

## **Revitalization of Traditional Markets into a Modern Market in the Perspective of Local Governance Theory**

(Studies on Revitalization Wonokromo Market in Surabaya)

Agus Prastyawan<sup>1</sup>, Agus Suryono<sup>2</sup>, M. Saleh Soeaidy<sup>3</sup>, Khairul Muluk<sup>4</sup>  
<sup>1,2,3,4</sup>(Administrative Science Faculty, Brawijaya University, Indonesia)

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**Abstract:** *The purpose of this study is to examine the process of revitalization Wonokromo market in Surabaya towards a modern market. The involvement of the actors is also studied to find out what the motive behind the revitalization. This study used a qualitative approach to examine some phenomena associated with the revitalization of traditional markets. Research is also designed to find effective market revitalization models. Collecting data through interviews with the parties involved in the process of revitalization, among others, governments, investors and traders. Documentation is also done to complete the process of data analysis. The results of the study indicate that the revitalization of the market traders at Wonokromo does not involve participation stakeholders in the drafting of the revitalization. Organizations traders said that they were not involved in the drafting process of revitalization . The position of investors in the implementation of the revitalization is as executor with staunch motive was purely business . Government's intention to revitalize the market is to increase local revenue. While the Legislative Council considered politically motivated by profit, rent-seeking. Restrictions on the aspirations of the traders in the revitalization of Market Wonokromo cause resistance to the government. The traders wished to be recognized as part of the stakeholder Wonokromo market. In the future, the market revitalization activities should involve the traders as the main actors who have received services from the government. Government as policy makers should consider as it partners in developing business traders and increase local revenues.*

**Keywords:** *market revitalization, traditional market, modern market, and local governance*

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### **I. Introduction**

In Indonesia, the existence of traditional markets have become an integral part of the lives of urban and rural communities. The traditional market is the cultural heritage of the nation, the venue for the trading activities are laden with local values such as hospitality in the transaction to reach an agreement price. However, traditional markets began shifting position by modern market. Sluggish growth in traditional markets cannot be separated from government policy that would like to reduce and replace the modern market. There are several reasons the government held renewal of traditional markets. First, the traditional market is deemed disturbing cleanliness and order area. Traditional markets appear dirty and filthy. This is in contrast with the modern market is easy to set up and clean. Secondly, through the sale of the shop, and a number of tax retribution, the government will earn a high income. Public participation is needed in the governance process, because participation is a basic service and an integral part of local governance. Some basic characteristics of public participation in local governance: citizen involvement, interaction and two-way communication that is followed with the potential to influence policy decisions and its outcome; public participation involving individuals and groups, both ad-hoc and permanent stakeholders; public participation in the political reality and the reality of bureaucracy. (Graham et.al in Muluk, 2007).

In the concept of local governance, the involvement of local communities is necessary to build good governance (good local governance). In principle, the concept of Local governance seeks to bring the state to the community by increasing community participation to create transparency, accountability and responsiveness of local government. Denhardt & Denhardt (2007) said local governance is extremely important Because it is the central arena for public participation and the democratic exercise of citizens rights.

The survey results were released by the Kompas daily showed low growth rates of traditional markets also caused by internal factors include inadequate facilities, security issues, the goods sold are not hygienic (Kompas Daily. 2007). Thus the traditional markets will increasingly lose its role as a place that serves to exchange and maximize utility (Stehr et.al, 2010). The interesting thing from the traditional markets that traditional market concerning lives of many people and the majority are small communities. So it can be concluded that the traditional market has a high strategic value in maintaining the balance of regional development and controlling the economy, because of the economic potential of traditional market is very promising (Radar Surabaya Daily. 2005). Based on the survey of the Ministry of Commerce (Kompas Daily. 2012) show that 95% of the building market has a very old age. Therefore, these markets must be revitalized in

order to exist in the midst of massive expansion of the modern market. In 2012, the government has allocated Rp. 400 billion to revitalize 79 traditional markets across the country, not only the physical revitalization of traditional markets, but also the managerial capacities of the merchant.

Traditional market conditions are getting worse, causing the management need to revitalize the existence of traditional markets into a modern market. It is intended to improve the competitiveness of traditional markets (daily radar Surabaya, 2005; daily compass 2007)

Traditional market revitalization process towards a modern market pull assessed from the perspective of the theory of public policy. There are three main actors in this revitalization process include local governments, investors and traders. All parties have an interest in potential conflict between them. Revitalization of traditional markets Wonokromo Surabaya is one pilot project in Indonesia. Researchers are also interested in learning more about the revitalization program because during this practice often lead to rejection of the traders. The evidence suggests not all of the revitalization of traditional markets towards the modern market in accordance with the expectations of local municipalities.

