

# Opportunities and Challenges for Informal Sector Economic Development: The Case of Street Vendors in Makassar City

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## Abstract

The informal sector is an integral part of the long journey of the economic development system in Indonesia, starting from the beginning of the national development period. The existence of the informal sector presents two sides of the community's economic conditions, namely creating a variety of very large jobs and becoming a solution to the problem of unemployment. However, on the other hand, it leaves various problems, especially in urban areas. This paper discusses the opportunities and challenges of economic development in the informal sector with the unit of analysis being Makassar city, South Sulawesi province. This type of research is qualitative both in terms of data and analysis. Data collection techniques were conducted through observation, interviews, and documentation. The results showed that the informal economy sector in Makassar city, as in other cities in Indonesia, experienced a significant increase. It's just that the policy regulation system and the lack of awareness of citizens, causing chaos from the operational aspects. One of the classic problems of the informal sector is the problem of urban space, such as: unclear status of jaulan places, evictions, and others.

## Abstrak

Sektor informal merupakan bagian tak terpisahkan dari perjalanan panjang sistem pembangunan perekonomian di tanah air Indonesia, mulai dari awal periode pembangunan nasional. Eksistensi sektor informal tersebut menghamparkan dua sisi kondisi ekonomi masyarakat, yakni menciptakan berbagai lapangan kerja yang sangat banyak serta menjadi solusi bagi permasalahan pengangguran. Meskipun demikian, di sisi lain justru menyisakan aneka permasalahan khususnya wilayah perkotaan. Tulisan ini membahas tentang peluang dan tantangan pengembangan ekonomi sektor informal dengan unit analisisnya adalah kota Makassar, provinsi Sulawesi Selatan. Jenis penelitian ini adalah kualitatif baik dari segi data maupun analisisnya. Teknik pengumpulan data dilakukan melalui observasi, wawancara, dan dokumentasi. Hasil penelitian menunjukkan bahwa sektor ekonomi informal di kota Makassar seperti halnya pada kota-kota lainnya di Indonesia, mengalami peningkatan signifikan. Hanya saja sistem regulasi kebijakan serta kurangnya kesadaran warga, menyebabkan terjadinya kesembrautan dari aspek operasionalnya. Salah satu problematika klasik dari sektor informal adalah permasalahan ruang perkotaan, seperti: status tempat jaulan yang tidak jelas, penggusuran, dan lainnya.

## Keywords

Keywords: informal sector, economic, development, Makassar, city

# 1. Introduction

The informal sector in its form as street vendors, which is one category or type of informal sector economy (Essajee, 2022), is the name given to the existence of traders who use roadsides, sidewalks, and shopfronts as a place to sell (Mazani, 2024). Street vendors are generally characterized by the use of carts or pikulans to sell (Rukmana & Purbadi, 2012). When examined from the initial aspect of its emergence, the term street vendor is said to have originated from the Dutch colonial period (Hadi, 2018), especially the legacy and period of Governor General Stanford Raffles (1811-1816) (Ng, 2018). One of the policies of the Raffles period was the provision of part of the highway, namely the sidewalk as a place for trading or buying and selling activities. The size of the sidewalk as a selling facility provided is 1.5 meters (one and a half meters) wide or also called five feet (Timothy & Wall, 1997). In its development, street vendors from the aspect of characterization are mentioned that: have small and limited capital, do not have a permanent business, trade on the side of the road, such as occupying sidewalks, shop/hotel overhangs, containers on manholes, city parks, parking areas, event locations, jogging areas, and others.

From the aspect of economic development, the existence of street vendors (Timalsina, 2007) as one of the Small and Medium Enterprises is very important for each region (government administrative area) and individual citizens as a dimension of supporting life needs. Based on a number of literatures that discuss the position of street vendors, it can be seen that their role in the economic field is significant (Walsh, 2010), such as: being a solution to the problem of employment and unemployment in urban areas (Dimas, 2008), an alternative solution to the problem of poverty, as a model of populist economic sustainability, employment options for employees affected by layoffs, and the ease of absorbing labor without formal education requirements and adequate skills. As a result of the ease of doing business, which is a very promising business opportunity, street vendors have become the most popular alternative choice for residents in urban areas in various regions in Indonesia. Consequently, there has been an explosion in the number of street vendors working in the informal sector.

Based on data compiled by the Indonesian Street Vendors Association (known as Asosiasi Pedagang Kaki Lima Indonesia), there are 22.9 million people working as street vendors (Hermawati et al., 2021). This is a very fantastic number that represents how this sector has an extraordinary number of enthusiasts. This condition is an important note for the Indonesian government, especially various cities and regencies, in thinking about its regulations. This is very basic because as Indonesian citizens (Berenschot & Van Klinken, 2018), street vendors have a number of rights and obligations that cannot be ignored (Muiruri, 2010). Some of the rights that street vendors have include the right to work, the right to a decent standard of living, the right to a healthy environment, and other socio-political rights. In addition to having rights, street vendors also have obligations, such as: the obligation to maintain order when conducting trading business activities, the obligation to maintain safety and cleanliness of the surrounding environment, and others.

