

## **Factors Affecting the Street Vendor Decision to Sell at Outside of the Street Vendor Center**

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**Abstract:** Surabaya consistently implements empowerment and restructuring program of street vendors and continues to innovate in improving the coaching quality both from the institutional structuring and strengthening businesses capital. Until year 2016 there were 42 street vendors center, but not all can function rightly. The operation is not maximum and even closed. On other hand, location at around of street vendors center there are many street vendor who sell and not willing to occupy the Center. This study aims to examine the variables affecting street vendor to sell at outside of the Center. Total 126 street vendors are chosen by accidental sampling method. Questionnaire is used to collect data of street vendors that mostly has high school education / vocational school. Most of street vendors feel unproductive to sell center because the few shoppers. Selling at outside the center is more practical and can directly serve buyers. With experience of more than 5 years working as a street vendor, and armed with own capital, they everyday average earn net income of IDR 150,000. It is can be used to support his family, even though every day they must push the cart to take home and sometimes feel anxious with control from policemen. The regression result show that economic, honesty, fairness and good deed principles simultaneously have significant effect on intention to sell at outside of the center. Partially, economic, honesty and fairness principles have significant effect on intention to sell at outside of the center. But good deed principle does not have significant effect.

**Key Words:** Street vendors, Selling Principle, Selling Decisions, Center of street vendors.

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### **I. INTRODUCTION**

Street vendors are important elements of Small and Medium Enterprises (SMEs). Street vendors are informal sector enterprises engaged in distribution of goods and services. Street vendor is a driving force in economy of rural communities. The existence of street vendors do not always require a formal education and high skills, do not require a license and large capital (Winardi in Hariningsih, et al, 2008). Street vendor appear continues to grow in response to positive market reaction and creates "sudden market". These create a problem as a result of needs and demands of public service users or businesses, as well as compulsion. At small quantity, street vendor existence does not become serious problem. But with development of city, followed by proliferation of street vendors, the problem increase and requires serious attention from all stakeholders (Tualeka, 2013).

Minister of Cooperatives and SMEs ([www.surabaya.go.id](http://www.surabaya.go.id), May 28, 2012) said that street vendor is one important element in empowerment of SMEs; he welcomed the rise of SMEs in East Java in general and Surabaya in particular. "This is proof that Surabaya is one SME Center SMEs in Indonesia." He also reminded that street vendors are not always evicted, but the right synergy"

Street vendors in Surabaya become problematic. The existence becomes a necessity, because the amount is very large, more than 75,000 people and each year has increased the range of 1.5% to 2%. (Herwanto, [web.unair.ac.id](http://web.unair.ac.id). 14 des 2012). Moreover, when the government cannot longer provide jobs for community, then it becomes street vendor is a practical choice for communities. The presence of street vendors who occupy the roadside very disturbing traffic order, road infrastructure and further lead to congestion. In connection with street vendors, Surabaya city government has issued regulation No. 17/2003 on arrangement and empowerment of Street Vendors by dividing the category of street vendors into two: 1) Patronage Street vendors are ordinary street vendors located in accordance with provisions and use a tent as a place for merchandise. 2) Center street vendors are street vendors who trade daily in special location (the center). Until 2016, street vendor centers reach 42 units which can accommodate about 1,000 street vendors.

Surabaya Government develop centers of street vendor in hopes to arrange street vendors to sell at available place, and feel comfortable, do not be afraid to be evicted. Surabaya City Government feels that street vendors can create jobs and earn money for poor and unemployment. On other hand they have the flexibility of power, commodities, high prices as the key to survival in midst of competition among vendors are so tight. ([Dinkop-umkm.surabaya.go.id](http://Dinkop-umkm.surabaya.go.id), 26 November 2013)

In relation with above conditions, this study tries to describe and analyze the street vendors who sell outside the center because in reality, not all the centers visited by buyer. There are 7 centers studied. The

average center provide as many as 40 booths, was charged only 10 to 15 booths. However, many vendors who sell outside the center. (beritajatim.com, March 23, 2015). Then Yahya (www.enciety.co, April 10, 2015) stated that many vendors who have not entered the center.

Street vendors decision to sell at outside the center needs to be studied in terms of business, fairness, finance and good deed principles and demographic condition. This study would be very useful in providing information to Department of Cooperatives and SMEs Surabaya in terms of structuring the street vendors. Therefore, this study aims to examine the factors that affect the decision to sell outside the center and analyze the effect of these factors on decision to sell outside the center.

