

## **The Role of Street Vendors in Local Economic Development: Exploring Their Contribution to Regional Economy**

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### **ABSTRACT**

*This study aims to explore the role and contribution of Street Vendors (PKL) in local economic development. Through data collection from 50 respondents involved in PKL activities, analysis was conducted on demographic characteristics, types of products sold, and daily earnings of the vendors. The results show that most respondents are within the productive age range (27-40 years), predominantly male, with educational backgrounds of SMP (junior high school) and SD (elementary school), and an average trading experience between 2 to 5 years. The most sold products are food, with 95% of respondents contributing to the local economy by paying retribution when trading in places that require an entrance fee. Validity testing of the questionnaire indicates that all questions are well-measured, while reliability testing yields values above 0.7, indicating that the research instrument is reliable. Moreover, frequency analysis shows that 60% of respondents are food traders, with an Independent Samples T-Test revealing that the average daily earnings of food vendors reach Rp 250,000, while non-food vendors average only Rp 180,000, indicating a significant difference. This research emphasizes the important role of PKL in creating jobs, increasing community income, and contributing to local economic sustainability, and is expected to provide insights for decision-making in policies that support the development of the informal sector and the improvement of community welfare.*

**Keywords:** *Street Vendors, Local Economy, Regional Economy*

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### **INTRODUCTION**

Street Vendors (PKL) represent a form of basic entrepreneurship that has existed since ancient times. Many people choose to become PKL because this venture does not require special skills, large capital, or complicated business licenses. The availability of open space and the opportunity to earn a decent income also present distinctive attractions (David Cardona et al., 2020). Furthermore, the existence of PKL as part of the informal sector makes this business more flexible and accessible to various groups of people, including those without formal employment. PKL can be permanent sellers in a location or vendors who roam using tools such as baskets and carts. They offer a variety of products, ranging from food and beverages to everyday goods on a retail basis. Some PKL operate with their own capital, while others act as intermediaries or labor for capital owners, earning a commission in return for their efforts (Nurhadi, 2019). Although considered an economic solution, this business often operates without formal permits and in locations not intended for commercial activities.

The existence of PKL has now become an inseparable part of urban and regional life but presents several challenges for local governments. Issues such as traffic congestion, cleanliness, and zoning violations often arise from poorly organized PKL activities (Wafirotin

& Marsiwi, 2016). Some local governments have attempted to regulate the presence of PKL through various policies, but challenges in implementing these regulations remain complex (Larasati et al., 2021).

According to McGee and Yeung (1977), the term Street Vendor (PKL) is equivalent to "hawkers," referring to individuals selling goods or services in public areas. Their activities typically take place in open areas such as streets and sidewalks, where they offer products to passersby. Essentially, this activity represents a form of informal business that is easily accessible and can adapt to various environmental conditions. PKL includes a group of vendors offering goods or services on sidewalks or streets. They often operate around shopping centers, markets, recreational areas, offices, or educational centers, either remaining in one place, semi-permanent, or mobile. This activity usually occurs all day long, from morning until night, with a status of legality that is informal or semi-formal. This flexibility allows PKL to be present in various strategic locations to directly reach consumers.

According to Heru Sujowono, the Chairman of the Indonesian Street Vendors Association, the rough estimate of the number of street vendors in Indonesia is around 22 million people, indicating the substantial scale of this sector in the national economic structure. This number not only represents significant informal economic potential but also illustrates how many people depend on small businesses and the informal sector for their livelihoods. PKL serves as a driving force for microeconomics in various regions, especially in urban areas and centers of community activities. With such a large number, they not only create jobs for themselves but also contribute to the establishment of local supply chains, including suppliers of raw materials and supporting services. Therefore, the presence of PKL has a direct impact on job absorption and the economic distribution in various areas, while also serving as an important indicator for the government in formulating policies related to the empowerment of the informal sector and enhancing regional economies.

Street vendors not only focus on economic activities but also engage in various forms of social interaction. They often join local vendor communities or associations that serve as a support network to exchange information. As explained by Anwar (2019), these communities allow vendors to share experiences, business tips, and build solidarity to face challenges together, creating a sense of unity among them. Street vendors also form economic networks by collaborating with various parties, both inside and outside tourist areas. Such cooperation includes relationships with hotels, restaurants, or transportation service providers. According to S. and R. Riani (2024), such collaborations can create an economic ecosystem that benefits both parties and increases the attractiveness of tourist destinations. The synergy with other businesses enhances the appeal of the tourist areas for visitors by offering a variety of product and service choices.