Anticipatory efforts for the possibility of the emergence of various problems regarding the existence of street vendors, the central government has issued Presidential Regulation No. 125 of 2012 concerning Coordination of Arrangement and Empowerment of Street Vendors (Afina et al., 2024). Then for the sake of smooth implementation, the Minister of Home Affairs Regulation No. 41 of 2012 (Peraturan Menteri Dalam Negeri No. 41 Tahun 2012) concerning Guidelines for the Arrangement and Empowerment of Street Vendors was issued (Tama et al., 2019). In the explanation, it is stated that the arrangement of street vendors is an effort that is carried out by the local government through the establishment of a fostered location to determine, relocate, curb to determine, move, control and eliminate the location of street vendors by taking into account the public interest, social, aesthetics, health, economy, security, order, environmental cleanliness and in accordance with laws and regulations. The explanation of Regional Regulation No. 44 of 2002 article 2 paragraph 2 explains that street vendors are not allowed to occupy sidewalks or road bodies, then in this regional regulation also stipulates a number of large highways that are absolutely not allowed to be occupied for trading by street vendors or clean areas free of street vendors.

## 2. Method

This type of research is qualitative research (M. Ahmadin, 2022) that questions the forms of opportunities and challenges of informal sector economic development with the unit of analysis and spatial in Makassar City. Data collection techniques were conducted through observation, interview, and documentation methods (A. Ahmadin, 2013). Observation was conducted by directly observing (Din et al., 2012) the activities of the informal sector, namely street vendors at several locations in Makassar city. The criteria for determining the location point is that the informal sector activities observed are economic activities that have good prospects and economic activities that have problems or trigger problems, including urban space problems.

Interviews were conducted using two models: free interviews and structured interviews (Moulaert & Mehmood, 2014). Free interviews were conducted specifically targeting street vendors by randomly selecting respondents. This was because the street vendors were homogeneous in terms of their position as economic actors in this sector. Structured interviews were conducted with purposively selected informants, namely four to five people who have been engaged in this economic activity for a long time. These results were intended to obtain data on the existence of street vendors over time and the problems experienced. Other data collection techniques were carried out through documentation, namely a series of document studies both official government archives and private collections related to informal sector economic activities in Makassar city.

## 3. Results and Discussion

### 3.1 Informal Sector: What and Why?

Conceptually, the informal sector is understood as a type of economic activity or work that is not under the regulation and administrative control of the government (Chen et al., 2002), not bound by the obligation to pay taxes, and official rules regarding its existence. As such, this type of economic activity does not impose formal employment contracts and does not receive legal protection, social security, and health insurance (including work accidents) (Madhav & Majithia, 2023). Some of the characteristics of the informant sector are: no business license because it is not officially registered with the government, irregular income, small business capital, no employment protection (health insurance, pension/retirement funds, and other rights), and small-scale or individual-based businesses with family management. Based on these characteristics, several examples of businesses/work activities in the informant sector can be mentioned, such as: street vendors, parking attendants, craftsmen, home industries, construction workers, transportation car drivers, motorcycle taxi drivers, scavengers, and others.

When traced back to its origins and development, the informal sector as a term was introduced by an economic anthropologist, Keith Hart in 1971 (Allen, 1998). This British academic explained the concept of the informal sector as economic activities that are outside government regulations (Sassen, 1993), such as: street vendors, casual laborers, and small businesses without official licenses. Two years later, the informal sector became an academic issue in Ghana in 1973 (Trager, 1987). The interest of academics in this type of economic activity was driven by the condition that at that time the informal sector experienced rapid growth in both developed and developing countries.

Street vendors as a type of informal sector, is the name given to the existence of economic actors who use roadsides, sidewalks, and shopfronts as a place to sell (Al Makmun, 2024). Street vendors are generally characterized by the use of carts or pikulans to sell (Rukmana & Purbadi, 2012). Historically, the term street vendor is said to have originated during the Dutch colonial period, especially the legacy and period of Governor General Stanford Raffles (1811-1816) (Ng, 2018). One

form of policy issued during the Raffles period was the provision of part of the highway, namely the sidewalk as a place for trading or buying and selling activities. The size of the sidewalk as a selling facility provided is 1.5 meters wide or also called five feet (Timothy & Wall, 1997). In its development, street vendors from the aspect of characterization are mentioned that: have small and limited capital, do not have a permanent business, trade on the side of the road, such as occupying sidewalks, shop/hotel overhangs, containers on manholes, city parks, parking areas, event locations, jogging areas, and others (A. Ahmadin, 2023).

