

The Role of Social Capital and Power Structure in The Underground Economy of “Pasar Maling” in Malang City Indonesia

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Abstract. The underground economy phenomenon is a part of economic activities. Based on data from the Financial Transaction Reports and Analysis Center in the second quarter of 2021, the estimated lost contribution of the underground economy to GDP ranges between 8.3% and 10%, or equivalent to more than IDR 4,175 trillion. If it continues, it can cause more significant state losses. This research aims to reveal social capital role, power structure, and strategy in overcoming the “Pasar Maling” underground economy. The research method is qualitative with phenomenological approach through unstructured interviews, using Nvivo12 to process data. It shows “Pasar Maling” has four main factors of social capital: trust, information, networks, and norms. The existence of social capital reinforces the domination of power structures in the internal community. The “Pasar Maling” takes place informally, so it has its own rules of the game. This market has a barrier to entry system, and only people of the same ethnicity can enter the market. It is evidenced by the dominance of non-governmental Madura’s ethnic community power that regulates the market. A win-win solution strategy as implementing parking concessions also proves education and business assistance can be some strategies for tackling the underground economy. In this research, the researcher only focuses on the market’s internal perspective, which includes sellers and the surrounding community, to determine the role of social capital and power structures in “Pasar Maling”. In the research process, indications of the government’s illegal position in the market can be investigated in future research. Furthermore, the authors hope this research can provide additional knowledge for readers and become a reference for further research.

Keywords: Ethnic Group, Malang City, “Pasar Maling”, Power Structure, Social Capital, Underground Economy.

1 Introduction

The underground economy is an inseparable part of economic activity in Indonesia, both legally and illegally, which is overlooked in the calculation of Gross Domestic Product (GDP). The increasing underground economy activities result in biased economic performance and create losses for the state through the amount of potential lost taxes [17]. Based on data from the Financial Transaction Reports and Analysis Center in the second quarter of 2021, the estimated lost contribution of the underground economy to GDP ranges between 8.3% and 10%, or equivalent to more than IDR 4,175 trillion. If this data is used as a reference, Indonesia’s underground economy reached IDR 417.5 trillion at the same time [15]. This condition shows quite large numbers and if it continues for a long period of time, it will have the potential to cause greater state losses and reduce opportunities for infrastructure investment in the public sector, which is one of the important bases of economic growth.

One of the areas in Indonesia that has this type of economy like the underground economy is Malang City, namely Malang City “Pasar Maling”. The market is located on Jalan Gatot Subroto and sells used, antique, imitation and “dark” goods. The existence of an underground economy is an interesting topic to discuss because this market has been running for a long time without any local government policy and takes place informally. This underground economy activity often occurs due to less strict supervision and lack of clear regulations, which triggers some parties to avoid it by using the informal sector rather than the formal sector. Apart from that, the underground economy is the people’s choice to earn income rather than being unemployed and many consumers subscribe to it because the prices are cheaper thus creating demand and supply which makes it difficult to eradicate the underground economy.

Based on research conducted by [21] in underground economy activities there is trust and networks that support the relationship between sellers and buyers. This is related to the existence of social capital factors that

are utilized so as to increase the existence of the underground economy. According to Putnam's Social Capital Theory, social capital is defined as a set of horizontal relationships between people consisting of "networks of civic engagement" or networks of social ties that are regulated by norms that determine the productivity of a community group. The indicators in determining the existence of social capital are related to norms, social networks, trust and information [22].

Apart from social capital factors, there are other supporting factors that support the existence of the underground economy, namely the power structure. This is formed from the existence of a "ruler" in the relationship between actors, thereby forming a separate government that is obeyed by all underground economy actors [21]. Apart from the power system, referring to research by [12], it is stated that there are various legal violations that arise from underground economic activities, including the involvement of bureaucrats who support these legal violations, such as collusion practices, corruption in the form of levies and kickbacks. The criminal practices that occur create a situation that is conducive to the development of underground economic activities and directly give privileges to certain economic actors, thereby marginalizing real sector economic actors.

