Analysis of social capital in increasing the income of business actors in the Oebobo traditional market, Kupang City

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ABSTRACT

This study aims to analyze the forms, roles, and supporting and constraining factors of social capital in improving the income of business owners at Oebobo Traditional Market, Kupang City. A qualitative descriptive approach was employed using survey methods, with data collected through direct observation and Focus Group Discussions (FGDs) involving traders from the fish, meat, vegetable, and fruit sectors. The analysis focused on three dimensions of social capital: trust, social networks, and social norms. The findings reveal that the market is characterized by survival-oriented social capital, in which long-established trust and strong social solidarity facilitate business continuity. However, social capital remains limited in fostering strategic collaboration, institutional linkages, and market expansion. Rather than substantially increasing income, social capital primarily functions to stabilize cash flow, reduce transaction costs through trusted information exchange, and protect traders' reputations. Long-term trust with suppliers and efficient informal information networks emerged as the main enabling factors, while individualistic competition, weak relationships with government institutions, and the risk of unpaid debts arising from cultural reluctance to enforce payment obligations were identified as major constraints. These findings contribute to the social capital literature by demonstrating that, within traditional market settings, social capital is more effective in sustaining business resilience than in driving income growth or business expansion. They also highlight the need to strengthen institutional networks and collaborative market governance to enhance the economic benefits of social capital.

Keywords: *Social Capital; Business Income; Oebobo Market; Trust; Networks; Norms*

INTRODUCTION

Oebobo Market occupies a strategic position as one of the main traditional markets serving the needs of most city residents. Its historical existence has been a vital economic activity center for traders and buyers (BPS Kota Kupang, 2024). Traditional markets play an important role in people's economic lives. Oebobo Market not only serves as a distribution center for basic necessities but also functions as a social space and employment provider for low-income communities.

The phenomenon of declining activity at Oebobo Market relates to inefficiencies in the supply chain and distribution system. This reduces profit levels before goods reach consumers and makes selling prices by business owners more expensive than selling prices in other traditional markets in Kupang City. Another phenomenon found is that almost most of the stalls at Oebobo Market are empty with no buying and selling activities by business owners. In addition, changes in consumer preferences toward convenience and speed, with the emergence of minimarkets and modern retail, further worsen the position of traditional markets. This competition creates misalignment, where traditional markets lack strong distribution networks, forcing many business owners to switch businesses or close their stalls (Fatimah et al., 2021).

Based on pre-survey results, researchers found that business owners at Oebobo Market have become third parties by purchasing their merchandise at Kasih Market and Oeba Market, because unloading activities only occur at these two markets. This is due to the uncoordinated condition of business owners at Oebobo Market, where they must search for supplier information independently. As a result, unloading is not carried out at Oebobo Market because suppliers only unload once in a place that is crowded enough (goods are easier to sell out).

In this context, social capital plays a key role in maintaining business owners' income. Social capital consists of three main components: trust, networks, and norms that enable effective collaboration and communication between business owners and consumers (Rapang, 2013). Research by Hasna and Mayvani (2023) states that the existence of social capital such as norms, trust, and information networks plays an important role in maintaining the existence of traditional markets today. Research by Fitria et al. (2025) also states that social capital has an important role in improving the welfare of traders at Pasar Tugu, Bandar Lampung. Similar findings were also reported by Chetty et al. (2022), who emphasized that strong social capital contributes to better economic outcomes and business resilience.

The phenomenon at Oebobo Market shows that social networks and trust among business owners are still weak (Putnam, 1993; Chetty et al., 2022), even though social networks and trust are part of important social capital to maintain income stability. Social capital can be considered a determining factor to maintain the stability of business owners' income (Thobias et al., 2013). Social capital is a series of human relationship processes with one another supported by trust, networks, and norms or values that enable efficiency and effectiveness of coordination and cooperation to obtain mutual benefits, more directed at a wide reach which makes or invites many people to together achieve a goal in togetherness and bound to existing values and norms and obeyed together (Thobias et al., 2013).

According to Thobias et al. (2013) social capital aims to identify how to bring people together so they can collaborate to achieve shared goals through trust, networks, and agreed-upon norms. This study offers practical benefits by showing us how to build stronger, more cohesive, and low conflict cooperation within communities or organizations, allowing collective goals to be achieved more easily, efficiently, and with fair benefits for everyone involved (Thobias et al., 2013)

This study aims to analyze the forms of social capital, its role in maintaining and improving the income of business owners, as well as the supporting and constraining factors affecting the utilization of social capital in Oebobo Traditional Market, Kupang City. The findings are expected to contribute theoretically to the development of social capital literature in traditional market settings and practically provide recommendations for traders and local governments to strengthen collaboration, institutional networks, and sustainable market governance.

LITERATURE REVIEW AND RESEARCH FRAMEWORK

Social Capital Theory

Social capital has two understandings: social capital as a resource and as a form of social interaction (Rapang, 2013; Coleman, 1988). According to Rapang (2013) Social capital as a resource means social capital is obtained and used by having relationships with others; social capital is an individual attribute. Meanwhile, social capital as various ways of interaction is a community attribute, representing various ways that members use to interact with each other (Rapang, 2013).

