

Business Financing Preferences For Traditional Market Sellers

Riswanda Imawan, Dwi Wulandari, Bagus Shandy Narmaditya

Abstract: This study examines the preferences of the traditional market seller in choosing their business financing. Further, the research intended to deeply understand the sellers' behaviour in managing their businesses and factors affecting sellers choosing their financing. The research applied a descriptive qualitative method by applying an in-depth interview. This study was conducted in Lawang Market in Malang as the sample of the research. The findings showed that traders proposed four sources for their financing namely their own capital, cooperatives, banks, and social gathering. Moreover, the preference of traders in choosing formal and informal financial institutions was influenced several factors such as the complexity of administration and procedures, the amount of interest offered, the tenure of funds disbursement, and emotional motives.

Keywords: Business Financing; Trader Preferences; Financing Sources

1. INTRODUCTION

The traditional market drives an important role both as the center of economy and for the local community. Indonesian who lived in a rural area commonly run their economic activities in the traditional market. In some areas in Indonesia, people who come from countryside work at agriculture sector and promote their product directly to the market. Feriyanto (2006) remarked that majority of traditional market arises from the needs of the general public who need a place to sell goods that they produce as well as consumers who need certain items for their daily needs. The market provides basic need for a household like fresh fruits, fish, vegetables, meat, and many others with affordable price. In the traditional market, the price is determined by supply and demand from sellers and buyers that make the price various for each good sold. A traditional market also has several positive relationships in improving the local economy. Firstly, the market is as a center for the development of the people's economy. As a center of economic activity, traditional market is a place to meet between sellers and buyers. The local economy is the most bottom level of the economy where production and consumption are directly linked (Nagy et al., 2012). Secondly, the market is as a source of regional retribution. Traditional market contributes to original regional revenue by retribution and parking revenue. Further, the market is as the center of regional money circulation. Fourth, the market serves as a field of employment. Faizah (2011) remarked that the traditional market improved job opportunity for women. In traditional markets, there are economic actors to carry out their economic activities. These economic actors are dominated by traders and buyers which these two actors interact with each other for their transactions (Navis, 2015). An increasing the number of resident in a particular place causes higher demand for goods and services itself. The business run in the traditional market commonly operated on small scale. In order to meet the demand, the sellers need more funding to drive their business. Both formal and informal financial institutions play an important role in providing capital assistance to traditional market traders. Sabirin and Sukimin (2017) remarked that financial institutions promote an increase in the real sector. For traditional market traders, insufficient capital potentially affects to manage their income in managing their business run. In fact, both institutions have their own ways to attract community interests. However, banks and non-banks, still have not been able to solve any problems faced by traditional market traders like a complicated requirement of

bank procedures and administration for those who want to start business activities (Imelia, 1998). For many people, the difficulties in business funding tend to affect their choice in enhancing their business. Moreover, they will choose another option to obtain another funding from non-formal institutions. The second reason is the fund tenor disbursement. The fund tenor disbursement, in this case, is about the range of time for credit proposals, surveys until the fund disbursement; all of which are seen as a separate consideration for the traders in relation to applying for credit to formal and informal financing sources. The length of procedure that must be passed and the administrative complexity that must be completed lead to too long disbursement time. Mahbubati (2015) remarked that for the submission of credit, the public is faced with formal procedures using collateral in the form of securities and long time for fund withdrawals. Thus, the community is reluctant to choose banks and cooperatives as a place to borrow funds and tend to choose other credit providers that do not need complicated requirements. Lawang Market, the largest traditional market in Malang, Indonesia for instance, it has a large number of trader stores or kiosks by approximately 285 trader stalls and about 944 units of the street vendor. Lawang Market has a high level of accessibility (Febriananta, 2017). Lawang Market is one of the markets in Malang which has tense and high trading activities that are visited by many people from Malang itself and the other cities. This indicates that Lawang Market is strategically located to run economic activities and this leads to increasingly stable demand for staple goods and of course traditional market traders must be able to keep up with the provision of basic necessities that the community wants. In order to provide the goods needed by the community, it is certainly necessary for traditional market traders to increase their capital, both capital that comes from themselves or capital from any financial institutions required by business actors. Previous studies related to business financing was conducted by Padachi, Howorth, and Narasimhan (2012); Hamilton and Fox (1998); Fatoki (2014) which focus on Small and Medium-Sized Enterprises (SMEs) funding while few number of studies which examines the business financing on traditional market seller (Sabirin & Sukimin, 2017; Harjoni & Fahmi, 2018). Therefore, this is the first study which providing business financing for the traders of the traditional market. Further, this study encourages the determinants of business financing in enhancing their economic scale in the traditional market seller.

