

## **Inequality of Opportunity Business among Ethnic Potentially Social Conflict Study in: Traditional Market in Kota Ternate-North Maluku Province**

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**Abstract:** This research aimed to determine differences in individual capacity and social capacity, as well as performance differences Ternate ethnic traders as native and non Ternate traders. There are three variables are categorized as the capacity of individual traders are : experience, scale of business, and marketing strategies. While the variables are categorized as social capacity traders include : variable access to credit traders, suppliers of goods, and access to market information vendors .

The population was 1,367 merchant stall owners consisting of : 708 Ternate ethnic traders and 659 non Ternate traders. The number of randomly selected sample of 200 traders consisting of 103 Ternate ethnic traders and 97 non Ternate traders. Data collection method used is survey and interview , and use factor analysis method and the average difference test or t test as an instrument of data analysis.

The findings of this research indicate that the average value of the capacity of the individual and social capacity Ternate ethnic traders is negative and positive for non Ternate traders and t-test results showed significant differences in capacity between Ternate ethnic traders and non Ternate traders , except variable experience shows there is no difference significantly between the two groups of traders . The t-test results prove the facts on the ground that the non Ternate traders seemingly more dominant and controlling facilities Ternate traditional markets . This fact also indicates that the jealousy that comes from Ternate ethnic traders as native predicted potential conflict of interest between Ternate ethnic traders and non. Because it is recommended that local government municipalities of Ternate establish mediation agency and information center as a place that bridges the interests of all traders regardless of their ethnic background and religion.

**Keywords:** Traditional Market, Individual and Social Traders Capacities, and Traders Performance.

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### **I. Introduction**

Society of North Maluku province have experienced social conflict at the end of the year 1999 - 2001, the escalation to the broad impact of Ternate as the capital city of the province of North Maluku at that time. The violent conflict between ethnic Kao as native Christians and ethnic Makian as Moslem migrants, so that seems to represent the conflict between religious adherents. Though religion is not the main cause of social conflict, politicized religion only in the competition and the struggle for political power, the bureaucracy, and the struggle for economic resources (Yanuarti, et al; 2004, and Buhanan; 2011).

When viewed from the economic aspect, the causes of social conflict are inequality and shifting control of economic resources (Yanuarti, et al; 2004, and Buhanan; 2011). Makian ethnic is a newcomer as participants of local transmigration program in 1975 to Kao sub-district (Kecamatan Kao) located in North Halmahera island. Makian ethnic, work as farmers and invest in the agricultural sector, have a high work ethic, diligent and hard working, high motivated, tenacious and determined to continue to hold on to the values of ethics and morals (Jati; 2013). In a time not too long ethnic Makian began materially exist and begin to control the land. Agriculture. This condition began to cause jealousy ethnic Kao and began fomenting the seeds of conflict (Luacardie; 1985, in Yanuati et al; 2004), until finally the conflict and violence that ignores human rights it was really happening.

Trigger conflict over gaps and shifts economic resources described above, also has predicted Luacardie; 1985 in Yanuarti, et al, (2004) could potentially occur in Ternate. This prediction is based on the argument in which the city of Ternate on one side has limited the potential of natural resources, especially in the primary sector, the highest unemployment rate in North Maluku, and most reliable sector is trade, but on the other hand, the increasing migrant traders are faced with limited infrastructure in trade sector particularly traditional market facilities, resulting in increasingly tight competition to acquire the facility.

The unemployment rate in the city of Ternate reached an average of 15 percent a year from 2007 to 2011 (Ministry of Finance, 2013). Meanwhile, data released by the Central Statistics Agency (BPS 2012) showed Ternate trade, hotel and restaurant contribute to the absorption of labor on average 37, 5 percent, services sector averaged 23 percent, and the farm on average 13 percent in the period 2009-2011. If associated with high unemployment means the trade sector's contribution to gross regional domestic product which reached

an average of 29 percent during the period 2009 to 2011 have not been able to create vast employment opportunities. In addition, the total area of Ternate 5709, 58 km<sup>2</sup> and consists of only 20.42 per cent of the land as well as the degree of steepness in the top 300, and the unavailability of sufficient water resources resulted in the limited agricultural land and other primary resource potential. While the vast sea area is also not available fisheries resources sufficient for marine economic development (Bappeda Ternate; 2011).