According to Coleman (1988), social capital is defined by its function. It consists of various entities that share two common characteristics: they are aspects of social structure and facilitate certain actions of individuals within that structure. Furthermore, Putnam (1993) defines social capital as features of social organization, such as trust, norms, and networks, that improve the efficiency of society by facilitating coordinated actions.

According to Rapang (2013), social capital has three elements: trust, networks, and norms. According to Fukuyama (1995), trust is the expectation, that grows in a community with the demonstration of honest, orderly behavior and mutual trust, as well as cooperation based on trusted norms. Networks mean the bonds between people or groups connected by media (social media). Norms are practical guidelines to achieve goals in the form of commands, prohibitions, or formal and informal rules.

Income Concept

Income is earnings received by a person in the form of money or goods (Suarjana & Wahyuni, 2017). Income is all receipts, both cash and non-cash, which are the result of selling goods or services within a certain period (Sholihin, 2013). At Oebobo Market, income for business owners is earnings received in the form of money for goods or services they have provided, generally within one day period, but can be longer.

According to Sukirno (2016), income is divided into two types: economic income and money income. Furthermore, it serves multiple purposes, income is used to meet the daily needs of business owners; income that is not used can be set aside for saving or investing; it functions as a tool to compare deposited capital and income obtained from business results; and income functions as a means of wealth distribution and purchasing power in a society (Sukirno, 2016).

Traditional Market Concept

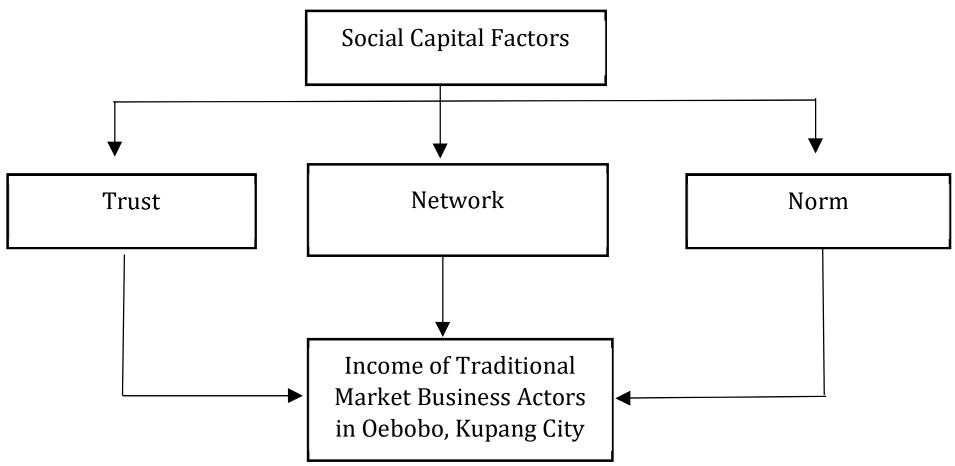
A traditional market is a meeting place for sellers and buyers conducting direct buying and selling transactions, usually with a bargaining process. The building consists of kiosks or stalls, los, and open platforms opened by sellers or market managers. Usually, what is sold are daily necessities, namely vegetables, fish, meat, eggs, fruits, fabrics, clothes, electronics, services, and others (Indriati, 2008), including Oebobo Market, which not only functions as a distribution place for community needs but also becomes the main source of income for business owners who depend their lives on trading activities within it.

MSME Theory

According to Law of The Republic of Indonesia No. 20 of 2008, Micro, Small, and Medium Enterprises (MSMEs) play a very important role in a country's economy, especially Indonesia, in supporting economic growth and creating jobs. The concept of MSMEs mentioned "a company classified as an MSME is a small company owned and managed by a person or owned by a small group of people with a certain amount of wealth and income." (Law No.20/2008) MSMEs also fill market gaps not served by large companies and make significant contributions to innovation and product diversity (Adi, 2021).

Research Framework

Based on the literature review, the research framework can be described as follows:



Source: Developed by the authors for this study, 2025

Figure 1
Research Framework

The framework illustrates that social capital, through its three main dimensions trust, networks, and norms is expected to influence the income of business owners at Oebobo Market. Strong trust can reduce transaction costs, extensive networks can provide access to better suppliers and customers, while applicable norms can create a conducive business environment. All of these are expected to contribute to maintaining or increasing business owners' income.

METHOD

This research uses descriptive qualitative approach with survey methods. The research focuses on business owners at Oebobo Market as a single analysis unit. This study emphasizes the context of social capital, namely trust, social networks, norms or values as an important part in understanding the dynamics of business owners' income.

Research informants include business owners from fish, meat, vegetable, and fruit sectors with five business owners in each sector at Oebobo Market, Kupang City, and retribution officers at Oebobo Market, Kupang City. The selection criteria for informants are: business owners who are actively selling with selling experience at Oebobo Market, Kupang City of at least one year; business owners who sell fish, meat, vegetables, and fruits; and businesses that have experienced a decrease in income for at least six months to one year experienced by business owners.

