



## Income of Urban Street Vendors in Pekanbaru City

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### Abstrak

*Penelitian ini bertujuan untuk menganalisis pengaruh modal, jam kerja, lama usaha, dan faktor yang paling dominan terhadap pendapatan pedagang kaki lima di Jalan Soebrantas Kecamatan Tampan Kota Pekanbaru. Populasi dalam penelitian ini adalah seluruh PKL yang berjualan di sepanjang jalan utama Soebrantas dan di jalan-jalan yang lebih kecil seperti (Jl. Delima, Jl. Purwodadi, Jl. Cipta Karya, dan Jl. Bangau Sakti). Sampel penelitian diambil dari sebanyak 50 PKL dengan menggunakan metode campuran accidental sampling. Penelitian ini menggunakan analisis regresi linier sebagai metode utama, yang bertujuan untuk menganalisis pengaruh variabel bebas terhadap variabel terikat. Variabel bebas secara bersama-sama dapat menjelaskan variasi variabel terikat. Variabel yang paling dominan yaitu variabel modal, secara parsial berpengaruh positif dan signifikan terhadap pendapatan PKL. Semakin tinggi modal yang dimiliki pedagang, semakin tinggi pendapatan mereka.*

**Kata kunci**—pendapatan, modal, pedagang kaki lima

### Abstract

*This study aims to analyze the effect of capital, working hours, length of business, and the most dominant factors on the income of street vendors in Jalan Soebrantas, Tampan District, Pekanbaru City. The population in this study were all street vendors selling along the main Soebrantas Street and on more minor streets such as (Delima St., Purwodadi St., Cipta Karya St., and Bangau Sakti St.). The study sample was taken from as many as 50 street vendors using a mixed method of accidental sampling. This study uses linear regression analysis as the primary method, which aims to analyze the effect of the independent variable on the dependent variable. The independent variables together can explain the variation of the dependent variable. The most dominant variable, the capital variable, partially has a positive and significant influence on the income of street vendors. The higher the capital that traders have, the higher their income.*

**Keywords**—income, capital, street vendor

## INTRODUCTION

Economic growth is an effort to realize the general welfare of society. The economy of the formal and informal sectors is well developed through cooperation between the government and the community. The economy is said to experience growth if the production of goods and services increases. Recently, the informal sector in various urban areas in Indonesia has shown rapid growth. Human resources are decisive in the development process, especially in developing countries, including Indonesia (Fernando, 2016).

The main factor in the increasing growth of the informal sector is the lack of employment in the formal sector. The urban labor force increased due to migration from rural to urban areas. The rapid number of people migrating outpaces the number of job opportunities in cities (Tampubolon et al., 2022). The simplest solution to the problem that is done to earn an income is to open a small-scale business by peddling merchandise on the roadside with simple temporary facilities, commonly called street vendors (Patty dan Rita, 2011).

Migration is the choice of residents who usually have low levels of education and do not have special skills. Therefore, their productivity and income tend to be low compared to business activities in the formal sector. The income of informal workers is not in the form of wages regularly received every month, as is the case with formal workers. The government intervenes in wages in the formal sector through the Provincial Minimum Wage (UMP) regulations. However, the income of informal workers is free from government intervention (Samosir, 2015).

Extensive footpaths in busy cities are places occupied by hawkers who often force pedestrians to walk on the roads at risk and create severe problems in urban life, including traffic jams on the roads. Despite all the inconveniences hawkers create in the city, peddling plays an essential role in creating jobs and income (Juliandi et al., 2021). Street vendors sell various types of merchandise, including food and beverages. The interests of street vendors are not accommodated, so they use public spaces considered strategic for their activities. The absence of regulations that legalize street vendors is sometimes the object of extortion from irresponsible parties. This is undoubtedly a burden for street vendors considering that most street vendors have low cash flow and small business profits that can only be used for daily purposes. In addition, street vendors usually do not have good financial management, such as complete bookkeeping and administration. Of course, they aim to get maximum income (Patty dan Rita, 2011).