The brief description above, shows that the City's economy relies on trade. The livelihoods of the majority of the population of this city is a merchant. The result is sharp competition in this sector specially sharpened competition for traditional markets mainly trade infrastructure. Competition traders in traditional markets is increasingly sharpened with increasing number of migrant traders from other provinces in Indonesia. Even the number of migrant traders (non Ternate) in traditional markets is likely to increase from 47 percent in 2011 compared to 44 percent two years earlier, while Ternate ethnic merchants reached 53 percent in 2011 compared to 56 percent in the two previous years (Dinas Pasar Kota Ternate, 2012 ). So there is a trend began shifting control of traditional markets by non Ternate traders.

The tendency of shifting the traditional market share certainly continue as the number of migrant traders with a capacity of capital ownership, management capabilities and skills, as well as supported by the experience, morale, and motivation to succeed in higher (Ping and Shaohua; 2005, and Murat, et al; 2007 , Etzo; 2008, and Alesina and La Ferrara; 2005), compared to the low capacity of Ternate ethnic merchants. Experience a shift in control of economic resources in North Maluku at the past that lead to inter-ethnic conflict and violence in the town of Ternate potentially happen if the trend of shifting the traditional market facility escaped the attention of the government. Based on the description above, the research is directed to answer the question of whether there is a difference between the capacity of Ternate ethnic traders and non Ternate traders in traditional markets.

## II. Research Methods

This research is a descriptive study that aims to explain the difference between the capacity of individuals and social Ternate ethnic traders and non Ternate traders. Methods of data collection using two methods, namely: (1). survey methods were used to obtain quantitative data from the trader, (2). Interview methods used to obtain the views of traders as a material to expand quantitative explanation of statistical analysis results. Data quantification is social capital variables using measures of frequency and intensity of events (Central Bureau of Statistics; 2011, and Stone; 2001).

The population was 1,367 traders micro and small scale consisting of 708 Ternate ethnic traders and 659 non Ternate and occupy los stalls and traditional markets in the Municipality of Ternate. The number of randomly selected sample of 200 traders consisting of 103 Ternate ethnic traders and 97 non Ternate traders.

The method of data analysis used in this study is confirmatory factor analysis (CFA) to reduce the indicator does not determine the factor scores or latent variables are new, and the t-test analysis to determine differences in mean scores of factors: experience, scale of business, marketing strategies, access to credit, access to suppliers of goods, and access to market information between Ternate ethnic traders and non Ternate traders.

Confirmatory factor analysis (CFA) aims to create a model of the relationship between the indicator and variables are the result of research called latent variable or factor scores. Interpretation of confirmatory factor analysis includes two main parts: the interpretation of the loading factor and factor scores. Loading factor to explain the strength of the relationship of each indicator with a score factor. Factor loading of indicator values <40 are considered weak and reduced the factor scores of the model, and the value of the indicator factor loading  $\geq 40$  qualifies as an indicator forming factor scores. Then the value of the reliability factor scores are used to measure validity and consistency of the indicators that determine the factor scores. Reliability values > 0.50 are considered to have good validity and consistent (Supranto; 2010, Santoso; 2010, and Gudono; 2012). This research was conducted in the city of Ternate.

**Figure 1. Research Location Map**



### III. Empirical Result

Based on the results of the CFA in Table 1 (in Appendix 1) explains that there are 7 factors that can be measured by each indicator, the value of loading factor > 0.40 which shows the strength of the relationship between indicators of the latent variable or factor scores, also showed reliability of the seven factor scores better because the value of the reliability coefficient > 0.50. This translates into 7 new factor scores can be used in the analysis of the t test to test for differences in the average value of the factor scores between groups of Ternate ethnic traders and non Ternate.

Further analysis of different test mean scores for all factors was performed to compare the individual and social capacity between traders and non Ternate Ternate. If the calculation results of the t test resulted in t value is greater than the value t<sub>table</sub> means there is a significant difference from the average value of the factor scores between Ternate ethnic traders and non Ternate traders, and vice versa. The results of the calculation of the average value of the factor scores and t test value can be shown in Table 2.