There is a lot of empirical research on the causes, effects and determinants of the underground economy. The majority of this research basically considers the economic field, especially regarding tax potential loss by Fairuz Muhammad Ramadhan in 2016 [16], analysis of the underground economy through a monetary approach by Dimas Andi Wirawan in 2023, and is related to the important factors of the role, government regulations, and tax burden that affects the shadow economy by Acwin Hendra Saputra in 2020. In this case, as short as the researchers searched, no research was found that revealed the existence of social capital and power structures on the existence of the underground economy, so this research aims to reveal in depth the role of social capital and power structures which supports the existence of an underground economy in Malang City “Pasar Maling” with the research title "Underground economy: Identifying the Role of Social Capital and the Existence of Power Structures in Malang City “Pasar Maling”. It is hoped that this research will be able to contribute to policies that can be constructed by the government in order to minimize underground economic activities, most of which have a negative impact on the sustainability of community welfare.

2 Literature

2.1 The Role of Social Capital

Putnam defines social capital as a collection of horizontal associations (networks) between actors who have power over the productivity of the surrounding community. According to Bourdieu, Coleman and Putnam, close relationships are very important in identifying social capital. This closeness institutionalizes trust, norms and mutually beneficial relationships. Furthermore, according to him, social capital is useful as an agent of social change which is able to provide support to individual actors in achieving goals. Putnam's concept of social capital is based on two things, namely interconnected networks and norms and the networks and norms in question have important consequences in the economy [10].

Social capital is identified as the properties of social organizations, such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated action. First, Putnam considers that trust is an important component of social capital. Putnam argues that in modern times [10], social trust originates from norms of reciprocity and networks of citizen participation [18]. In line with this, trust concerns reciprocal relationships based on norms in achieving common interests. Furthermore, there are interrelated elements, namely networks and norms. Putnam said that the existence of networks in social interaction can make society more efficient because it facilitates coordinated action. Inter-ethnic relationships through social networks and along with agreed norms are the resources that bind society at large [8]. Not only that, the existence of relationships can bridge and connect external assets for the dissemination of information and can build wider identity and reciprocity [7]. So, it can be said that the presence of information is also a supporting element of social capital.

2.2 Power Structure

Foucault defines power as a strategic condition that always exists in power relations. According to Foucault, power is seen as a social relationship that is varied and spreads widely like a network and has its own scope

[11]. Foucault emphasized that power does not reside in just one element or structure, but operates everywhere, so that it spreads in many places and normalizes societal structures [9]. More specifically, power structure as the quality, capacity, or capital to achieve certain goals of its owner [13]. Through his book entitled *The History of Sexuality* by Foucault explains the proposition of power into five, including:

- a. Power is not an object that can be grasped or achieved
- b. Power is not a hierarchical structural relationship
- c. Power does not come from outside and comes from below
- d. Power relations are intentional and non-subjective
- e. Where there is power, there is anti-power (resistance).

Next, Foucault divides power into three phases, including sovereign power, disciplinary power and biopower. Sovereign power is the highest power held by a king. This power is characterized by physical punishment displayed to the general public. In the sovereign power phase, Foucault stated that social control is carried out by individuals or groups based on levels which is called "an art of rank". In other words, a power held by a high individual or institution has the character of disciplining the institutions below it. Next is disciplinary power, where power is formed with the aim of obeying the body of authority and being accepted by social control. The application of penalties for violations is given behind closed doors. In this phase, a panopticon system was also developed, namely a structure that allows the apparatus to have center vision in order to make aggregate observations. The final phase is a power that is not held by the authorities but is widespread in society and regulations are issued in order to control behavior or is called biopower. Furthermore, the regulations issued regulate people's livelihoods.

2.3 Previous Research

There are several previous research bases that we used in compiling the research which can be seen in table 1.

Table 1. Previous Research About Underground Economy

Author	Title	Research Result
Sebastiana Viphindratin, Silvi Asna [21]	The Analysis of Underground Economy Transaction Existence of Junk Night Market (JNM) in Malang City	Junk Night Market (JNM) JNM is an illegal market but can survive with natural market patterns. There is no tax income from this market, but the positive impact is that it can open new jobs.
Fairuz Muhammad Ramadhan [16]	Estimation The Size of Underground Economy and Tax Potential Loss in Indonesia from 2000-2017	The size of the underground economy and tax potential loss from 2016 to 2017 showed positive results as a reaction to the tax amnesty policy. This phenomenon shows that the government has succeeded in implementing new policies to increase tax revenues and reduce the size of the underground economy.
Firman Tatariyanto [19]	Taxing the Underground Economy: The Case of Indonesia	The tax burden from personal income tax and the unemployment rate plays a major role in driving the underground economy in Indonesia. Uncollected tax revenues were confirmed to be an average of 3.8% of GDP during the observation period.