The street vendors on Soebrantas Street, Tampan District, Pekanbaru City, sell various types of merchandise such as food, drinks, pulses, workshops, accessories, a mixture of shoes and sandals, and clothes. The purpose of street vendors, in general, is to earn income. Street vendors must have the capital to run a business to earn income. The capital used by street vendors is generally minimal because, in general, they use their capital or borrowed capital. The loan capital provided by financial institutions is relatively small because their business is still tiny.

In this study, there are three variables used, namely capital, working hours, and length of business. From the results of the three variables used, the main problem in this study is how capital, working hours, and length of business affect the income of street vendors in Soebrantas Street, Tampan District. Many factors can influence it to obtain maximum income. In this study, researchers want to examine the effect of capital, working hours, and business length on traders' income.

## LITERATURE REVIEW

The definition of the informal sector is often accompanied by a list of arbitrators' activities visible when one walks through the streets of a third-world city; street vendors, newspaper sellers, buskers, beggars, hawkers, prostitutes, motorcycle taxi drivers, and others. They are workers who are not bound and not permanent (Samosir, 2015).

The informal sector's development is closely related to the migration process from villages to cities. Rural people choose to migrate to get decent jobs in urban areas. The problem of population migration lies in the unequal level of economic growth in rural and urban areas. As a result of the concentration of economic activities (industry and services) in urban areas, rural-urban migration has increased. The urban informal sector has become an obvious job choice for unskilled and unskilled migrants. This informal sector has provided employment (Fernando, 2016).

The informal sector appears as a variation of the emerging economic structure so that an alternative economic activity can be expected to live for economic actors. This means less integration into higher economic activities or turning into the formal sector (Widihandoko dan Alie, 2013).

The income for street vendors can be seen through the total revenue obtained. Total revenue is the total revenue of producers from each sale of the output it produces. This revenue can be calculated by multiplying the total number of goods sold by the selling price of the goods per unit (Husaini, 2017).

The measurement of the size of the income of street vendors is through the factors of the performance of street vendors with the following variables: age, education level, working hours, work experience, capital, and the number of workers (Rahardian, 2017)At the same time, the

income of street vendors is measured from the variables of labor use, length of business, education level, and production (Subono, 2013). (Adhiatma, 2015). (2015) analyzed the factors that determine the income of street vendors with independent variables, age, education level, working hours, family responsibilities, capital, and work experience.

Capital is all forms of wealth that can be used directly or indirectly in production. In this study, the capital in question is daily capital. Another critical factor in running a business is the length of the business. The length of business is the length of time that traders have lived in running their business (Firdausa dan Arianti, 2013).

In addition, an essential factor in managing a business is determining the working hours. Working hours are the number of hours in a day (Adhiatma, 2015). Supporting factors are needed to run effectively in the development and business processes. One of them is adequate capital accumulation. Regarding capital, development means all forms of wealth, both physical and non-physical, that can be used to carry out the production process or the economy afterward. In line with the development of technology and the more distant specialization within the company, as well as the increasing number of companies that have become large, capital has a prominent meaning.

The problem of capital in the company is a problem that will never end because the problem of capital covers various aspects. Until now, economists do not have the same opinion about the definition of capital. Capital can be formed from the development process or the investment demand. Capital can be in the form of objects, knowledge, high expertise, educational processes, and conducive situations (Rahardian, 2017).

Working hours for a person greatly determine the efficiency and productivity of work. For itinerant traders or traders in the informal sector, such as street vendors, the number of working hours is calculated from leaving work or opening a stall/shop until arriving home or closing the stall/shop. Analysis of working hours is part of microeconomic theory, especially in the theory of labor supply, which is about the individual's willingness to work in the hope of earning or not working with the consequence of sacrificing the income he should get. The length of commercial operations can affect the level of income. The experience of a business actor or businessman running his line of business will affect productivity (ability/skills) so that it can increase efficiency and reduce production costs less than sales. The longer a person is in the trading business, the more knowledge will be about consumer tastes or behavior Trading skills are increasing, and more and more business relationships and customers are thriving on the net (Priyandika, 2015).

The time an entrepreneur has been in business will affect his professionalism. The more professional skills and abilities in the trade, the more successful business relationships will attract customers. The more customers, the more sales so income will increase (Wibowo et al., 2021).