2 METHOD

This paper applied a qualitative descriptive using an in-depth interview, observation, and documentation. This study was conducted in the traditional market of Lawang in Malang, Indonesia due to several considerations like high-level accessibility, the number of sellers and buyers, and trading activities. In more specifically, several questions were proposed to the participants related to the business capital, business financing, traders' business financing preferences, perception toward bank and non-bank financial. Further, the data were analyzed using a model developed by Miles and Huberman (1984) which is conducted with interactive models through the process of data reduction, display data, and verification. As demonstrated in this document, the numbering for sections upper case Arabic numerals, then upper case Arabic numerals, separated by periods. Initial paragraphs after the section title are not indented. Only the initial, introductory paragraph has a drop cap.

3 RESULTS & DISCUSSION

3.1 Preference of Sellers in Using Equity

The finding showed that the traders in the traditional market have adequate capital. From the interview, it can be concluded that the sellers have different manner in getting start-up capital or venture capital to develop their business. Capital owned already proved insufficient to meet the needs of its trading due to proceeds from severance of employment and profit merchandise. Based on these factors, the traders already feel no longer need to ask finance to financial institutions Banks and Non-Banks. Another reason why market traders select their own capital than funding from financial institutions neither banks nor non-banks was to have no debts or loans. Capital is very important for traditional Market Traders in running its trade activities. For merchants using its own capital is better because it could minimize risk rather than having to propose funding to financial institutions both banks and non-banks. By using its own capital, the large number of traditional market sellers can maximize their profits higher than the companionship model. There are some things that cause traditional market traders did not propose finance to banks or other financial institutions such as a complicated procedure and requirements. The complicated procedure that must be provided includes the warranty, the old minimum effort, affidavits from the village and others. Meanwhile, not all people who made their living as merchants have Market requirements submitted by the financial institution's banks and non-banks. Second, the emergence of concern does not afford the repayments. This is because the traders had severely screwed things in repayments each month. Financial institutions to borrow incited am performing in Bill payment for the debt, because there presume that they sense of insecurity and fear in the future cannot pay the mortgage or the capital borrowed. It is therefore better to use its own capital rather than have dependents repayments.

3.2 Preference of Sellers in Using Capital From Bank

Fast loan disbursement process and ease of collateral become the first reason. There are some market merchants that choose the source of the financing efforts of bank and non-bank and certainly choosing source damning and not easily accessible. Easiness of procedure guarantees an easy as well as bank interest that light is the reason that

consideration by any trader who did the borrowing to banks. BRI (Bank Rakyat Indonesia) became one of traders' choice to fulfilling a financing system with the people's business credit because there is an easy procedure, guarantees an easy money-filled as well as rapid melting. It can provide the advantages for the merchant and the bank. The merchant market gain in the form of additional capital as well as on behalf of the Bank will benefit from the funds they provide to merchants. Further, the sellers choice is high acquaintance with the level of interest rate. Both financial institutions banks and non-bank turned a popular choice for merchants to enlarge their business capital. However, there is only one bank that with a program called people's business loan is popular.

3.3 Preference of Sellers in Using Capital From Cooperative

The first reason is the easiness of requirements and business surveys. The filing of financing to cooperatives also became an option, It is understandable because the procedure of funds not as complex as financial institutions banking. As is the case when doing the filing of financing to the bank must be included affidavits from the village and at the time surveyed her efforts to be ready with its business income data. In this study, Lawang Market traders prefer to borrow in cooperatives due to uncomplicated business surveys and requirements. While traders in borrowing at banks are required to meet the requirements set by the bank. One of these requirements is bank requirement to include a certificate from the village and at the survey, the business must be prepared with data of the business income.

3.4 Preference of Sellers in Using Capital From Informal Financial Institution

The informal financial institution is an institution that is not governed by the Act Government and outside Government oversight because the Government has no role in conducting surveillance and regulation (Hamka & Danarti 2013). Arisan (social gathering) is a one of informal financial institution selected traders to obtain capital or increase of capital at their disposal for the sake of the trade process which became the source of their income. There are two periods used in arisan which is weekly and daily. In meeting the needs of venture capital, arisan became one of the options. Because the system is not as complex as arisan when filing financing to financial institutions such as banks or non-bank should any warranty, meet a variety of requirements as well as other things that complicate the prospective customer. Without to include guarantees as well as unnecessary the presence requirement makes the traders prefer arisan compared bank or cooperative. Fast disbursement of loan money will support the business. The next reason is the disbursement of loans more quickly. Disbursement of the funds is relatively faster than the financial institution into a merchant's factors in choosing arisan as options in developing or start a business. Lawang Market traders in this study have used their own capital, capital from banks, capital from cooperatives and capital from arisan. This is as a result of different motivation in choosing specifically in Lawang Markets. From the findings, it indicates that the willingness of traders to access funding sources is because they do not want to face any complicated administration and procedures, high level of interest and length of fund disbursement.