Revitalization program goal is to improve the welfare of the traders and to increase revenue Surabaya city government, but the lack of meeting point between the interests of investors and traders led to the emergence of resistance traders in the fight for their aspirations. On the other hand, PD Pasar Surya as a traditional market managers are committed to give a new face of traditional market that is clean, safe and comfortable for visitors in shopping. Based on the explanation above, we propose the following research problems of how alternative revitalize traditional markets towards the modern market effectively and efficiently.

## **II. Literature Review**

### **2.1 Revitalization of traditional markets towards the modern market**

The shift buyers from traditional markets to modern market is still relatively slow so the role of the traditional markets are still dominant. It is supported by the results of a survey conducted by AC Nielsen in Tambunan et al (2004). The survey was conducted in 12 countries with a sample of 16,000 people, which shows that as many as 45% of the number of buyers is still visiting traditional markets, while 34% of shopping in modern market and 21% went to the two types of markets. There are a number of reasons why so many buyers remain loyal to traditional markets, which are close to home, humane interaction between buyers and sellers, as well as the limited funds easily in the acquisition.

In the implementation of the revitalization of traditional markets, PD Pasar Surya used his authority as mandated by Regulation 1 of 1999 to hold a third party (investor) to revitalize traditional markets without involving traders as one component of governance is society. Nugroho (2006) mentions that the process of public policy formulation is characterized by a "limited public interest". The condition eventually resulted in bureaucratic behavior that tend to favor certain interests and less attention to the real interests faced by the public.

Government's alleged tendency towards the interests of investors is also based on economic motives for profit (rent seeking). evidenced by the release of the Notary Act No. 9, article 3 of part I of paragraph (4) reads: PD Pasar receive the profits for the management of the building with the distribution of profits in accordance with the agreement. -Seeking behavior is regarded as a diversion of resources to change economic policy (a change of Office Market into Local Company) or twisting of the policy in order to be profitable for the rent-seeking. (Little in Yustika, 2009).

### **2.2. Local Governance Perspective in the Revitalization of Traditional Markets Towards Modern Market.**

Local governance is essentially concerned with the various policies that affect and are affected by local communities, despite the fact that local communities are rarely involved in decision-making processes in which they are going to feel the impact of the policy

Not many policies that involve the participation of local communities. As a result, the policy can not run well or not in accordance with the expectations of local authorities. Not infrequently a product made by a government policy that the area is a "surrogate" or "direction" from the central government, even Chandler (in Leach & Smith, 2001) called the local government as a local administrative agency or "servant" to the central government rather than as an institution policy makers.

Over the last few decades there is a strong tendency in many developing countries to carry out government duties in the public service is decentralized, where these developments are supported by developed countries and international donor agencies. The role of local government in providing public services can be reflected in the use of policy instruments and how the character of the local government when compared with other elements on the outside.

Howlett & Ramesh (in Muluk, 2009) to distinguish the role of local government in three categories, namely: 1). mandatory instruments (compulsory instruments), which are instruments that direct the actions of

citizens and private institutions so that the use of this instrument is often precisely limit the movement of other parties such as individuals, groups or organizations outside the government 2). voluntary instrument (Voluntary instruments), this instrument has a characteristic form of the lack of government involvement because the instrument used is more based on the volunteerism. 3). instrument mix (mixed instruments), the incorporation of several characters from the instrument obligatory and voluntary instruments. These instruments allow some degree of government involvement in shaping the decisions of non-governmental actors, as well as the decision to let non-governmental actors. Selection of the use of policy instruments is determined by several factors that influence in local governance, which are identified in three dimensions, namely: the economic dimension, the dimension of the government and political dimensions associated with a form of local democracy. Economic dimension relating to the sources of supply of public services, both concerning the production and distribution of commodities and services at the local level.

The second dimension is the dimension of governance is distinguished on the role of local governments. there is a strong role and there is a weak role. Weak role of local governments is characterized by several indicators, namely the range of responsibilities that narrow function or authority, for the organization of local governments which are reactive, low economic level of the functions carried and the high degree of external control.

The third dimension is associated with a form of local democracy that reflects how local governments make decisions. In this case there are two different points. At one point there was an emphasis on representative democracy, which is a system that reflects the preferences of the people expressed through the local electoral system. At another point, there is an emphasis on participatory democracy that reflects the participation of local communities.

Referring to the three dimensions were then drafted some role models of local government. The first model of the longest and most widely adopted by many countries in the world, especially developing countries, namely the traditional bureaucratic model (traditional bureaucratic authority). Characteristic of this model is the local government is engaged in a combination of three factors, namely; 1). The provision of public goods and services is mostly done by the public sector (strong public sector), 2). The role of local governments is very strong (strong local government) because it has a great breadth of functionality, operational model that is direct, a very high degree of autonomy and a low level of external control, 3). decision-making in local government more emphasis on representative democracy (representative democracy).