Table 2 : Test Results of Different Test Mean Scores Between Ternate Ethnic and Non Ternate Source Results of Factor Analysis

Factor Scores	Ethnic	The Number of Respondents	Mean Faktor Scores	The difference in Mean Faktor Scores	T
Experience	Ternate	76	-0,051	0,010	-0,60
	Non Ternate	95	0,041		
Business Scale	Ternate	76	-0,199	0,039	-2,36
	Non Ternate	95	0,159		
Marketing Strategy	Ternate	76	-0,554	0,111	-7,45
	Non Ternate	95	0,443		
Credit Acces	Ternate	76	-0,742	0,148	-11,59
	Non Ternate	95	0,593		
Suppliers Acces	Ternate	76	-0,630	0,126	-8,92
	Non Ternate	95	0,504		
Information Acces	Ternate	76	-0,360	0,072	-4,44
	Non Ternate	95	0,288		
Traders Performace	Ternate	76	-0,678	0,135	-9,97
	Non Ternate	95	0,542		

Statistically, the results of the calculation of the mean factor scores and t-test values in Table 2 informs that :

1. There is no significant difference in the mean factor scores of the experience factor scores between Ternate ethnic traders and non, because the value of  $t_{\text{statistic}}$  0.60 less than the value of  $t_{\text{table}}$  1.975.
2. Value of  $t_{\text{statistic}}$  for the mean factor scores : business scale, marketing strategies, traders access to credit, access to suppliers of goods, and access to information is greater than the value of  $t_{\text{table}}$ , means there is significant difference in the mean factor scores between Ternate ethnic traders and non Ternate traders.
3. As a result of the difference in the average value of the factor scores significantly above resulted in a significant difference between the performance of Ternate ethnic traders and non, because  $t_{\text{statistic}}$  average difference between groups of traders is greater than the value of  $t_{\text{table}}$  1.975 or  $-9.97 > 1.975$ .

Eksplanation of the table above, if the condition is associated with factual and the theoretical framework used, resulting in 3 main discussion, namely :

#### 1. The Differences of Individuals Capacity According to the Ethnic of Traders

Similarities and differences of the individual capacity between Ternate ethnic traders and non Ternate traders as mentioned above statistical findings can be explained with the help of the result of the interview as follows :

First, it has been proven that the only factor scores did not differ between ethnic traders and non is the factor scores experience traders. Description of the indicators that determine the factor scores experience traders include : the age of traders, duration of business and internship, all of them shown to the average value and the standard deviation is relatively low, so that the age of traders, duration of business and internship statistically does not indicate significant differences . Similarly , the average length of formal education were followed for 7.4 years Ternate ethnic traders, and 8 years for non Ternate traders. So most of the both, Ternate ethnic traders and non Ternate traders only finished primary school or drop out of school at the high school on the first-class level.

Then the duration of business that was built is also relatively same, this is caused by the construction and development of the traditional market at the center of business activity conducted in the late 1990's and early 2000's. Market development was followed by the rise of the arrival of traders from various regions to open a business in Ternate traditional markets, so that the average duration of business between Ternate ethnic traders and non did not show significant differences. Meanwhile, when an apprentice both Ternate ethnic traders and non ranged only between 1-2 years time so statistically internship experience does not differ much between the two groups of traders. Although the experience did not differ between the Ternate ethnic traders and non, but interview results showed that the majority of decisions are taken based on the experiences during the trade. This recognition is in accordance with (Woldie et.al; 2008), as well as Chilya and Lombard; 2012).

Second, the vast difference stall occupied and owned venture capital determines the difference of factor scores between Ternate ethnic traders and non Ternate traders. Greater capital ownership by non Ternate traders an opportunity to rent stalls wider. Because almost all non Ternate traders are traders who come from outside the Municipality of Ternate and outside the province of North Maluku. However, efforts to increase the scale of a broad effort by adding stalls are bounded by space and facilities in traditional markets. Although there are a number of traders who have extensive capital wants to increase the stall but it could not be done because of the limited stalls facilities available in the market. About the vast differences stalls between the Ternate ethnic trades and non responded differently. Responses Ternate ethnic traders that owned vast stall is now sufficient for the results of these efforts have been able to finance the needs of the family, so do not want to expand and enhance the business scale to a larger scale. While non Ternate traders, if available a new stall and supported by the availability of sufficient working capital it better to develop diversification than scaling up existing businesses. So, in terms of business scale, Ternate ethnic traders feel quite while non Ternate traders do not want to increase the scale of the business, because it was feared would lead to inefficiency in the management of the larger business scale. This finding is consistent with the Ashrafi and Murtaza (2008) and Morgan (1956), which essentially states that the lack of management capacity and limited capital and fears of inefficiency makes small-scale traders do not want to increase the scale of business which managed by trader.