However, street vendors also face significant challenges, especially in competition. Hidayat (2021) revealed that they often have to compete with formal businesses such as restaurants and souvenir shops. This competition forces street vendors to work harder to maintain market share and attract consumers amid pressure from other enterprises that have more established structures and better access to facilities or resources. Street vendors play a vital role in efforts to improve the economy of the community and the region. The existence of PKL is a concrete example of resource-based local economic development, as they utilize local potential to offer products and services directly to consumers. In this context, street vendors

help create added value for local products and strengthen the local economy through active participation in the informal economic chain. Regions with physical land limitations or lack of human resources require creativity and collaboration from all parties to develop superior products. PKL serves as one of the actors driving the local economy by selling distinctive products, such as traditional cuisine or handicrafts. Despite their status in the informal sector, support from the government, the community, and entrepreneurs is essential for their growth. With the presence of associations or vendor communities, they can not only survive but also develop business strategies to improve competitiveness and expand marketing networks.

It is critical for street vendors to strengthen their position in facing competition, particularly with formal business players like restaurants and souvenir shops. Capacity building through training, access to capital, and marketing promotions will help street vendors enhance their competitiveness and expand their market reach. With a good cooperation network between vendors and other entrepreneurs, they can play a more effective role in increasing local economic potential and supporting efforts to raise community and regional incomes. Street vendors play an essential role in creating jobs for those who do not have access to formal employment, thereby helping to reduce unemployment rates and improve the economic welfare of families. By offering diverse goods and services, ranging from culinary products to daily necessities, PKL supports the daily economic activities of the community while stimulating local monetary circulation. Additionally, they contribute to the enhancement of regional economies through income circulation that focuses on local consumption, which indirectly encourages growth in other sectors such as transportation and logistics. Although they operate in the informal sector and often face challenges such as regulations and competition from formal businesses, their role remains crucial as their business flexibility allows for adaptation to economic changes. Given the significant number of street vendors and that many consider it their primary source of income, this study aims to assess the role of PKL in building the local economy and explore their contributions to regional economics.

## **METHOD**

This research focuses on the population of street vendors (PKL) in Indonesia who offer a variety of products. This population was chosen as the focus to obtain relevant conclusions based on the characteristics identified. Given the very large population, this study uses the Random Sampling method to select a sample of 50 individuals who can represent various variations in the population. The sample is randomly selected, ensuring that every individual in the population has an equal chance of engaging in the study. With this approach, the results of the study are expected to accurately describe the general condition of the street vendor population.

The main instrument used in this study was a questionnaire consisting of 10 closed questions on a 5-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." The questionnaire includes key indicators, such as street vendor demographics, daily and monthly incomes, and their contribution to the local economy through the payment of levies. After the data was collected through a questionnaire, the analysis was carried out using SPSS software. Quantitative analysis includes validity, reliability, and descriptive analysis to describe the collected data. This research is designed to be completed within one month, with stages ranging

from the preparation of questionnaires, distribution to street vendors, to the collection and analysis of data compiled in a final report complete with tables and graphs.

The analysis plan in this study includes a description of the respondents' demographics, such as age, length of trading, types of products sold to analysis of the average daily and monthly income of street vendors. Correlation is also tested to find out the relationship between the length of trade, the type of product, and income. This study assesses the contribution of street vendors to the local economy through the payment of levies and explores their contribution to the development of the local economy, the challenges faced, as well as the support received from the government or trade associations. In addition to quantitative analysis, a qualitative approach is carried out to understand the experience of street vendors more deeply, including a narrative analysis of their challenges and opportunities. With this approach, the research is expected to provide a comprehensive overview of the role and contribution of street vendors to economic dynamics at the local level.

## **RESULTS AND DISCUSSION**

The respondents in this study number 50 individuals, and based on the analysis of demographic data of street vendors obtained from the questionnaires, it can be concluded that most respondents are traders who are still within the productive age range of 27-40 years. In terms of gender, there are 36 male and 14 female respondents. The educational background of the respondents also varies, with most having either junior high school or elementary school education. The average trading experience is in the range of 2-5 years, indicating a diverse level of experience among street vendors. The products most commonly sold are food items, such as "tahu sumedang" and various snacks popular among young people. Additionally, 95% of respondents stated that they contribute by paying retributions, particularly when wanting to sell in tourist areas or other locations that require an entrance fee; they pay to offer their products in those places.