3 Method

The type of research used was qualitative research with a phenomenological approach which was carried out from July to August 2023. This research was carried out through several stages of phenomenological research proposed by Carpenter, starting from determining the phenomenon you want to research and the role of the researcher, collecting data through interviews, treatment and data analysis, in-depth literature study, maintaining the truth of research results, ethical considerations including providing information about the nature of the research, and writing reports [1]. The phenomenological approach focuses its attention on subjective experiences and tries more to understand and clarify an event or phenomenon experienced by an individual [14] so that later a picture of the process of a person experiencing a phenomenon is obtained. This research involved ROMA market sellers in Malang City and the surrounding community (sellers and buyers) as informants, namely 6 market seller informants and 2 local community informants using a purposive-snowballing sampling technique through interviews with specific parties or groups who knew best the information they wanted to explore by means of chain. Then the results of the interviews and observations will be reduced to sort the data and processed in the form of tables or sentences so that well-organized information is obtained using the Nvivo14 software. The informant data can be seen in table 2.

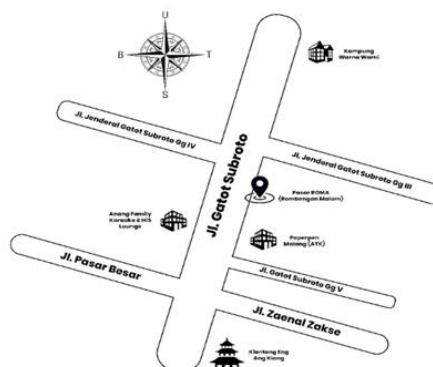
Table 2. Informant Data

Name	Job	Business Type
Mas Nang	Seller	Cloth seller
Mrs. Won	Seller	Rawon seller
Mrs. Opi	Seller	Coffee seller
Koh Wi	Seller	Bicycle seller
Mr. Bekti	Seller	Fried and coffee seller
Mrs. Kho	Seller	Parfume seller
Mr. Kons	Buyer & local community	-
Mr. Pemor	Buyer & local community	-

Source: Modified from field, 2023

4 Result and Discussion

4.1 Research Location Description



Source: Modified from field, 2023

Fig. 1. “Pasar Maling”, Malang City

ROMA Market is a shortness of “Rombongan Malam” with the name of the neighborhood being Pangket. This market was originally established with 20 sellers since the 1960s. The forced publication of the market by the Civil Service Police Unit occurred frequently, namely in 1962 and 1972. The development of the formation of this market was variable, and it was even temporarily closed due to road widening and the construction of shops. Then, when Indonesia experienced a monetary crisis in 1998, the ROMA Market was also affected. However, after 1999 onwards this market continues to develop until now (Sourya, 2019). This market sells various types of goods, both new and old, such as gadget accessories, clothing, electronics and food. Sellers open their stalls on the side of the road freely at night, often causing traffic jams. Commercial land openings are available from end to end around Jalan Gatot Subroto.

4.2 The Role of Social Capital in the Existence of the Underground Economy in “Pasar Maling” Malang City

Humans as social creatures cannot live alone and need other humans to work together. In the midst of these relationships, the role of social capital emerges which is one of the determining factors of economic development. Social capital has an important role in successful development. Social capital is a form of society that is organized in terms of networks, norms and the value of trust in cooperation [5].



Fig. 2. Merchant Condition at Pasar Maling Kota Malang



Fig. 3. Shopkeeper's Land as Trading Stall



Fig. 4. Seller and Buyer Interaction

The main and most important element of social capital is trust which is seen as a necessary condition for the formation of social capital [6]. This condition is found in the underground economy phenomenon of “Pasar Maling”. One example of trust in the “Pasar Maling” is the placement of selling stalls. “*Di sini kesadaran masing-masing aja...ini lapaknya siapa, yang ini punya siapa.*” (Here is each other's awareness. Aware of the ownership of the sales stall). There is no such thing as fighting over selling stalls because everyone has their own place and sellers trust the security of their stalls.

Apart from that, trust exists in shop owners and sellers at “Pasar Maling”. Several shop owners gave permission to sellers at Pasar Maling to use their shop yard as a place to sell as long as it was kept clean. Informant Mrs. Wons also said that she was asked by the shop owner to sell at that place. “*Iyo kalau saya emang diminta untuk buka toko disini, jadi sudah dapat izin*” (Yes, I asked to open a stall here, so I already got permission).

