

THE EFFECT OF GOVERNMENT SUBSIDIES ON THE SUSTAINABILITY OF SMALL TRADERS' BUSINESSES: A STUDY ON TRADITIONAL MARKETS

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Abstract: Small traders often face various challenges in developing their businesses, such as competition from modern retailers, limited capital, low access to technology, and lack of understanding in financial management and business management. This study aims to analyze the effect of government subsidies on the sustainability of small traders' businesses in traditional markets. This study uses a quantitative approach with a sample of 100 people at the Sweta Traditional Market, Mataram, West Nusa Tenggara from February to July 2024 who have received subsidies from the government. Descriptive analysis is used to describe the characteristics of respondents and simple linear regression analysis is used to test the effect of government subsidies on the sustainability of small traders' businesses. The results of the study show that government subsidies have a positive effect on the sustainability of small traders' businesses received (p-value 0.02). Thus, government subsidies have a positive effect on the sustainability of small traders' businesses in traditional markets, especially in increasing profitability and competitiveness.

Keywords : Government Subsidies; Small Trader Business; Traditional Markets

I. INTRODUCTION

Small traders in traditional markets play an important role in the economy, especially as drivers of the local economy and providers of basic necessities for the community (Zuhra & Maresti, 2023) . In addition, they also contribute to creating jobs and supporting the sustainability of traditional market culture which is one of the characteristics of Indonesian social life

(Aziz & Wicaksono, 2017) . However, small traders often face various challenges in developing their businesses, such as competition from modern retailers, limited capital, low access to technology, and lack of understanding in financial management and business management (Luhur & Sari, 2017) .

To help the sustainability of these small traders' businesses, the government often provides various forms of subsidies, either in the form of capital assistance, skills training, reduced rental costs for business premises, or assistance in procuring raw materials (Estiarso et al., 2024) . This subsidy aims to strengthen the capacity of small traders so that they can compete more effectively, improve product quality, and maintain the sustainability of their businesses amidst dynamic economic changes (Triana et al., 2023) . However, the effectiveness of these subsidies on the sustainability of small traders' businesses is still a matter of debate among researchers and practitioners (Marlinah, 2021) .

Several studies have shown that government subsidies can improve the competitiveness and sustainability of small businesses by increasing working capital and managerial knowledge. (Sirait & Anam, 2024) . However, there is also a view that

without the support of good management and optimal use of subsidies, subsidies can create dependency and lack of motivation for traders to develop independently (Saragih & Aslami, 2023) . Therefore, it is important to understand how government subsidies can really play a role in improving the sustainability of small traders' businesses, especially in traditional markets that tend to be more vulnerable to changes in economic and social policies (Dharmasatya & Sandiasa, 2020) .

This study aims to analyze the effect of government subsidies on the sustainability of small traders' businesses in traditional markets. By examining this, it is hoped that a clearer picture can be obtained regarding the effectiveness of government subsidies in strengthening small traders' businesses and the factors that influence the success of subsidy programs in supporting the sustainability of their businesses. This study is also expected to provide policy recommendations for the government in designing more targeted assistance programs to support the development of small businesses in traditional markets.

II. METHOD

This study uses a quantitative approach with a descriptive and causal design to identify and analyze the effect of government subsidies on the sustainability of small traders' businesses in traditional markets. The quantitative approach was chosen so that the research results can be measured objectively and to make it easier to identify the relationship between government subsidy variables and business sustainability.

Sample settings

The population of this study is small traders operating in the Sweta Traditional Market, Mataram, West Nusa Tenggara from February to July 2024 who have received subsidies from the government . The research sample will be selected using a purposive sampling technique, namely the selection of samples based on certain

criteria, such as traders who have received government subsidies in the form of capital assistance or reduced rental costs in the past year. The sample in the study amounted to 100 people .

Data collection

The data in this study were collected using a questionnaire distributed to small traders who were respondents to measure their perceptions of the subsidies received and their impact on the sustainability of their businesses. The questionnaire contained closed questions with a Likert scale, covering aspects of subsidies and business sustainability (seen from profitability, business growth, and ability to face competition).