## **II. THEORIES REVIEW AND HYPOTHESES DEVELOPMENT**

Entrepreneurship is the economic activities to move resources from low-productivity region to higher productivity region and greater yield (Drucker, 1985). Kao (1995) also mentions entrepreneurship as a process to create new and create something different from existing ones with aim is to achieve well-being of individuals and value added for society. Many actor of the business are done informal sector.

The concept of informal sector is acclaimed very broad from experts in international economic development. It encourages the development of research in several developing countries by various Government Research Institute, private sector, NGOs and universities. Swasono (2007) says that informal sector created is not only because of lack of jobs, to accommodate employment from the informal sector but the informal sector is a pillar of formal sector for overall economy that proved inefficient. The ILO defines the informal sector as a sector that is easily accessible by newcomers, using resources in the country, owned by family of small-scale, using labor-based technology and tailored to skills required, not regulated by government and is engaged in a full market competition (Sudarsono,1982). One informal sector that continues to grow and have high resistance to economic shocks is street vendors.

People knows street vendor as a merchant who uses the sidewalk or street as place to trade. Street vendor term comes from English namely feet. Size 1 foot is 21 cm, while the street vendor use the sidewalk about 5 feet wide. Furthermore, the term street vendor attached to trader who sells along the sidewalk (Dwiyanti, 2005). Street vendor job is most prevalent in developing countries (Ramli, 1992). Along with time, the street vendors are not limited to trader who sell on sidewalk, but includes all small business activity conducted in pedestrian lane, parking area, gardens, including the terminal.

Characteristics of street vendors can be seen from demography included 1) age, 2) gender, 3) marital status, 4) the latest education, 5) the status of residence and 6) the number of family members. The aspect of business activities include: 1) type of merchandise, 2) trade duration, and 3) number of shoppers every day. The financial aspects consist of: 1) capital used for trade, 2) the number of sales a day, 3) net income every day, and 4) the cost of cleanliness / levy. The post sales will be seen on way to save the sold goods.

To determine the simultaneous and partial affect of economic, honesty, fairness and good deed principles on decision to sell outside of street vendor center. Decision to sell outside of center in terms of selling principles includes:

### **A. Economic principles**

1. Selling at roadside for strategic / practical reason
2. Selling at roadside to facilitate buyers
3. Selling at roadside to earn more money
4. Selling at roadside add value to their own
5. Selling at a side street does not pay rent / levy
6. The price offered is more acceptable buyer

### **B. Honesty principles**

1. Food / beverages sold in good condition
2. Street vendors inform the food / beverage condition clearly
3. Street vendors do not reduce the number of portion / flavor
4. Food / drinks were offered in accordance with the condition
5. The quality of food / beverage according with the condition

### **C. Fairness principles**

1. All buyers are given the same service
2. All buyer get same price
3. When the prices increase, the street vendor still give priority to customers