One of the keys to trust between sellers and buyers at “Pasar Maling” is honesty. When buyers ask about the condition of the goods, the sellers explain the real conditions clearly and honestly. Information about the origin of the sellers' merchandise is also provided in quite detail. Some sellers take goods from friends and take them from the factory directly. However, the concept of trust between sellers and buyers does not fully apply. In Mrs Kho's case, she tends to doubt the sellers in the market. “*Dari saya (membeli barang) ndak sih mbak, soalnya kan meragukan gitu kualitas barangnya. Jadi pilih langsung beli di tokonya aja langsung.*” (I don't buy things there because I doubt it, it's better to buy directly from the official shop).

willing to help. Apart from that, maintaining cleanliness is an example of the family values they apply. The “Pasar Maling’s” location on the side of the road and in front of other people’s shops means that sellers must maintain good cleanliness as a form of responsibility to the shop owners. Mr. Kons also said that, “*Yang punya toko kan ga peduli. Yang penting: ‘pagi saya buka, semuanya sudah bersih’.*”

(Those who own the shop don’t care about that. The important thing is that when they open in the morning, everything is clean). The solidarity between sellers that occurs at “Pasar Maling” forms strong cooperation so that its existence continues to run in accordance with the values and norms they adhere to.

4.3 Power Structure in the Existence of the Underground Economy in “Pasar Maling” Malang City

Power structure is defined as the quality, capacity, or capital to achieve certain goals of its owner [13] This aspect is important in achieving market effectiveness and efficiency. The power structure describes the clarity of coordination flows that make it easier for economic actors to carry out market activities. Based on Michel Foucault’s concept of power theory, power structures are seen as practices of invisible subjugation which are more critical in cultural studies, not ownership, but strategies. This condition is found in the underground economy phenomenon at the “Pasar Maling” in Malang City. The existence of a power structure plays a big role in forming the rules of the game.

In institutional economics, it is explained that the role of government is very important in optimizing resources through achieving efficient institutions. This condition can be measured from the high and low transaction costs arising from the economic activities carried out. Based on institutional theory, one of the things that can minimize transaction costs is the presence of the State as a determinant of the “rules of the game” in the market [24]. However, a different phenomenon was found in operations at “Pasar Maling” which described an informal power structure with leaders who were non-official state officials. In some cases, this type of informal power has more dominant and hegemonic power than the power of formal leaders [7].

Rules of the Game in “Pasar Maling”: Domination of Informal Power Structures.

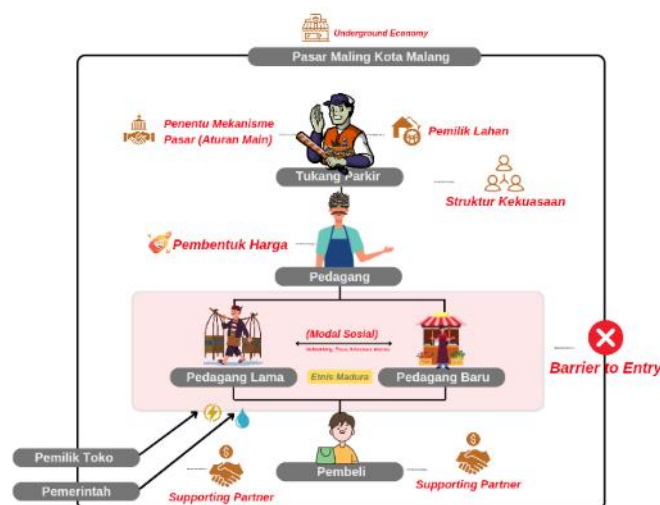


Fig. 9. “Pasar Maling’s Kota Malang Rule of the Game

The condition of the informal power structure at “Pasar Maling” is illustrated by market activities that take place freely along the edge of Jalan Gatot Subroto. The position of the market is the cause of local traffic jams because the market is located on the main provincial road which is passed by many vehicles, from motorbikes, cars to large trucks. However, government intervention is very minimal in responding to this condition. According to the testimony of local sellers, the party coordinating the “Pasar Maling” is not from the government as a formal party, but there is a special coordinator from the community consisting of Madura’s ethnic people who operate informally. This was conveyed by the owner of the Glass Shop, Koh Wi, that the parties selling in front of his shop at night were Madura’s ethnic.