Variables

This study involves two main variables: the independent variable of government subsidies, which is measured based on aspects such as the type of subsidy (capital, rent, training), frequency of receipt, and the value of the subsidy received by traders. The dependent variable: the sustainability of small traders' businesses, which is measured from three main dimensions, namely business profitability, business growth, and the competitiveness of small traders in traditional markets.

Data analysis

Descriptive analysis is used to describe the characteristics of respondents and to describe the types and forms of subsidies received by small traders in traditional markets. Simple linear regression analysis is used to test the effect of government subsidies on the sustainability of small traders' businesses . The results of this analysis will show whether subsidies have a significant effect on business sustainability, and how big the effect is. Statistical tests with a significance level of 5% will be used to determine the significance of the relationship between government subsidies and the sustainability of small traders' businesses.

III. RESULTS

Table 1. Descriptive Analysis Results

Indicator	Category	Frequency (n)	Percentage (%)
Types of Subsidies Received	Capital Assistance	65	65%
	Rent Cost Reduction	20	20%
	Skills Training	15	15%
Business Profitability	Increase	55	55%
	Do not change	35	35%
	Decrease	10	10%
Business Growth	Increase	40	40%
	Do not change	50	50%
	Decrease	10	10%
Competitiveness	More Competitive	35	35%
	Do not change	50	50%
	Less Competitive	15	15%

Types of Subsidies Received

From the subsidy type data, the majority of small traders (65%) received subsidies in the form of capital assistance, which includes soft loans or grants from the government. As many as 20% of traders received a reduction or exemption from stall rental fees, and 15% received skills training from the government. This shows that capital assistance is the form of subsidy most widely received by small traders, which may be due to the urgent need for capital to maintain and develop their businesses.

Business Profitability

Fifty-five percent of traders reported an increase in profitability after receiving government subsidies. However, 35 percent stated that their business profitability did not change, and 10 percent even experienced a decrease. This suggests that subsidies can drive increased profits for most traders, although some traders may be less effective in managing or utilizing the subsidies they receive.

Business Growth

As many as 40% of traders reported business growth in terms of product volume or business expansion after receiving subsidies. The other majority, 50%, reported that their businesses did not experience significant changes in growth, while 10% reported a decline. These results indicate that subsidies have not been fully successful in encouraging business growth for most traders, which is likely due to limitations in business management or suboptimal use of subsidies.

Competitiveness

As many as 35% of traders felt more competitive in facing competition in the market after receiving subsidies. However, 50% felt that their competitiveness did not change, and 15% even felt that their competitiveness decreased. This indicates that subsidies provide a boost to competitiveness, but only for some traders who successfully utilize the subsidies well to improve the quality of their products or services.

The results of the descriptive analysis show that government subsidies contribute to increasing the sustainability of small traders' businesses in several aspects, especially in terms of profitability and competitiveness. The majority of traders who received subsidies in the form of capital assistance or training reported an increase in profits and competitiveness. However, there are still some traders who have not felt the positive impact of subsidies, especially in terms of business growth. This shows that subsidies need to be balanced with more intensive mentoring or training programs to help traders utilize subsidies more effectively.

Table 2. Results of Simple Linear Regression Analysis

Variables	Regression Coefficient (B)	t-Statistic	Significance Value (p)
Government Subsidy	0.45	2.90	0.02
Constants	1.20	3.10	0.01

The regression coefficient of 0.45 indicates that every increase in government subsidy by one unit will increase the sustainability of small traders' businesses by 0.45 units. This positive coefficient indicates a positive relationship between government subsidies and business sustainability, meaning that the greater the subsidy received by traders, the more their business sustainability tends to increase.

The significance value for the government subsidy variable is 0.02 ($p < 0.05$), which means that the effect of government subsidies on the sustainability of small traders' businesses is statistically significant at the 95% confidence level. With a p value below 0.05, the hypothesis that government subsidies have a positive effect on the sustainability of small traders' businesses is accepted. The constant value of 1.20 indicates that if there is no government subsidy at all, the sustainability of small traders' businesses is still at the level of 1.20 units. This value can be interpreted as the baseline for the sustainability of businesses owned by small traders even without subsidies.