## RESEARCH METHODS

The population in this study were all street vendors selling along the main Soebrantas Street and on more minor streets such as (Delima St., Purwodadi St., Cipta Karya St., and Bangau Sakti St.). The sample is part of an object or represents the population (Tika, 2006). In this study, the population used is the number of Street Vendors (PKL) in Soebrantas Street, Tampan District, and Pekanbaru City, who sells an unknown number of food (unknown population).

In this study, the study sample was taken from as many as 50 street vendors using a mixed method of accidental sampling. Accidental sampling is a method of determining the sample by taking respondents who happen to exist or are available somewhere following the research context (Duli, 2019). This is intended to make it easier to get research respondents.

The use of linear regression analysis to determine the effect of the independent variable on the dependent variable. Regression equations are helpful for testing variables and concluding (Ghozali, 2016).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$$

Information:

Y = income of street vendors (Rp per day)

$\alpha$  = Constant

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$X_1$  = Capital (IDR per day)

$X_2$  = Working hours (hours per day)

$X_3$  = Length of business (year)

$b_1b_2b_3$  = Regression coefficient

$\mu$  = Error term

### RESEARCH RESULTS AND DISCUSSION

Description of street vendors (PKL) based on the last education is to find out the percentage of the last education of street vendors. This final education can be divided into 4 groups:

Table 1. Respondents Based on Last Education

No.	Education	Number of Respondents	Percentage (%)
1.	< Elementary School	9	18
2.	Junior high school	17	34
3.	Senior High School	15	30
4.	> Senior High School	9	18
Quantity		<b>50</b>	<b>100</b>

Source: Survey analysis results, 2022

From the data above, it can be seen that according to the PKL research, there are 9 people with < Elementary School education (18%), 17 people with junior high school education (34%), 15 people with high school education (30%), and 9 people with > high school education (18%). So it can be seen that according to research, the majority of street vendors is the last educated junior high school.

Description of street vendors (PKL) based on daily capital is to find out the percentage of daily capital for street vendors. Grouping of street vendors (PKL) based on daily capital is a grouping of capital issued by street vendors every day to run their trading business. Daily capital is divided into 4 groups:

Table 4.1. Respondents Based on Daily Capital

No.	Capital level	Number of Respondents	Percentage (%)
1.	Rp. 0 – Rp. 2.000.000	18	36
2.	Rp. 2.000.000 – Rp. 4.000.000	22	44
3.	Rp. 4.000.000 – Rp. 7.000.000	5	10
4.	> Rp. 7.000.000	5	10
Quantity		<b>50</b>	<b>100</b>

Source: Survey analysis results, 2022

Street vendors with a capital of Rp 0 – Rp 2,000,000 as many as 18 people (36%), capital Rp 2,000,000 – Rp 4,000,000 as many as 22 people (44%), capital of Rp 4,000,000 – Rp 7,000,000 as many as 5 people (10%), and capital > Rp 7,000,000 as many as 5 people (10%). Thus, it is known that the majority of street vendors are those who spend IDR 2,000,000 - IDR 4,000,000 per day, namely 22 respondents (44%).

Description of street vendors (PKL) on income is to determine the percentage of income for street vendors on Soebrantas street Tampan District. Grouping of street vendors (PKL) on income level is the volume of goods sold multiplied by the price of goods minus the capital (per day) used. This income level is divided into 4 groups:

Table 3. Respondents by Income

No.	Net Income / Day	Number of Respondents	Percentage (%)
1.	Rp. 0 – Rp. 100.000	26	52
2.	Rp. 101.000 – Rp. 200.000	13	26
3.	Rp. 201.000 – Rp. 300.000	7	14
4.	> Rp. 300.000	4	8
Quantity		<b>50</b>	<b>100</b>

Source: Survey analysis results, 2022

From the data above, it is known that street vendors with income of Rp 0 – Rp 100,000 are 26 people (52%), income Rp 101,000 – Rp 200,000 are 13 people (26%), income Rp 201,000 – Rp 300,000 as many as 7 people (14%) , and income of Rp 300,000 as many as 4 people (8%).