“*Iya ada (komunitasnya). Madura semua di sini. Wes angel wes kalau dibicarakan.*” (Yes, there is the community with Madura’s ethnic, too complicated to explain).

A coffee seller, Mrs. Opi also said the same thing, “*Lha ya memang to mba. Sini itu yang punya lapak di depan-depan itu memang Madura.*” (Well, that’s true. The one who has the stalls in front is Madura).

Based on this statement, it can be seen that informal power structures play a big role in the Thieves Market. The party also provides arbitrary rental fees evenly for local sellers who want to sell in the “Pasar Maling” area. This is in line with statements from interviews with a coffee seller, a local fried rice seller who has been selling for 12 years, and a plain t-shirt seller who only started selling after the pandemic because he received an offer from the community coordinator. Bu Opi also said, “*Tukang parkir itu (ketuanya atau perkumpulannya). Nanti bayar parkir.*” (The parking attendant the head or his association. Then pay for parking).

In line with that, Mr. Noer also said, “*Gapapa (jualan di pinggir jalan), soale bayar semua*”, “*Engga (bayar ke yang punya toko), (bayar) ke yang punya parkir*”, “*Engga (bayar ke toko) mbak, ini bayar Rp300.000.* (It’s okay selling on the side of the road, as long as you pay for everything, not pay to the shop owner, but pay to the owner of the parking lot IDR 300,000 one month, every day IDR 10,000).

This information also validated by Mr. Nang, a cloth seller. He said, “*Ga ada (biaya tambahan seperti di pasar), ga ada (bayar pajak) cuma nyewa tempat aja. Satu bulan 300, murah.*”, “*Oh ini udah ngga nyewa tempat. Gamau orang-orang. Gamau ada orang yang nyewa lagi, buat parkir aja.*”, “*Saya kenal lah sama orang.*” (There are no additional costs like in the market, no tax payments. One month only IDR 300,000, cheap. Several parties don’t want anyone to rent it again, just for parking. I know them).

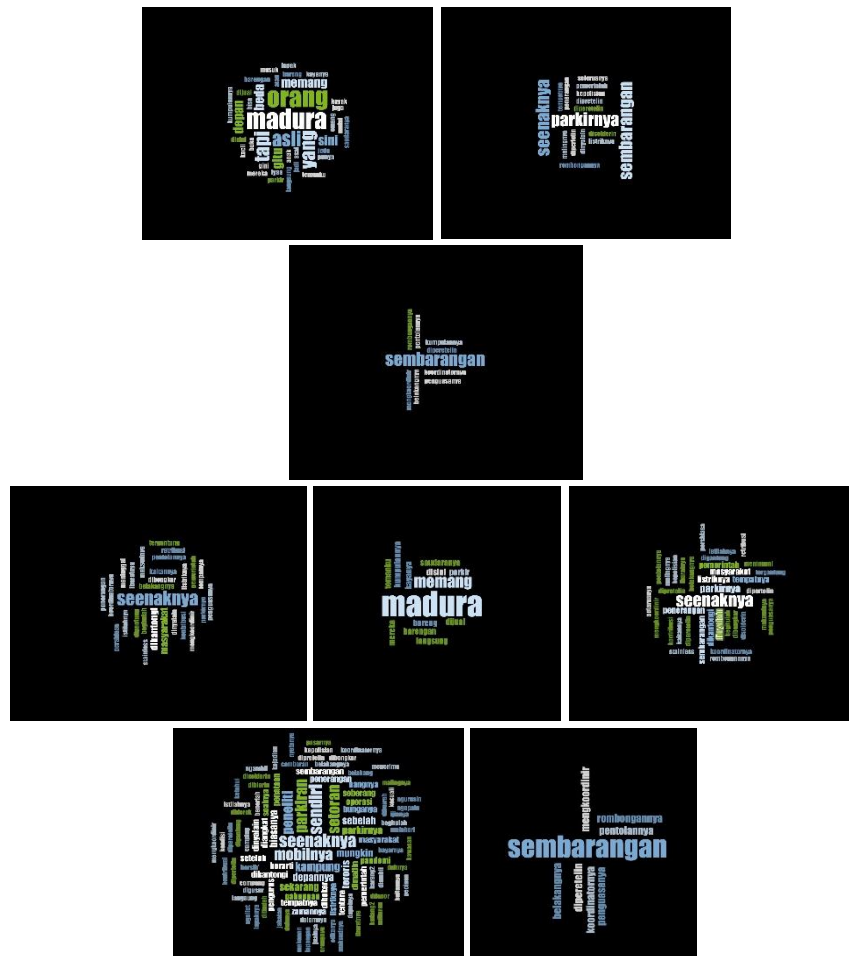
The results above show that power in market operations is controlled by the parking attendant as the land owner. In this case, the parking attendant has the power to collect rent for the land used by the seller as a trading location. Apart from land rental costs, there are also other costs that sellers must pay, namely electricity access costs. This access is obtained in two ways, namely seller deposits to certain communities connected to PLN and direct payments to shop owners. Mr. Beki confirmed that sellers’ deposits to this community stated that access to electricity was obtained by paying a daily amount of Rp. 10,000 per lamp to a certain community.