The R-Squared value of 0.25 indicates that 25% of the variation in the sustainability of small traders' businesses can be explained by government subsidies. In other words, government subsidies contribute 25% to increasing business sustainability, while the remaining 75% is likely influenced by other factors such as business management, trader experience, or market conditions.

The results of the regression analysis show that government subsidies have a significant positive effect on the sustainability of small traders' businesses in traditional markets. The regression coefficient of 0.45 with a significance value of 0.02 indicates that government subsidies are able to increase the sustainability of traders' businesses. However, with an R^2 of 0.25, subsidies are not the only determining factor, so support is needed in the form of

training and business management to further optimize the sustainability of small traders' businesses.

IV. DISCUSSION

The results of this study indicate that government subsidies have a significant positive effect on the sustainability of small traders' businesses in traditional markets. The subsidies received by traders in the form of capital assistance, reduced rental costs, and skills training help increase the profitability, growth, and competitiveness of their businesses. However, the effect of these subsidies is still limited because their effectiveness depends on the utilization and management of subsidies by traders.

The Influence of Capital Assistance on Business Sustainability

The majority of traders who received capital assistance reported an increase in business profitability. Capital assistance allows traders to increase their stock of goods, add product variety, and cover operational needs. This is in line with previous research showing that capital assistance can increase traders' liquidity and purchasing power, thereby encouraging increased sales and business profits.

However, some traders did not experience an increase in business sustainability despite receiving subsidies in the form of capital. This is likely due to a lack of skills in financial management and capital allocation. Some traders may also use subsidies for personal needs, so that the benefits of the subsidy are not optimal for business development. Thus, subsidies in the form of capital need to be accompanied by assistance or financial management training so that their use is more focused and effective.

Rent Cost Reduction and Business Competitiveness

Reducing stall rental costs in traditional markets helps ease the burden of operational costs for small traders, who usually experience capital constraints and fixed cost burdens. With reduced rental

costs, traders have greater flexibility to allocate funds to other business needs, such as purchasing raw materials or repairing trading facilities. Some traders who received rental fee reductions felt this positive impact in the form of increased competitiveness, because they were able to offer more competitive prices than before.

However, rent reduction does not necessarily increase business growth for all traders. Some traders still feel that their competitiveness has not changed, perhaps due to limitations in other aspects such as marketing skills or product innovation. Therefore, in addition to rent subsidies, training to improve management and marketing skills can help traders compete more effectively.

Impact of Skills Training on Growth and Profitability

Government skills and business management training has also been shown to help improve business sustainability, although only a small number of traders received it (Dharmasatya & Sandiasa, 2020) . This training helps traders develop their financial management skills, improve operational efficiency, and create better marketing strategies (Fitriaty, 2023) . Traders who received this training reported increased profitability and business growth, indicating that improved skills have a positive impact on business sustainability (Perdana et al., 2023) .

However, there are still a large number of traders who do not experience significant growth despite receiving subsidies (Saragih & Aslami, 2023) . This shows that the training provided needs to be more intensive, and tailored to the specific needs of traders in traditional markets (Azhari et al., 2024) . In addition, the government can consider ongoing mentoring programs to ensure that traders actually implement the knowledge and skills gained in training (Marlinah, 2020) .

Dependence and Business Motivation

Interview results show that a small number of small traders show a tendency to

rely on government subsidies, which can hinder their initiative in developing their businesses independently (Masruroh et al., 2021) . This dependence may arise from the perception that government assistance will always be available, thus reducing their motivation to innovate or increase productivity. This finding is an important concern, because dependence on subsidies can hinder business sustainability in the long term (Anwar et al., 2023) .

To overcome this dependency, the government needs to consider approaches that can motivate traders to develop independently. Subsidy programs should be complemented by mechanisms that encourage traders to develop their own businesses, such as performance-based incentive programs or awards for traders who succeed in improving their businesses independently (Mightyn et al., 2022) .

V. Conclusion

Overall, government subsidies have a positive impact on the sustainability of small traders in traditional markets, especially in increasing profitability and competitiveness . However, in order for subsidies to provide a more optimal impact, the government needs to complement the subsidy program with assistance, training, and mechanisms to encourage trader independence. More targeted subsidies and sustainable programs will help small traders in traditional markets to develop independently, increase their competitiveness, and reduce dependence on government assistance in the long term.

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