In this study, multiple linear regression analysis aims to determine the independent variables that can determine the dependent variable, where in this study the independent variables are the variables of capital, working hours, and length of business, while the dependent variable is the income of street vendors. The summary of the results of data processing using the SPSS program is as follows:

$$\hat{y} = 2,441 + 0,728X_1 + 0,527X_2 - (0,096)X_3$$

Adjusted R Square value of 0.840 is equal to 84.0%, which means that variations in the variables of capital, working hours, and length of business can explain the variation in the income of street vendors on Soebrantas street, while the rest is explained by other variables outside this research is 16%.

From the results obtained indicate that  $F_{stat}$  86,697 with a significant of  $0.000 < 0.05$ . This means that together the variables of capital, working hours, and length of business have a significant effect on the income of street vendors.

The results of the t-test analysis are intended to determine how far the influence of an independent variable, capital, working hours, and length of business partially (individually) in explaining the dependent variable, the income of street vendors:

The value of  $t_{table} X_1$  is seen from a significant level of 0.05 where  $df = \text{number of samples} - \text{number of variables} = 50 - 3 = 47$ , therefore, the value of  $t_{table}$  on  $df$  47 is 2.011. While the value of  $t_{stat} X_1$  is 6.413. This means that the value of  $t_{stat} > t_{table}$  is  $6.413 > 2.011$ . So, capital has a positive effect on the income of street vendors. Furthermore, the  $X_1$  variable with a sig value of 0.000, when compared with  $= 0.05$ , the sig value is smaller than the value of ( $0.000 < 0.05$ ). This means that capital has a significant effect on the income of street vendors on Soebrantas street.

The value of  $t_{table} X_2$  is seen from a significant level of 0.05 where  $df = \text{number of samples} - \text{number of variables} = 50 - 3 = 47$ , therefore, the value of  $t_{table}$  on  $df$  47 is 2.011. While the value of  $t_{stat} X_2$  is 6.213. This means that the value of  $t_{stat} > t_{table}$  is  $6.213 > 2.011$ . So, working hours have a positive effect on the income of street vendors on Soebrantas street. Furthermore, the variable  $X_2$  with a sig value of 0.000, when compared with  $= 0.05$ , the sig value is smaller than the value of ( $0.000 < 0.05$ ). This means that working hours have a significant effect on the income of street vendors.

The value of  $t_{table} X_3$  is seen from a significant level of 0.05 where  $df = \text{number of samples} - \text{number of variables} = 50 - 3 = 47$ , therefore, the value of  $t_{table}$  on  $df$  47 is 2.011. While the value of  $t_{stat} X_3$  is -1.294. This means that the value of  $t_{stat} < t_{table}$  is  $-1.294 < 2.011$ . So, the length of business does not have a positive effect on the income of street vendors. Furthermore, the  $X_3$  variable with a sig value of 0.202, when compared with  $= 0.05$ , the sig value is greater than the value of ( $0,202 > 0.05$ ). This means that the length of business has no significant effect on the income of street vendors.

#### **Analysis of the Effect of Capital, Working Hours, and Length of Business on Income**

The results of this study indicate that there is a positive and significant effect of capital, working hours, and length of business together on the income of street vendors. It can be seen from the results of the analysis that the  $F_{stat}$  value is 86.697 and  $F_{table}$  is 2.81 with a significance of 0.000. So  $F_{stat}$  is greater than  $F_{table}$  ( $86.697 > 2.81$ ), with a significance value less than 0.05 ( $0.000 < 0.05$ ), this indicates that these four variables affect the income traders. The magnitude of the influence of business capital, working hours and length of business on the income of traders measured using  $R^2$  is 0.840. This means that the independent variables in the model are able to explain the dependent variable by 84%. The remaining 16% is explained by other variables not explained in this study.

This research is in line with Adhiatma (2015), which states that capital, working hours, and length of business have a significant and significant effect on the income of street vendors. With relatively large capital, traders make it possible to increase the quantity and variety of their

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merchandise so that the profits they get will be even greater. This result is also in accordance with the results of previous research conducted by Anwar, (2017), Patty and Rita, (2011), which showed that there was a positive and significant effect of working capital, working hours, and length of business on income. The analysis of this study is also in line with Wibowo et al., (2021) where capital, length of business, business location and working hours have a positive effect on the income of street vendors.

