donation and loan would strengthen their emotional bond among themselves. This finding exemplifies the social capital consideration on the economic behavior.

Economic behavior of the vendors as described above was decided by based on the social values, culture, and norm considerations, which tailored to the contingency

and contextual circumstances. It also found that the sense of togetherness is very strong among the street vendors. This result strengthened the Indonesian cultural dimensions (collectivistic) as argued by Hofstede and Hofstede (2015).

Study Value and Limitations

This paper makes several contributions to the extant literatures. Firstly, compared to the most Western based studies as argued by Becker (2013), this study answers the call from Giuliano (2007) who urge a further investigation in exploring considerations in the Non-Western society which contribute to the economic behaviors. It was found that economic behaviors of the street vendors in the traditional markets at Makassar were derived not only from mere financial (rational) consideration, but also principally shaped by personal and cultural considerations. This study also strengthens Dobbins's (2004) argument that economic behaviors are not only shaped by rational consideration.

In order to survive, Becker (2013) argues that modern business' economic behaviors are individualized and tend to prioritize the profit maximization. However, this study exemplifies that the traditional (personal and cultural approaches) considerations are more effective applied by the street vendors in the traditional markets in dealing with the regional competition. Along similar lines, this study countering the common understanding of economic behavior as argued by Borges and Knetsch (1998) on the increased prices of the lottery ticket purchased when the tickets are re-sells.

This study strengthens Sen's (1987) work, in countering the axiom of the rational individual who tends to be selfish in his own consumption to fulfil one's needs and for whom other agents' utility is irrelevant. Moreover, common characteristics of the society are significantly shaping the considerations in economic behaviors. As Indonesia is best categorised as a collectivistic nation per Hofstede and Hofstede's cultural dimensions (2015), it seems that the cultural and personal approaches are more effective than the rational (financial) considerations in the traditional wise business (Frey, 1997). For example in their pricing strategy, all the vendors argued that their prices have a subjective and emotional connotation.

This paper has several limitations. Firstly, the research findings cannot be generalised to all the street vendors in the traditional markets as these 23 participants cannot be regarded as the Indonesia representation. It can be argued since the cultural is diverse in Indonesia, so it might have its own differences in terms of cultural approaches. Secondly, in data collection process, Bahasa Indonesia is used in the interviews. Even though all endeavours were ensured to match the translations, there is a possibility that some meanings were lost in translation.

Conclusion and Future Research

By proving that the economic behavior among street vendors in the traditional markets are more using personal and cultural considerations over rational (financial/profit maximization) consideration, this paper is answering several gaps in the extant literatures. Emotional bonds are priorities for the street vendors, even among the vendors themselves, as they see each other as collaborators instead of competitors.

Although the generalizability of the finding is not representing Indonesia as a whole, author believes that it would not be significantly differ with any other cultures in Indonesia since the nation is sharing the common culture dimensions as claimed by Hofstede and Hofstede (2015). Thus, a further investigation, particularly a quantitative study, is needed to be done on how the traditional economic behaviors of the street vendors in traditional markets are bringing profit (in quantity) and how long the profit will be sustained in the future.

References

- Bamford, J. (2015). The development of small firms, the traditional family and agrarian patterns in Italy. *Entrepreneurship in Europe*, pp. 12-25.
- Becchetti, L., Pelloni, A. & Rosetti, F. (2008). Relational Goods, Sociability, and Happiness, *Kyklos*, 61(3): 343–363.
- Becker, G. S. (2013). *The economic approach to human behavior*. University of Chicago press.
- Borges, B.F.J. and J.L. Knetsch (1998). Tests of Market Outcomes with Asymmetric Valuation of Gains and Losses: Smaller Gains, Fewer Trades, and Less Value, *Journal of Economic Behavior and Organization*, 33. Pp. 185–93.
- Boulaksil, Y., Fransoo, J. C., Blanco, E. E., & Koubida, S. (2014). Small traditional retailers in emerging markets. *Small*, 1, p. 16701.
- Ceci, F., & Iubatti, D. (2012). Personal relationships and innovation diffusion in SME networks: A content analysis approach. *Research Policy*, 41(3), pp. 565-579.
- Creswell, J. W. (1998). *Qualitative Inquiry and Research Design: Choosing among Five Traditions*. Thousand Oaks, CA: Sage Publications.
- Devi, L. R. S. (2013). Traditional Market Development Pattern using Community Management Approach to Improve the Seller's Business Tenacity in Surakarta City, Indonesia. *Academic Research International*, 4(6), p. 10.
- Dobbin, F. (2004). *The Sociology of the Economy*. New York: Russell Sage Foundation.
- Folmer, H. (2009). Why sociology is better conditioned to explain economic behaviour than economics. *Kyklos*, 62(2), 258-274.
- Frey, B.S. (1997). *Not Just For the Money. An Economic Theory of Personal Motivation*. Brookfield: Edward Elgar Publishing.
- Giuliano, P. (2007). Ties that matter: Cultural Norms and Economic Behavior in Western Europe. *Harvard University, IMF and IZA*. Paper presented for the "Labor Market Institutions and Public Policy Responses: A Symposium to Honour Lloyd Ulman's conference
- Haeruddin, M. I. M. (2010). Korporasi Multi-Nasional dan Pengaruhnya terhadap Indonesia: Sebuah Tinjauan Hubungan Industrial Jurnal IKHTIYAR. ISSN 1412-8535 8(1), pp. 96-103
- Haeruddin, M. I. M. (2016). Mudharabah Savings Influence on Profitability at Shariah Banks (Makassar, Indonesia). *Actual Problems in Economics*, 176(2). pp. 290-296.
- Hofstede, G. and Hofstede, G. J. (2015). *Cultures and Organizations: Software of the Mind (Rev. 2nd Ed.)*. New York: McGraw-Hill.
- Indonesian Commercial Newsletter. (June 2011). Perkembangan Bisnis Ritel Modern <http://Www.Datacon.Co.Id/Ritel-2011profilindustri.Html>. Accessed On May 13th 2016.
- Lee, D., & Newby, H. (1983). *The Problem of Sociology: an introduction to the discipline*. Psychology Press.
- Lewicka, M. (2013). Localism and Activity as two dimensions of people–place bonding: The role of cultural capital. *Journal of Environmental Psychology*, 36, pp. 43-53.
- Messner, D. (2013). *The Network Society: Economic Development and International Competitiveness as Problems of Social*. California: Routledge.
- Moustakas, C. (1994). *Phenomenological Research Methods*. Thousand Oaks, CA: Sage.
- Sashi, C. M. (2012). Customer engagement, buyer-seller relationships, and social media. *Management decision*, 50(2), 253-272.
- Saunders, M. Lewis, P. and Thornhill, A. (2012). *Research Methods for Business Students*. London: Pearson.
- Sen, A. (1987). *On Ethics and Economics*. Oxford: Basil Blackwell.

- Turner, R. H. (2001). Role theory. In *Handbook of sociological theory* (pp. 233-254). Springer US.
- Weber, M. (1993). *The sociology of religion*. New York: Beacon Press.
- Weber, M. (2002). *The Protestant Ethic and the Spirit of Capitalism: and other writings*. London: Penguin.
- Weber, M. (2015). *On the methodology of the social sciences*. New Jersey: Lulu Press, Inc.