Third, the marketing strategy includes product, price, promotion, and service (Haghighinasab; 2013, Tjiptono and Chandra; 2012, and Blankson and Chen (2005). However as traders who sell goods, do not produce the goods, then the indicator marketing strategies can manipulated traders are quality goods, prices and service to the consumer. The results of the average test showed a difference between the marketing strategy implementation Ternate ethnic traders and non, means: (1) Ternate ethnic traders tend to pay less attention to the quality of the goods in a way less attention to the selection of goods received from suppliers also less to care for goods as long as the goods are in the stalls than non Ternate traders. (2) Ternate ethnic traders tend to pay less attention to after-sales service in a way to attract many of buyers than non Ternate, and (3) Ternate ethnic traders tend to set the price slightly higher or equal to the price prevailing in the market, whereas non Ternate traders tend to set prices below market prices by giving discounts also keep prices steady to attract buyers. In other words, non Ternate traders marketing strategy has advantages over Ternate ethnic traders, attempt to sell quality products, provide good after-sale service, and determines the price of goods is more steady and viable than Ternate ethnic merchants.

## **2. The Differences of Social Capacity According to the Ethnic of Traders**

There are three factor scores were used to measure the differences in the social capacity: factor scores traders access to credit (credit access), factor scores traders access to goods supplier (supplier access), and factor scores traders access to market information, market access. The results of the calculation of the average value scores showed a negative sign for Ternate ethnic traders and positive for non Ternate traders, as well as the value of the t test were statistically, so that as descriptive statistic means there are significant differences between the social capacity Ternate ethnic traders and non Ternate traders. The difference of social capacity can be explained on each factor score reflecting the character of social capacity :

First. Differences in access to credit scores factor is determined by the ability to realize the loan, negotiate the interest expense and time of return, as well as the ability to access the lowest interest rate. Non Ternate traders realize the magnitude of credit with an average value of IDR 20 million, with an interest rate of 1.9 percent per month, and a period of 24 months, compared to an average of IDR 10 million, 10-month payback period for Ternate ethnic traders. This difference is caused by the 56 percent of non Ternate traders using financing from commercial banks, the rest is obtained from cooperatives, rural banks, cooperatives, and moneylenders, while 62 percent of Ternate ethnic traders using credit sourced from lending banks, cooperatives, and moneylenders at higher rates, and 38 percent of the commercial banks. Different sources of financing which is the main cause of differences in access to credit between traders, non Ternate traders which have better access to credit than Ternate ethnic traders.

In addition to the above statistical picture, interview results showed that there are differences in the entrepreneurial spirit. The difference lies in the courage and motivation merchants. Ternate ethnic traders are

looking at the interest rate is just too expensive while business that occupied contain the high risk of uncertainty so that they do not dare to apply greater. In addition, low motivation Ternate ethnic traders, where they assume that the income achieved today has been able to meet the needs of the household. Likewise, most of Ternate ethnic traders are traders transition from another job, especially the agricultural sector to the commercial sector. So the work that occupied is still in the learning process. Conversely non Ternate traders who are mostly professional traders have the ability and the courage to change the risk of uncertainty and high lending into business opportunities and generate profits.