#### **Dominant Factors Affecting PKL Income**

The results of this study indicate that the most dominant variable, namely the capital variable, has a positive and significant effect on the income of street vendors. This can be seen from the results of the t-test analysis, the value of  $t_{stat} = 6.413 > 2.011 = t_{table}$ , and  $sig = 0.000 < 0.05$ . This shows that the venture capital variable partially has a positive and significant effect on the income of street vendors. The higher the capital that traders have, the higher their income.

This research is in line with Adhiatma (2015) which states that relatively large capital will increasingly allow for greater income to be achieved. With relatively large capital, traders make it possible to increase the quantity and variety of their merchandise so that the profits they get will be even greater.

This result is also in accordance with the results of previous research conducted by Anwar, (2017), Patty and Rita, (2011), which showed that there was a positive and significant effect of working capital on income. The income received by traders is highly dependent on capital ownership. The greater the capital or production factors owned, the higher the income received. While the variable working hours can be seen from the analysis results obtained by the value of  $t_{stat}=6,213 > 2,011 = t_{table}$ , and  $sig=0,000 < 0,05$ . This shows that the variable working hours partially has a positive and significant influence on the income of traders at traders. The higher the working hours devoted to trading, the greater the possibility of earning an income.

The results of the study are in accordance with the theory of work time allocation according to Husaini (2017), which states that the theory of work time allocation is based on utility theory, that the allocation of individual time is faced with two choices, working or not working to enjoy their free time. By working means it will generate income which in turn will increase income. The more time a person spends working, the more income he will get. Thus, each additional operating time carried out by traders will open up more opportunities for increased sales turnover. While the variable length of business from the results of this study indicates that there is no positive and significant effect on the income of traders. It can be seen from the results of the analysis that the value of  $t_{stat} = -1,294 < 2,011 = t_{table}$ , and  $sig=0,202 > 0,05$ . This shows that the variable length of business partially does not have a positive influence on the income of street vendors. In other words, the income of street vendors is not influenced by the length of business that has been occupied by the traders.

The results of this study are not in accordance with the results of previous studies conducted by Anwar, (2017), Hanum, (2017), which prove that the length of business has a major influence on the income of traders. The longer you are in the business field, the more you will increase your knowledge of consumer tastes or behavior and the more business and customer relationships you will successfully capture. So that from the number of customers that are captured, it will increase revenue and ultimately the profits will increase. However, the length of the business did not really affect the income of the traders. After the revitalization took place, of course, they found a new trading place where consumers had to adjust to the new place as well. So that the adjustment is likely to affect the tendency of consumers to be able to return to their customers' merchants.

Of the three variables, the most dominant variable affects the income of traders on Soebrantas street is venture capital with  $R^2$  of 0.840. The coefficient is positive so that business capital has a direct influence on the income of traders. This means that the increase in business capital will be followed by an increase in the income of traders as well. Obviously venture capital is the most important thing in a business. The progress and development of a business depends on the use of capital. With the increase in capital, of course, traders are able to increase a sales unit, increase the quantity and variety of their merchandise. So traders can get additional income.

## CONCLUSION

The independent variables together are able to provide an explanation of the variation of the dependent variable with  $R^2$  of 84%. This means that the variables of capital, working hours, and length of business can explain the income of street vendors on Soebrantas street, while the remaining 16% is explained by other variables outside the estimation model. The most dominant variable, the capital variable partially has a positive and significant influence on the income of street vendors. The higher the capital that traders have, the higher their income.

It is hoped that banks or related agencies will expand the People's Business Credit (KUR) program so that street vendors who will start a business can borrow capital easily without going through conditions that make it difficult for traders to borrow capital, especially for street vendors.

Sampling that was studied was only based on where they were selling (kiosk, roadside, in front of shop houses, and courtyards), not differentiated based on certain types of traders' commodities, so it was possible that the data did not represent all types of existing commodities.

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