At the level of local government Leach, Stewart and Walsh (1994) also has revealed an alternative change of government towards governance. Traditional model of bureaucratic authority which is a solid representation of the government in using the hierarchy of the proposed mechanism is converted into the three alternative models were considered more ideal in terms of governance, namely: residual authority (the mechanism used is anarchy, a combination of strong market with weak government role and standing on a neutral form of democracy by embracing business value: commercialism, economy, and efficiency. Market-oriented enabler (the mechanism used is the market, which is a combination of a strong emphasis on the market, with a strong role of local government, with an emphasis on democracy Customer participatory values: responsiveness, accountability, efficiency, effectiveness, and communication with the people) and community-oriented enabler (the mechanism used is altruism, which is a combination of an emphasis on participatory democracy is strong and there were at least in a central position in conjunction with weak or strong local governance, as well as the tension between the public sector and the market with citizenship values: equality, accountability, fairness, and communication with the people).

All three models are basically a part of the enabling authority. This concept is very focused on the separation between production and service provision. This concept is also related to efforts to find new ways of service delivery through agencies outside the local government. The core of the content of the concept of enabling disclosed Michael Clarke and John Stewart (1989), quoted by Leach, Stewart, and Walsh (in Muluk, 2009) are: the strengthening the capacity for self-governance within a local community, using whatever resources and channels (internal or external) seem most Appropriate. The starting point of the concept is enabling the identification of community needs, and the local government to use its power (including leadership, networking, influence) to meet those needs. For more details below will be presented models of local government in figure 2.2 below.

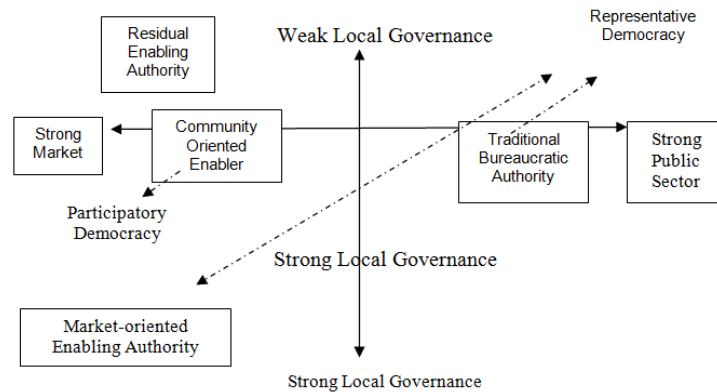
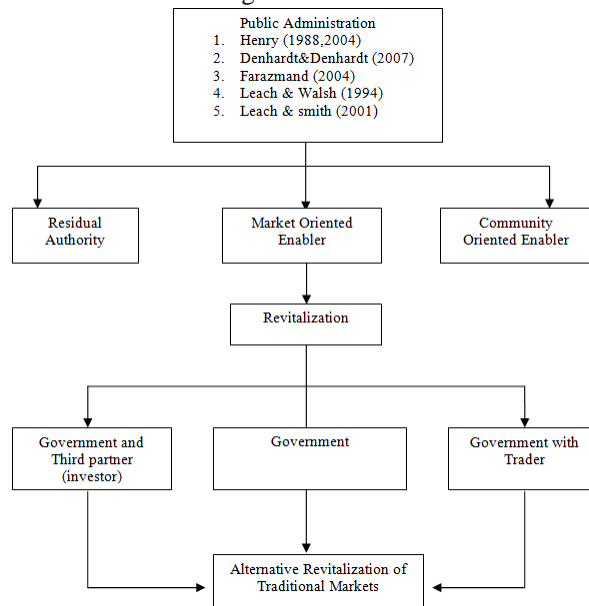


Figure 2.1 Regional Governance Model (Leach et.al. 1994, 239)

The conclusion is that many policy options that can be done by local governments in an effort to improve the quality of public services and to improve the welfare of people in the regions concerned. Of course, very dependent on the political will (political will) and the ability of local governments to realize the democratic process in setting the priorities for public services. Followed by the willingness and ability of local governments to take care of / implement by providing services that satisfy the interests of the community.

Based on the theory that has been proposed and supported by normative rules that exist in the traditional market revitalization, then built a line of thought research on theoretical modeling framework to revitalize traditional markets towards a modern market in the perspective of local governance.

Figure 2.2 Model revitalization of traditional markets towards a modern market in the perspective of local governance



### III. Research Methods

#### 3.1. Research design

This study used a qualitative approach with a phenomenological research design. In accordance with the flexible nature of qualitative approach, following the pattern of thought that is empirical inductive, everything in this research was determined from the final results of data collection that reflects the real situation in the field.