“*Ya ada paguyubannya, mba. Kalau di sini itu bayar 10 ribu per lampu ke paguyuban tiap bulannya*” (Yes, there is a community. We pay IDR10,000/lamp to the community every month). Meanwhile, the payment made to the shop owner was delivered by Mr. Pemor, as the buyer of fried rice at Pasar Maling, “*Iya ngambil dari toko, minta sama yang punya toko. Nanti bayar sama yang punya toko.*” (We got access to electricity and paid directly to the shop owner).

Based on this, information was obtained that not only did Madura’s ethnic provide easy access to the sustainability of this underground economy, but there were also contributions from several local shops which provided access to electricity for a certain payment. However, the government, which should be the formal party in this case, is suspected of taking part in supporting underground economy operations. This was conveyed by local shop owners and security guards that there are parties from government agencies who provide easy access, such as electricity and water. In fact, there is information that the parking attendant who coordinates the market also hands over his deposit to the government.

Ethnic Relationships Control the Power Structure of Pasar Maling

An ethnic group is a group of people who subjectively believe they come from the same ancestry because of the same physical type or customs or both. This belief is important for the spread of groups, even though there is no objective blood relationship. That ethnic groups refer to groups that have similar cultural traditions and a sense of identity who live as subgroups of a larger society [23]. Based on the results of interview data processing via NVivo 14, it is proven that there is a description of the rules of the game and the ethnicity of the Madurese group in “Pasar Maling”.



Source: Nvivo 14, 2023

Fig. 10. Keyword Data

The existence of ethnic groups is also found in the power structure at “Pasar Maling” in Malang City. The existence of these ethnic groups is known through the language dialects used in communicating between sellers. After going through the interview stage, it was discovered that the sellers at “Pasar Maling” were united in the same ethnic group, namely the Madura’s ethnic group. This was conveyed by “rawon” buyer, Mr. Kons, *“O iya ini banyak orang Madura punya, kaya sodara-sodara nya dari pedagang aja yang bisa jualan di sini, “Iyaa ada (sewanya), beda-beda juga kayanya. Tapi yang bisa masuk emang orang-orang Madura aja, kayak anak atau saudaranya.”* (Many Madura’s ethnic open sales stalls and usually come from their relatives).

Based on this, the Madura’s ethnic group is a prerequisite for selling at “Pasar Maling”. Recognition of this ethnic group is not only limited to blood relations, but rather to having similar ethnicities, whether friends or distant relatives have the opportunity to enter the market. This is a mutually beneficial thing in the informal sector, especially for parking attendants (land owners) and sellers. With their power, parking attendants are able to provide a safe place for sellers and will receive large rental fees. Meanwhile, from sellers, they will get a place to sell at cheap prices because there are no additional costs for taxes.

This forms a barrier to entry system which also results in welfare not being distributed efficiently because it is only felt by one ethnic group, namely Madura’s ethnic. The implication is that these ethnic relationships have greater power than formal contracts. Apart from that, the existence of the Madura’s ethnic group is due to close internal ethnic coordination. This condition is related to agency theory where the parties involved in the market, namely land owners and sellers, have their respective interests in implementing the underground economy.