### 3.2 Opportunities and Challenges for Development

Opportunities for the development of the informal sector (Madichie et al., 2021), especially the activities of street vendors in Makassar City as well as other cities in Indonesia (A. Ahmadin, 2024), are very possible with reference to several basic assumptions, namely: (1) it is very easy and can be done by anyone because it does not require large capital, (2) it does not require formal education prerequisites, so that without having a bachelor's degree or education level below a person can run this economic activity, (3) it does not require special skills such as professional management in managing a business, (4) it is an alternative choice for prospective workers who cannot be accommodated in the formal employment sector, both government agencies and private companies, and (5) it is an alternative employment opportunity that can be used by those who have been dismissed or terminated from certain companies.

The ease of the informal sector economy in the form of street vendor activities has an impact on the proliferation of people wanting to open and run this activity (Roever, 2014). By having a modest amount of capital, a person can run a business even though it does not always focus or cannot survive on one particular type of product. The types of products offered to buyers still vary based on market demand or what buyers need for a certain period. This reality can be found in the activities of sellers who market their products in various locations in Makassar City. For example, we can see sellers selling their products on the side of A.P. Pettarani road, especially around the public space area called Taman Pakui. Some of them sell drinks made from ice, food, fruits, and others. Of course, these economic actors or actors bring financial benefits, because they create a job that can accommodate workers while avoiding them from unemployment. In other words, selling as street vendors, at least they can fulfill their family's daily needs as well as other types of additional needs.

Street vendors as an informal sector that does not require formal education, professional skills, and managerial abilities, opens opportunities for anyone to appear as an actor in various economic activities. Some of them can be seen in some traders whose personnel are their own family members or college colleagues. They take advantage of the weekly event in the Car Free Day area of Boulevard Panakkukang Subdistrict, Makassar City. Some of them sell food, drinks, clothes, traditional cakes, toys, bags, shoes, honey, and some of them sell services. The fact that the sellers survive and continue to carry out their activities from time to time shows that they exist with a number of benefits obtained. Even among the traders, there seems to be a kind of "battle" to win the interest of buyers, especially those who offer similar products to prospective buyers. In terms of benefits for the city government, the presence of Car Free Day, which is crowded with sellers of various products, appears to bring benefits in the form of retribution money paid by the sellers to special officers.

Based on observations at several locations of street vendors' activities in Makassar City, there are several fundamental challenges that arise, such as: (1) unprofessional financial management and poor financial records make it difficult for street vendors to obtain financing services as business capital, (2) the absence of business legality among street vendors makes it difficult to get assistance from government economic policies and the absence of social protection, (3) the low quality of human resources and education, making it difficult for them to increase their competitiveness in running their business, (4) the increasing competition can be a factor in decreasing the amount of income, and (5) the absence of a fixed special location for selling and their tendency to utilize space on the side of the road causes congestion and disruption of traffic flow.

Based on several facts about the opportunities and challenges of developing the informal sector economy, especially street

vendors, there are several possible solutions that can be offered, such as: (1) digitalization of selling products and online marketing through a number of marketplaces, both self-owned products and products owned by other parties in the status of dropshiper, (2) come on a number of delivery service application provider platforms to attract buyers, (3) provide digital payments to facilitate buyers in transactions, where buyers do not have to prepare cash money, (4) innovate on product quality and services, in the form of product diversification so that buyers have several alternative choices when shopping. In addition, product packaging is no less important to pay attention to because this is very influential on buyer interest, (5) the importance of establishing partnerships with various parties, especially in terms of cooperation in promoting each other's products, (6) the importance of choosing strategic selling locations such as: schools, campuses, city parks, offices, city attractions, and utilizing certain events, and (7) use a unique brand or name as a characterizer or identifier to attract and make it easier for customers to recognize the street vendor business concerned.

## Conclusion

Based on the description of the position of the informal sector, especially in the form of street vendors in Makassar city, it can be explained that its existence follows the general trend of society in other cities. The street vendors are seen occupying the side of the road as a place to sell various products and are scattered at various locations in Makassar City. In addition, street vendors also take advantage of certain events to make sales, such as activities organized in public spaces such as city parks. Street vendors also utilize the Car Free area in the Boulevard, Panakkukang area of Makassar City on Sundays. From the aspect of business development opportunities, the existence of street vendors can actually be a good alternative solution, especially to solve the problem of unemployment either due to termination of employment by the company or because there are no jobs available. It's just that the economic vision and mission of street vendors should have changed from a paradigm like waiting for the ball to pick up the ball. They can take advantage of the opportunity to sell online, which opens up opportunities for a wider market segment and more promising business prospects. As for remaining as street vendors who occupy certain areas in the city of Makassar, as selling also as a platform or stage for product promotion (a kind of gallery). The transaction process can be online for free at any time. In addition, street vendors can also be creative in terms of product diversification, including selling regional specialties such as culinary products, handicrafts, and others. Some of the obstacles to its development include: lack of ability to read market opportunities, lack of innovation in terms of product diversification, unclear regulations, lack of environmental awareness, utilization of the side of the road or sidewalk triggers traffic congestion, and others.

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