The validity test results indicate that the questionnaire used in this research has a good validity level, as all questions asked can be accurately measured to gather the necessary information regarding the role and contribution of street vendors (PKL) to the local and regional economy. The validity assessment shows that each question has significant validity values above 0.05. Meanwhile, reliability testing of the questionnaire indicates that the research instrument shows high consistency in measuring the variables being studied. The reliability test was conducted using Cronbach's Alpha coefficient, which produced values exceeding 0.7, suggesting that the questionnaire is considered reliable and can be used in future research.

Among the total respondents involved in the research, 60% are food vendors, while 40% are selling non-food items such as clothing and accessories. In terms of trading duration, around 30% of respondents have been trading for less than 2 years, 40% between 2 to 5 years, and another 30% have been trading for more than 5 years. Regarding income, the results indicate that 50% of respondents report daily income under Rp 100,000, while 30% earn between Rp 100,000 and Rp 300,000, and 20% earn above Rp 300,000. This frequency provides a picture of the characteristics and variety within the types of businesses as well as the economic conditions experienced by street vendors.

Additionally, an Independent Samples T-Test was conducted to analyze the average income differences between two different groups of PKL, i.e., those selling food and non-food

items. The test results showed that the average daily income of food vendors is Rp 250,000, while non-food vendors average Rp 180,000. The t-test results yielded a t-value of 3.24 with a p-value < 0.01, indicating a significant difference between the two groups at a 95% confidence level. Thus, it can be concluded that food vendors earn an average higher daily income than those selling non-food items, highlighting the important role of the product type offered in influencing vendor income.

This research is also supported by several previous studies relevant to this research. The first study is by Muhammad Haris, 2024, titled "*Social Interaction And Economic Network Of Street Vendors In The Context Of Local Economic Changes.*" The findings of this study show that social interaction among street vendors forms a strong, supportive community that facilitates efficient exchange of information and business strategies. This economic network also supports cross-sector cooperation, although they face challenges in adapting to local economic changes, including competition from both formal and informal businesses and stringent regulations. Nevertheless, their contribution to local economic development is significant, as they help create jobs, increase incomes, and strengthen economic sustainability in the region (2024).

Another relevant study by Avi Dinda Putri Sheila, 2023, titled "*Externalities Of Street Vendors: An Analysis Of Relocation Policies For Regional Economic Development*" reveals that the purpose of the provincial government's street vendor resettlement policy is to create safe, comfortable, prosperous, and thriving areas, as well as to encourage per capita economic growth in the region through increased income, welfare, and wealth of the community. Furthermore, this policy is expected to help address employment and unemployment issues in the region (Sheila, 2023).

Additionally, there is another relevant literature reference from Choiruddin (2019), with the research titled "*Strategies For Developing Creative Industries Based On Local Wisdom (A Study on the Batik Craft Industry Center in Banyuwangi).*" This study concludes that achieving optimal results in developing the batik creative industry in Banyuwangi requires collaboration among three main actors: government, academia, and entrepreneurs. Commitment from all three parties is vital for establishing ongoing coordination and synergy. The Banyuwangi regional government plays an active role in batik socialization, training, and organizing festivals, although the academic contribution to batik development is still lacking. Entrepreneurs have implemented various creative methods to promote their batik products, such as utilizing social media and collaborating with agents. With significant contributions to the economy and job absorption, the batik craft industry in Banyuwangi is expected to continue thriving as a leading small and medium-sized industry in the region (Mukaffi, 2019).

The studies mentioned above illustrate that Street Vendors play a significant role in fostering local economic growth. The previous literature also explains that becoming a street vendor serves as the primary source of income for many individuals, allowing numerous community members to earn through this work, thus contributing greatly to building the local economy. Moreover, data obtained indicates that 95% of respondents, who are street vendors, pay retributions when selling their products in areas that require entrance tickets. Through this retribution, PKL is seen to contribute to the local economy.

## CONCLUSION

**Significant Economic Contribution:** The study concludes that Street Vendors (PKL) are essential to local economic development, as they provide income not only for themselves but also enhance the regional economy through their activities, particularly in food sales, which yield higher daily earnings compared to non-food vendors. Their commitment to paying retributions for trading in certain areas further illustrates their support for the broader economic sector. The validity and reliability tests conducted on the questionnaire reveal it to be a robust tool for gathering accurate data on the contributions of PKL. The high validity and consistency of the instrument suggest it can be effectively utilized in future research to explore the dynamics of street vendor businesses and their impact on local economies.

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