Second, to ensure the availability of goods in stalls and obtain payment systems offer an easier and cheap price, each trader is always trying to build and strengthen their business networks with a number of suppliers of goods. In this connection, the number of suppliers that should be accessible to traders, the source of supply of goods, payment systems as well as cheaper prices, and ethnic background as a reference supplier for each trader. However, the results of the t test, as has been done previously shown that the ability of Ternate ethnic traders in accessing goods supplier is under average and a significant t-test results. These results indicate the ability of Ternate ethnic traders in establishing access to suppliers relatively low compared to non Ternate traders. This means, Ternate ethnic traders having problems even though he tried to widen the network of suppliers of goods due to lack of information about the existence of producers / suppliers of goods which are outside the city of Ternate. As a result, Ternate ethnic traders must accept payment system that is heavier cash payment, not easier payment system as an advance payment system (delay payment) or storage systems supply goods where payment will be made after the goods sold.

While non Ternate ethnic traders are more likely to use a network of suppliers with the same ethnic kinship, arguing that existing suppliers has long been known, it is believed, and is seen as a family. Relationships such familiarity is what makes non Ternate traders obtain payment systems facilitate an ease and with a cheaper price. Another reason non Ternate traders survive because supplier networks as a fellow ethnic migrant traders are actually the source of the products supplied by traders from the area of origin itself, making it easy to order the goods with quality and quantity to suit the needs of the market and with a cheaper price.

Third, the final determining factor scores of social capacity traders in this research is the factor scores traders access to market information (access to information). As well as scores of other factors, here also shows the differences in access to market information among Ternate ethnic traders and non Ternate traders. It shows that the tendency of non Ternate traders have access to market information better than Ternate ethnic traders. If the indicator associated with that form factor score traders access to market information previously called the tendency of this difference explained that the group of non Ternate traders more intensive search for market information derived from goods suppliers, buyers, and group traders, compared with the group of Ternate ethnic traders. Similarly non Ternate traders utilize resources more intensively market from the media (electronic and print) such as radio and television, and print media, especially local newspapers to gather market information, while the intensity of use of the sources of such information for Ternate ethnic traders comparatively lower.

### **3. The Differences of Traders Performance According to the Ethnic of Traders**

Individual capacities and social differences as described above affect the performance difference between Ternate ethnic traders and non Ternate. These findings Appointed by the average value of the performance factor score Ternate ethnic traders significant negative are below the average of the total, whereas the average value of the factor scores of non Ternate traders positive performance, as well as the results of t-test was significant. This means that the ability of non Ternate traders in generating business sales turnover and profits are larger than Ternate traders, because individual capacity non Ternate traders have a larger business scale and able to implement the right and better marketing strategy. Likewise, the social capacity of non Ternate traders form: traders access to credit, access to suppliers of goods, and the access to market information, is much more extensive and better than Ternate ethnic traders.

## **IV. Conclusion**

Ability to obtain income information by non Ternate traders will spread and continue to attract migrant traders enter the Ternate traditional market. The influx of migrant traders (non Ternate) with greater capital capabilities and has a wider trade networks will be able to increase the capacity of the individual and social, which in turn will increase the competitiveness and shift the position of Ternate ethnic traders in traditional markets. Shifting and traditional market share dominance by non Ternate traders will cause a sense of jealousy from Ternate ethnic traders and potential conflict, as had happened in the past North Maluku. Therefore, it is recommended to Ternate municipal government to: (1) provide capital assistance and other technical assistance selectively to traders and prospective traders are still low capacity, (2) establish a mediation agency to bridge the differences in the interests of the market, and (3 ) establish the center of the market information that can be accessed from a variety of ethnic traders

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Appendix 1

Table 1 Summary of Factor Score Calculation

Capacity	Factor Scores	Indicator	Loading Factor	Reliability
Individual	Experience	Age of trader	0,54	0.647
		Internship time	0,97	
		Duration of business	0,95	
	Business Scale	Wide stall	1,00	0.693
		Rental stall	0,91	
		Equity	0,44	
	Marketing Strategy	Selection of goods	0,43	0.613
		Maintenance items	0,43	
		Service	0,85	
		The price of goods	0,40	
Social	Credit access	Loan disbursements	0,84	0.861
		Lending	-0,85	
		Payback period	0,97	
		Access to lowest interest	0,99	
	Supplier access	Source of goods	0,62	0.550
		Ethnis supplier	0,67	
		Payment system	0,42	
The role of the media	Media	0,80	0.510	
Performance	Performance of traders	Value of turnover	1,00	0.680
		Business profits	0,40	

Source: Results of Factor Analysis