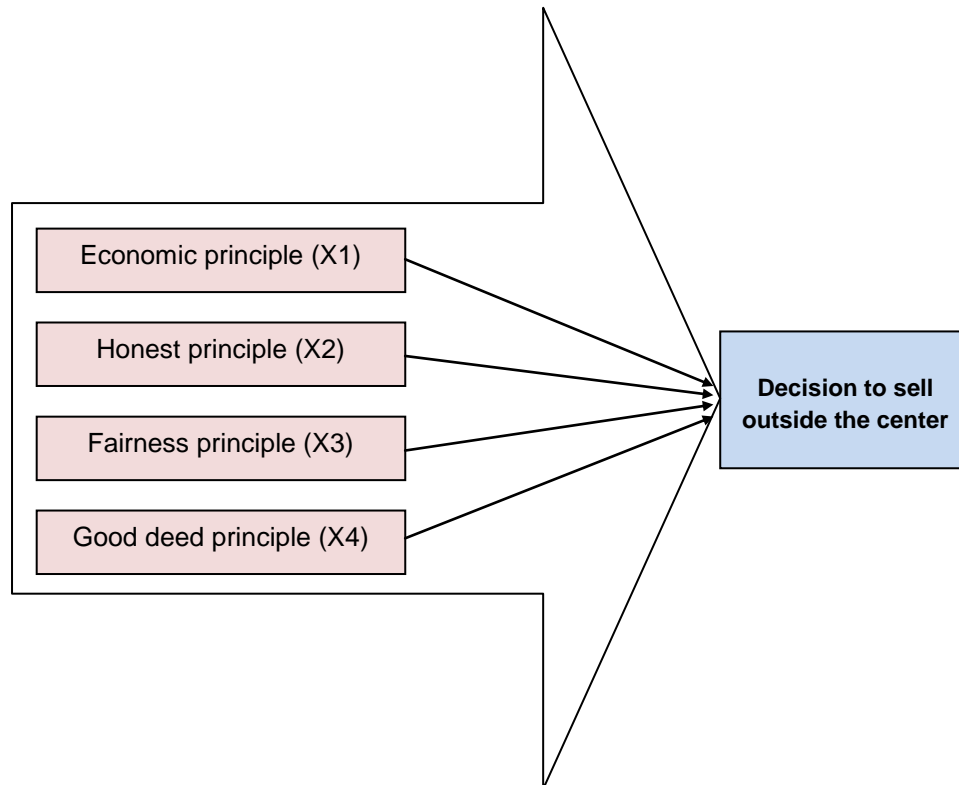
### **D. Good deed principles**

1. Street vendors provides good services
2. Street vendors do not cheat
3. Street vendors provide best quality

### **E. Decision to sell at outside center**

1. Selling at roadside is easier
2. Selling at roadside do not need a permit
3. Do not fear to eviction
4. There is no other place

Based on above description, it can be developed a research model below.



**Figure 1.** Research Model

Based on above research model, it can be developed the hypotheses below.

- H1: The economic, honesty, fairness and good deed principles simultaneous have significantly effect on decision to sell outside the center
- H2: The economic principle partially has significantly effect on decision to sell outside the center
- H3: The honesty principle partially has significantly effect on decision to sell outside the center
- H4: The fairness principle partially has significantly effect on decision to sell outside the center
- H5: The good deed principle partially has significantly effect on decision to sell outside the center

### **III. RESEARCH METHODOLOGY**

This study used descriptive qualitative approach to determine the characteristics of street vendors in terms of demographics, operations, finance and sales for street vendor who sell at outside of the center. Furthermore, to determine the simultaneous and partial effects of economic, honesty, fairness and good deed principles on decision to sell outside of center is done by multiple linear regression analysis. The population is considered to be homogeneous, ie all the street vendors street vendors in Surabaya. The sample is determined by random sampling (Arikunto, 2006). Ferdinand (2002), an appropriate sample size is between 100-200 samples. This study uses 140 samples based on number of indicators multiplied by 7 ( $20 \times 7 = 140$ ).

Data was collected by a questionnaire that measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Total 140 questionnaires were answered by respondents, because researcher directly come to street vendor and ask them to fill the questionnaires. There 14 cannot be used because incomplete answer, the remaining 126 were later said to be samples. Data were analyzed using descriptive analysis and multiple regression analysis. This analysis was used to analyze street vendors in terms of demographic characteristics, operations, finance and street vendors decision to sell at outside of the center. Multiple linear regression analysis is done by analyzing the model estimation, the coefficient of determination, simultaneous test of variables of economic principles (X1), the principle of honesty (X2), justice (X3) and principle is not malicious (X4) as well as a decision to sell at outside of the center (Y)

#### **IV. RESEARCH RESULTS AND DISCUSSION**

Validity and reliability tests are performed to test the research instrument of economic, honesty, fairness and good deed principles. The validity measure how far the instruments may provide significant results to measure a variable. Questions considered valid if  $r_{\text{count}} > r_{\text{table}}$ . With a degree of freedom  $\alpha = 5\%$  was obtained  $r_{\text{table}}$  at 0.355. The analysis showed all the indicators of economic, honesty, fairness and good deed principles are valid. In other words, these indicators measure the same aspects (Ghozali, 2006).

Reliability test is used to know magnitude cronbach alpha coefficient. If it is greater than 0.6, it is reliable (Nunnally, 1994). Results of reliability test show that cronbach alpha of all research variables are above 0.6, therefore all variables are reliable.

##### **1. Descriptive analysis**

Street vendors in Surabaya generally has increased every year. Increased economic activity in Surabaya trigger the process of urbanization. Population growth due to urbanization causes many problems; one of them is the need for jobs. Job opportunities in formal sector is more difficult because this sector cannot absorb the workforce quickly. The difficulty to get a job at formal sector makes the informal sector become a choice. One of them is to become street vendors. It is the easiest choices of business because there is no demand for education and large capital.