The use of phenomenology design is expected to reveal aspects studied, especially regarding the relationship between PD Pasar Surya which is a representation of government. Investors as a representation business. Traders as a representation of civil society in the revitalization of Market Wonokromo towards the

modern market. Proposed models are based on empirical data research reality. The model proposed as a recommendation which could be a reference for policy makers to revitalize traditional markets towards the modern market effectively and efficiently.

### 3.2 Data Analysis

This study uses data analysis to follow the model of the Interactive Data Analysis (Miles and Huberman, 1992) that analyzes are carried out continuously for data collection in the field until data collection has been completed. The analysis consists of three steps include presentation of data (data display), data reduction (data reduction) and conclusion or verification of the data presented.

### 3.3. Validity of Data

Validity of data as required in qualitative research will be tested in multiple through processes of validation (Lincoln and Guba, 1985; Moleong, 2009). Findings idiographic have a good generalization if it meets a set of criteria that a high level of confidence through measures generalizations naturalistic study, namely: internal validity (credibility), external validity (transferability), reliability (dependability), and objectivity (confirmability).

## IV. Results

Revitalization of traditional markets towards the modern market in Indonesia has not been done optimally, this is because the stakeholders are likely to survive with their respective interests. As mandated by Act No. 22 of 1999 which emphasizes empowerment or active involvement of stakeholders in order to improve the quality of service to the community. Local governments see the implementation of regional autonomy is a rule of the tool (the media) to local governments / authorities to realize its sovereignty over primary mission of autonomy to develop more empowering traders as one of the stakeholders.

Traditional market revitalization undertaken by the city government of Surabaya and PD Pasar Surya impressed not favor the interests of traders. As an indication of the involvement of merchants as part of stakeholders is false or simply just meet the rules of good local governance.

New Public Management approach that puts the market values (Osborne and Gaebler, 1992) as a foothold in accelerating economic growth lead to greater social inequity because of an increasingly capitalist groups benefited.

This opinion is reinforced Denhardt and Denhardt (2007) who said that the public interest is the result of dialogue and public involvement in the search for values and common interests, not as an aggregation of private interests. Needed a good will to involve the public in the administration for the achievement of objectives effectively and efficiently and for the sake of democratic values.

This view is also in line with the opinion of Irvin and Stansbury (2004) which says that the involvement (participation) community will produce better decisions and more efficient for citizens. Benefits of public participation in decision-making consists of two parts, namely the part of both the process and outcomes for the community and for the government itself. Benefits to society from the process is a learning process while gaining learning voicing their aspirations of the government and provide opportunities for people to influence government decision-making and to improve the ability of civic society. The benefits to society are the result of removing obstacles to the achievement of objectives, improve supervision in the process of policy making, implementation of better policies.

While the benefits for the government is a learning process for disseminating policies, as well as build public confidence and dampen the various suspicions that emerged from the public. Another benefit is building partnerships with the community and increase the legitimacy of the decision. Benefits outcome for the government is to eliminate obstacles in achieving the goal, eliminating the cost of litigation (legal disputes in courts) and the implementation of better policies.

Participation of traders is an important element in a process of cooperation to realize the creation of good local governance. Cooperation between the government and local actors required for the success and improvement of local governance (Matei & Matei, 2009). The same thing was also stated by Rhodes (in Leach & Smith, 2001) who said: "Local governance is increasingly involves multi-agency working, partnerships and policy networks roomates cut across organizational boundaries". The role of the leader in this respect is very important to encourage and establish cooperation among diverse sectors of society at all levels, including at the local level.

## V. Conclusion

In epistemology revitalization means the process, how, or intensified action to turn back. In general, the traditional market in Indonesia is likely to concern both from the physical side of the building or its management. This revitalization efforts regarding changes and improvement made by PD Pasar Surya Surabaya in managing and organizing traditional markets under its management.

The desired change is to restore the normal function of the actual market as a buying and selling, because at that moment some of the traditional markets in the city of Surabaya in slum conditions, muddy, dirty, prone to criminality and some corners were occupied several homeless. PD Pasar Surya Surabaya look forward to the new market conditions after the revitalization of the buyer will feel comfortable in shopping, can improve the welfare and regularity traders as well as the creation of administrative order, so it will be able to boost the acquisition of regional revenue. Revitalization can indeed be positive, both for the old merchants, new merchant (there will be new employment opportunities) as well as for local municipalities. Revitalization of the market is a response to the demands of the changing times that are part of the new policy directors of PD Pasar Surya in the face of the rapid development of modern market in Surabaya, improving market conditions that are not feasible as well as meet the demands of consumers.

Problems traditional market revitalization actually covers the main issues, namely the lack of involvement of merchants as a stakeholder in the planning, implementation and supervision. Although there are some local laws that suggest the involvement of traders but in reality their involvement only as a complement to mere objects.

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