3.5 Factors Affecting of Sellers in Refusing Financial Institution

3.5.1 Complex Procedures and Administration

These factors greatly affect merchants in choosing which financing sources will be selected. The complexity of administration the majority delivered by traders because according to them its main administrative completeness in banking definitely complicated and waste time. Whereas in light of their efforts must be immediately and remain ongoing. Therefore, when they choose a formal financial institutions through their banks have to wait longer. Unfortunately, the needs of urgent funds for expansion as well as multiply capital efforts. This administrative factor for merchants is also troubling because in the procedure of formal financial institutions still are conventional in the sense that should have a warranty or something is warranted when the borrowed funds. This situation makes consideration for merchants because they think that they are trading to profit and possessions they get not to pledge. In addition, traders who have availability of funds is also rather avoid dealing with formal financial institutions. Because according to them when it has owed can never escape from debt banking. Generally, the complexity of the administrative procedures that must be traversed by traders in filings credit to financial institutions is not effective in business activities that need the funds immediately. In the procedure of banking also after the registration phase will be verified and a new survey, after all, is met, then the customer is declared eligible for funds or not. While traders more privately thought that like to get funds for sure who has surely obtained so that their efforts can continue with either an extra top venture capital. Indrawati and Yovita (2014) stated that private equity has no risk for merchants and retailers by making a loan capital from the banking sector through the long procedures and take a long time.

3.5.2 The amount of offered interest

The following factor that also encourages the traders in choosing the source of financing is the amount of offered interest. According to the traders, in this case, there are two versions; the first is those who choose formal banking financial institution with the lowest offered interest, the second is those who choose a cooperative financial institution with faster disbursement without taking into account the interest position. Two versions of the findings in this study illustrate that traders at Lawang Market are actually selective in choosing the source of financing to be taken. Even so, there are also impulses of suitable easiness with their preferences to choose to be taken. As the amount of given interest; the amount of interest provided between banking institutions also varies. Therefore, Lawang Market traders prefer the type of credit from banking financial institutions that have low-interest rates. The interest offered by formal financial institutions still dominates a person's willingness or desire to take credit from formal financial institutions, especially banks. For this reason, it is necessary to realize that prospective customers will behave selectively in determining which banking financial institutions are chosen to provide the financing; also the traders at Lawang Market. In addition, most Lawang Market traders choose cooperatives because the form of formal financial institutions is not too complicated in administrative and procedural issues (Paramita et al., 2016).

3.5.3 Fund Disbursement Tenor

In relation to good financing sources, formal financial institutions will become credible institutions in this regard. However, not all financial institutions can respond quickly to the needs of their main customers in terms of credit applications. The range of time for credit proposals, surveys, and disbursement of funds are also separate considerations for the traders related to credit proposal to bank financing sources. The extension of procedures to be passed and the complexity of administration to be completed lead to too long disbursement time. Moreover, there must be guarantees that are guaranteed so that the amount of funds submitted is in accordance with the expected amount of realization (Mahbubati, 2015). This required tenor disbursement of funds makes Lawang Market traders prefer other sources of financing outside banking and cooperatives. The informal financial institution is social gathering (arisan) by the traders. In the arisan, there is no interest but still subject to mandatory deductions. In the arisan, it has faster fund disbursement tenor compared to the formal financial institutions like bank. It is reasonable because the arisan is encouraged and supported by traders who trust each other. Therefore, there is no need for complicated administration and survey procedures carried out by formal financial institutions. This gathering according to the traders also helps in providing capital. They mentioned that this gathering is their way for saving which can be taken at any time if it is necessary. Even so, in the availability of funds, the arisan model has limited costs. However, in general, the arisan model is chosen as one of the sources of financing because the tenor of fund disbursement time is fast and uncomplicated and does not require any collateral because of the trust capital between traders. Apart from the technical factors that influence traders on financing sources, there is one internal factor that influences them, namely emotional motives. According to Setiadi (2008), emotional motives are motives based on emotional, consumers seem rushed to buy these products by not considering the possibilities that will occur for the long term. In this case, the traders have a motivation for the individual to hasten and accepts goods or other things. Therefore, that under certain conditions, the traders will tend to choose a fast choice that might be inappropriate.

4. CONCLUSION

The preference of the traders in enhancing their business consist of choosing their own capital, providing a fund from bank and the other financial institutions and social gathering model. Further, there several reason why traders did not choose bank and the other financial institutions including the complexity of administration and procedures, the amount of interest offered, tenors of funds disbursement and traders' emotional motives. Besides, the presence of emotional motive plays as the supporting factor which influences the fast or slow traders to determine which institution will be chosen as the source of financing.

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