Increasing number of street vendors can disturbs the beauty of Surabaya city because during this time the location for street vendors is a common facility area that banned by Surabaya apparatus. To overcome these problems, Surabaya Government has prepared a representative place for vendors to do business, namely street vendors Center. However, street vendor prefer to do business outside of the center. The study demography can be described below. The above conditions indicate that street vendors who sell outside the center have age 25 - 35 years old (44 percent), followed by 36-45 years old (30 percent), more than 45 years old (21 percent) and street vendors who are younger than 25 years only 5 percent. When viewed from the sex merchants, it does not show significant difference. Male street vendors are 55 percent.

These study results mean that street vendors are in productive age to maintain their business as a street vendor because trade is the main livelihood. For women, become street vendors are an attempt to increase the domestic economy. It shows the persistence of women as housewives to support family life. Street vendors that become samples are dominated by graduation of high school / vocational (53.97%), it is followed by junior high school (27.78%), elementary school (8.73%). This supports the suggestion that street vendors do not need high education and can be done by anyone even if only has elementary and junior school. However, vendors can also absorb workers with high school graduates.

This condition consistent with study results of International Labor Organization or ILO (Rahmawati and Patta, 2015) that character of street vendors in developing countries are 1) poor community group 2) low education 3) the majority in productive age. Another aspect is status of residence. Respondents said that they have their own home although simple house (65.87%), rent a house (24.60%), and rent a room (9.53%). A house can be inhabited by 5 people as family members (64.29%), dependents 4 (23.81%), more than 5 dependant (7.14%) and with 3 dependents (4.76%).

Street vendors who sell at outside the center have specialization to sell culinary (food and beverage). The results showed that 67.23 street vendors becomes trader for 5-8 years, followed by more than 8 years as much as 47.31 percent and 11.46 percent of trade less than 5 years. Some street vendors claims never sell in center, because the centers less productive, the prefer sell outside the center. Selling at outside the center can approach the consumer. This condition is consistent with research of Tauran and Areeza (2016) that Policy Planning of Street Vendors Center in Manukan Lor street Surabaya is still not enough. Traffic conditions are still stuck due to street vendors who sell in center complained that more people buy food or drinks on edge of Manukan Lor Street. These conditions makes street vendors are reluctant to occupy the street vendors center.

Based on number of shoppers every day, the 53.97% street vendors said that the the average consumers are 30-40 people. Street vendors who serve consumers more than 50 people as much as 39.68 percent. However, 11 street vendors had less than 30 people a day. Based on the capital, 82.54 percent street vendors have average turnover IDR 400.000- IDR 750.000 per day and even reached IDR 1.000.000. This income can be used to meet the needs and improve the welfare of street vendors families. With a turnover of above, the results showed that net revenue per day of 45.24 percent street vendors is below IDR 150,000, 30.95% have income greater than IDR 350,000. The above income has been reduced by cost of cleanliness / levy at average IDR 10,000 - 15,000 for 45.24 percent respondents, and 11.11 percent said they do not bear the cost

The above condition is in line with research conducted by Susilo (2011) that for trader at productive age (78.4 percent), more than half of it (35.2 percent + 5.9 percent) were in group of small turnover of IDR 100.00 - IDR 500,000 and have a low educational background. In addition, the results showed that 11 percent of street vendors use the capital in form consignment, while 89 percent use their own money for working capital.

The results of this study are also consistent with opinions of Julissar An-naf (Widodo, 2000) that street vendor characteristic are : 1) street vendor as main livelihood, 2) street vendor generally in productive age, 3) The level of education is relatively low, 4) Trading for long enough, 5) Ensuring equity, 6) sales turnover is relatively small, 7) a relative low level of income to meet the necessities of life and 8) They have been affected by their tax levy or unofficial levies. Street Vendors who sell outside the center are different with people who work in formal sector. Nevertheless they do business in accordance with type of goods or services traded. The average trader activities are morning until the afternoon. Street vendors who do business during the day to night average have semi-permanent buildings. Street vendors who trade in morning till evening use tents that can be opened and closed every time. Street vendors who perform day and night activities uses box and equipped with a hood that at any moment can be opened and closed. After selling activities, 53.97% street vendors put their box nearby, and only 9, 53% street vendors bring the box to home and 36.51% street vendors said they left their box in the position

**2. Multiple Linear Regression Analysis and hypothesis testing**

Multiple linear regression analysis is done by analyzing the model estimation, the coefficient of determination, simultaneously test, partial test the effect of economic principle (X1), honesty principle (X2), fairness principle (X3) and good deed principle (X4) on decision to sell at outside the center (Y). The results are shown in table 1 below.