Agency theory is a concept that connects aspects of human behavior, both as owners of capital (principals) and managers (agents) as parties who are rational and have their own interests [20]. Agency theory explains that an agency relationship occurs when the principal employs another person (agent) to provide a service and then

delegates decision-making authority to the agent [3]. In the context of the “Pasar Maling”, information regarding the involvement of principals and the system of delegation of authority was found from the results of an interview with Mrs. Opi, a coffee seller, "*Iyo, tapi dulu belum ada pasar itu sudah jadi di sini.*" (Yeah, but before there wasn't a market, it's already here). The continuity of information was also confirmed by Mr. Kons, a rawon buyer, "*..., di sini juga sudah diambil alih sama orang-orang Madura...*" (Madura's ethnic have taken it over here too...).

The information above states that there was a shift in authority from initially residents opening stalls in the area to finally being taken over by parking attendants from Madura's ethnic ethnicity. The process of transferring power means that parking attendants can act as land owners (principals) who hold areas for use by sellers (agents). Therefore, it appears that the power of ethnic groups is closely related to the flow of delegation of authority between land owners and sellers.

4.4 Strategy for Overcoming the Underground Economy in “Pasar Maling” Malang City

The existence of the “Pasar Maling” closely related to the dominance of informal power structures by the Madura's ethnic community and access to strong social capital. This condition makes it increasingly difficult to achieve legal government intervention. In overcoming the underground economy phenomenon, the strategy that can be implemented is to implement a win-win solution for sellers and the government. Alternatives that can be implemented are as follows.

- a. Implementation of parking concessions and arrangement of market land because operations are located on the side of the road and at night, thus triggering traffic jams. This strategy can be determined with the aim of obtaining security and legality in opening a business like the market in general.
- b. Tax regulations. One of the things that triggers people to choose to carry out informal underground economic activities is the high tax burden. As an effort to overcome this phenomenon, it is necessary to adjust the tax value based on the salary group. This is intended so that there is no feeling of heaviness in paying taxes.
- c. Providing practical business legality in the market. This strategy can be done through assistance to business owners to overcome the circulation of illegal businesses which not only threaten the sustainability of the business, but also the country.
- d. Providing education and business assistance. This strategy will really help sellers. Bearing in mind that one of the things that encourages sellers to be willing to sell on the roadside at “Pasar Maling” is easy access to information and cheap prices.

5 Conclusion

The underground economy phenomenon that occurs in Indonesia has the potential to have a significant negative impact on economic growth. The nominal tax that should have gone into the state treasury was ultimately missed due to this phenomenon. In the case of the underground economy in “Pasar Maling”, Malang City, this phenomenon also has the impact of hampering the growth of existing infrastructure development. Jalan Gatot Subroto, the province's main traffic area, is congested and experiencing traffic jams. The existence of the “Pasar Maling” is supported by a strong power structure and social capital so that this market can remain standing. The informal power structure is dominated by the Madura's ethnic group, where there are restrictions on market participants outside that ethnic group. The existence of ethnic dominance in the existing market is supported by social capital in the form of trust, information, connections and norms that apply between sellers in the “Pasar Maling”. The power structure that applies at “Pasar Maling” is known to the local community. This triggers various kinds of responses that have the potential to lead in a negative direction. However, the power structure that occurs at “Pasar Maling” is also seen as a form of government collaboration with power holders. However, the limited time in this research means that there is no clear data that can prove this.

Based on the research results, researchers provide a solution in the form of a win-win solution strategy that can be agreed upon between sellers and the government. The proposed strategy is: [1] Implementation of parking concessions and market land arrangement; [2] Tax regulations; [3] Providing practical business legality in the market; [4] Providing education and business assistance. The implementation needs to be supported by easy access to information, low costs, and tax value adjustments so that it benefits sellers. A good agreement between sellers and the government has the potential to increase public trust in the government as the formal

party holding existing land authority. The role of the government as an increasingly powerful power holder can reduce the formation of community dominance similar to that in “Pasar Maling”.

The researcher hopes that this research can increase insight for readers and provide solution options for the phenomena that exist in Malang City for the power holders involved, who are expected to provide this underground economy phenomenon, especially for the Malang city government. It is hoped that the results of this research can be reviewed and other research carried out, especially to determine the role and position of the government and shop owners in the “Pasar Maling” phenomenon in Malang City so that a review of the solutions proposed in this research can be carried out. It is hoped that the effectiveness of implementing solutions to the underground economy can make a good contribution to the country's economic development and provide equality so as to avoid the potential for creating conflict between the parties involved.

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