Data collection was conducted through Focus Group Discussion (FGD), observation, documentation, and interview guidelines. Data analysis techniques use the interactive analysis model developed by Miles and Huberman (1994), consisting of three stages: data reduction, data display, and conclusion drawing and verification.

RESULTS AND DISCUSSION

Forms of Social Capital of Business Owners

Based on FGD results with business owners at Oebobo Market, it can be concluded that social capital plays an important role in building and maintaining social relationships and business continuity of business owners at the market. Three elements of social capital studied, namely trust, networks, and norms or values, show that social-economic life in the market environment is still strongly influenced by interactions and relationships between individuals that are mutually dependent (Rapang, 2013).

These findings are consistent with Putnam (1993), who argued that trust, social networks, and norms facilitate cooperation and strengthen community cohesion.

Trust becomes the main foundation in relationships, where trust is formed due to the long duration of relationships between fellow business owners and regular customers. However, trust practices in the form of financial/debt risk policies vary between sectors, where they show different vigilance in managing reputation and receivables. Social networks at Oebobo Market are individualistic in nature, network strength is greater in the relationship between business owners and suppliers and customers compared to relationships between fellow business owners. Networks between fellow business owners only function as situational interactions, where they help each other when out of stock.

Norms and social values that apply function as guidelines that maintain harmony. The prominent norms are compliance with retribution payments and situational solidarity (mourning and guarding stalls). However, the intensity of mutual cooperation is influenced by the presence of labor. Overall, interview results show that business owners at Oebobo Market still hold social principles based on trust, networks, and norms and values that live in society. The three elements of social capital are interrelated in creating harmonious and sustainable business conditions. Although there is a tendency for increasing individualism due to modern economic demands, traditional social values such as trust and solidarity remain the main force maintaining the balance between economic and social aspects at Oebobo Market.

Role of Social Capital in Influencing Income

The role of social capital on business owners' income at Oebobo Market is not always positive. According to Chetty et al. (2022), Social capital plays a dynamic role: on one side it functions as an income protection and business stabilization mechanism, but on the other side, if not managed with the right strategy, it can become a source of income leakage. This finding is consistent with Chetty et al. (2022), who found that social capital contributes to business resilience and economic performance.

Trust shows complex and non-singular dynamics. Trust plays a role as a transaction efficiency with suppliers, enlarging sales volume with customers, and income leakage risk (Fukuyama in Rapang, 2013). Business owners in the fish and meat sectors who have high trust levels with suppliers get payment convenience facilities. Meanwhile, trust between business owners and customers shows diverse levels. This finding supports Fukuyama (1995), who emphasized that trust reduces transaction costs and strengthens long-term cooperation.

Networks are almost entirely individualistic; flexible supplier networks are used independently to find the lowest capital prices, and customer network expansion is done online for personal sales volume (Coleman in Rapang, 2013). Networks between fellow business owners are limited only to function as emergency safety nets to maintain sales and maintain future customer loyalty, which is basically a strategy of business owners to protect income. This finding is consistent with Coleman (1988), who argued that social networks facilitate access to resources and business opportunities.

Norms and values show strong dualism: economic norms encourage individualism, making income purely the result of individual skills (Putnam in Rapang, 2013). Conversely, formal and social norms function as market stabilization tools and absolute operating requirements, indirectly protecting conducive business conditions. This finding also supports Putnam (1993), who explained that shared norms encourage cooperation and improve social order.

Overall, social capital at Oebobo Market is an individual strategy shaped by shared rules of the game, ensuring business owners' competition can run stably and orderly, but not a shared tool to improve welfare.

Supporting and Inhibiting Factors

Supporting factors include: long-established relationships (especially in fish and meat sectors) creating financial trust, enabling deferred payment systems or after goods are sold; active information networks to compare prices and utilization of digital networks by some business owners; and mandatory daily retribution payment obligations and mutual cooperation traditions during mourning.

Inhibiting factors include: providing debt without strict selection (vegetable and fruit sectors) plus reluctance to collect due to friendship relationships; individualistic attitudes making no joint purchasing of merchandise and no real empowerment support or facility improvements from government/PD Pasar beyond retribution collection; and no joint selling price agreements and norms that facility damage, water, and electricity are borne individually.

CONCLUSION AND SUGGESTION

The form of social capital owned by business owners at Oebobo Market is survival social capital that is fragmented, where its main strength lies in internal (bonding) relationships driven by interaction history, not strategic work. The role of social capital on business owners' income at Oebobo Market is stabilization and protection, aimed at maintaining business continuity amid non-increasing market conditions, not as a lever for increasing income.

It is suggested that business owners transform bonding social capital into bridging by forming formal business communities/groups for each sector. Business owners need to improve trust risk management by applying stricter debt-giving policies and eliminating reluctance in collecting debts. For market managers and local government, there needs to be facilitation of linking social capital and strict enforcement of cleanliness and order norms.

For subsequent research, it is suggested to conduct research with quantitative approaches to statistically test the significance and causality of the influence of each social capital element on business owners' income.

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