**Table 1.** Results of multiple regression analysis

Predictor	Coef	SE Coef	T	P	VIF
Constant	2,517	2,635	0,96	0,341	
X1	0,43246	0,08735	4,95	0,000	1,201
X2	0,2839	0,1193	2,38	0,019	1,591
X3	0,3631	0,1529	2,38	0,019	1,280
X4	0,2370	0,1812	1,31	0,193	1,527

**R = 0,49**  
**R<sup>2</sup> = 0,238 atau 23,8 %**  
**F count = 123,21**  
**Significance = 0,000**

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From table 1, it can be explained that the constant of 2.517 indicates that, if economic principle (X1), honesty principle (X2), fairness principle (X3) and good deed principle (X4) are 0, then the decision to sell outside the center is 2.517. The hypotheses testing can be explained below.

1. Analysis result show the determination coefficient is 0.49. This shows that there are relationship between economic, honesty, fairness and good deed principles on decision to sell at outside the center, although not high. R Square of 23.8 percent means that decision to sell at outside center can be explained by economic principle, honesty principle, fairness principle and good deed principle variables simultaneously by 23.8 per cent, while the rest is explained by other variables outside the model. F count equal to 123.21 at a significance level of 0,000. These results suggest that economic principle, honesty principle, fairness principle and good deed principle variables simultaneously has significant affect on decision to sell outside the center. This means that hypothesis H1 is accepted.
2. The regression coefficient of economic principle (X1) is 0.432. It means that if other independent variables are constant and variable economic principles rose 1 percent, then decision to sell at outside the center will increase by 2.952. The positive coefficient means that there is a positive relationship between the economic principles with decision to sell at outside the center, the stronger the economic principle, the higher desire decision to sell at outside the center. The significance value is 0.000 <0.05. This proves that economic principle partially has significant effect on decision to sell at outside the center. Therefore the hypothesis H2 is accepted
3. The regression coefficient of honesty principle (X2) is 0.284. It means that if another independent variables constant and honesty principle increased 1 percent, then decision to sell at outside the center will increase by 2,804. The positive coefficient means that there is a positive relationship between the principle of honesty with decision to sell at outside the center, prospective street vendors hold the principle of honesty in selling. The significance value is 0.019 <0.05. This proves that principle of honesty is partially has significant effect on decision to sell at outside the center. Therefore hypothesis H3 is accepted
4. The regression coefficient of fairness principle (X3) is 0,363. It means that if other independent variables are constant and variable fairness increase rose 1 percent, then decision to sell at outside the center will increase 2,556. The positive coefficient means that there is a positive relationship between the principles of



justice with decision to sell at outside the center. We can say that they also hold the fairness principle in determining decision to sell at outside the center. The significance value is  $0.019 < 0.05$ . This proves that fairness principle partially has significant effect on decision to sell at outside the center. Therefore, the hypothesis H4 is accepted

5. The regression coefficient of good deed principle (X4) of 0.237; means if other independent variables are constant and variable good deed principle increase 1 percent, then decision to sell at outside the center will be increased by 2.757. The positive coefficient means that there is a positive relationship between the principle of good deed principle decision to sell at outside the center. So it can be said that in determining decision to sell at outside the center they do good deed. The significance value is  $0.193 > 0.05$ . This proves that good deed principle does not have significant effect on decision to sell at outside the center. Therefore, the hypothesis H5 is rejected

## V. CONCLUSIONS AND RECOMMENDATIONS

The conclusions of the research about the decision to sell outside the center street vendor street vendor in Surabaya can be stated below.

1. The economic, honesty, fairness and good deed principles simultaneously have positive and significant effect on decision to sell outside of center. This proves that four independent variables play a role in decision to sell outside of center.
2. The economic, of honesty and fairness principles partially showed positive and significant effect on decision to sell outside of center.
3. However, the good deed principle does not have significant effect on decision to sell outside of center.

Based on these results, the suggestions can be stated below.

1. Street vendors should be given special training for street to open a business in order to maintain security, order and beauty of city to realize the Surabaya City Regional Regulation No. 17/2003
2. Making review about where street vendor centers located in order to invite consumers
3. Future researchers should make research at other city to improve generalization of this research. More variables also can be added to improve the simultaneous effect.

## ACKNOWLEDGMENT

Thanks very much to Kemenristek DIKTI as Research Funders, street vendors as a source of information, the Department of Cooperatives and SMEs Surabaya and Surabaya District who have provided data on street vendors, LPPM University PGRI Adibuana Surabaya and Dean of Faculty of Economics Adibuana, University of PGRI Surabaya as a facilitator for implementation of research activities.

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