ISSN 2809-8587

The Role of the Government in Regulation of the Market in Tanah Datar Regency to Achieve Price Stability and Community Welfare

M. Gerry Kurnia Rahman[1], Zefriyenni[2]
[1.2] Putra Indonesia University "YPTK" Padang
E-mail:gerryrahman39@gmail.com

Markets play a crucial role in supporting the economic activities of the people of Tanah Datar Regency, particularly in the distribution of basic necessities, agricultural products, and various local commodities. Price changes in the market can have a direct impact on people's income, consumer purchasing power, and the welfare of business actors. Therefore, the local government plays a strategic role in creating healthy market mechanisms and maintaining price stability. This article aims to analyze the role of the Tanah Datar Regency Government in regulating the market to achieve price stability and improve public welfare. The research uses a descriptive qualitative approach utilizing secondary data derived from government documents, statistical publications, and various relevant literature. The results of the discussion indicate that the government plays a role through price monitoring and distribution of goods, controlling regional inflation, strengthening food security, facilitating trade, protecting consumers, and empowering business actors and MSMEs. These policies need to be implemented in an integrated manner involving the local government, traders, farmers, MSMEs, and the community. Effective market regulation is not only oriented towards price control but must also ensure smooth distribution, availability of goods, increased productivity, and equitable distribution of economic benefits. In this way, the local government can create more stable and fair market conditions and be able to support improving the welfare of the people of Tanah Datar Regency.
Keywords: Regional Government, Market Regulation, Price Stability, Public Welfare, Tanah Datar Regency

This is an open access article under theCC BY-NClicense

Corresponding Author:
M. Gerry Kurnia Rahman
Putra Indonesia University "YPTK" Padang
gerryrahman39@gmail.com

1. Introduction

Markets are a vital part of people's economic life because they serve as a meeting place for sellers and buyers to transact goods and services. Markets serve not only as a place to exchange goods but also as a means of distributing products, establishing prices, creating jobs, and providing a source of income for the community. Well-functioning markets can improve distribution efficiency and expand public access to various needs. Research on the revitalization of traditional markets shows that market management and development can be linked to food commodity price stability, particularly if the revitalization budget and program are implemented appropriately and properly monitored (Ariestiyanti & Adrison, 2020).

Tanah Datar Regency is a region in West Sumatra whose economic activity is closely linked to the agricultural sector, trade, micro, small, and medium enterprises (MSMEs), and traditional markets. Agricultural commodities such as rice, vegetables, chilies, onions, and various livestock products are a vital part of the community's trading activities. The community's economic dependence on the agricultural sector means that changes in production, weather, input costs, transportation, distribution, and demand can influence market price developments. This condition aligns with studies on food price volatility in Indonesia, which show that changes in agricultural commodity prices can spread across regions and have a strong relationship with national food market conditions (Theresia et al., 2025).

Price fluctuations are a major issue requiring attention from local governments. Rising prices of basic necessities can reduce people's purchasing power, particularly among low-income households. Conversely, excessively low commodity prices can be detrimental to farmers and producers because revenues are not commensurate with production costs. Research on food price volatility and agricultural welfare in Indonesia shows that food price changes are linked to rural community welfare and agricultural commodity trade conditions (Setiadi et al., 2024). Therefore, price stability needs to be viewed from two perspectives: maintaining affordability for consumers and providing adequate profits for producers.

In market mechanisms, prices are essentially determined through the interaction of supply and demand. However, this mechanism does not always operate perfectly. Information imbalances, supply constraints, distribution disruptions, transportation costs, changes in input prices, and unfair trade practices can cause prices to fluctuate. Therefore, the government is needed as a regulator and facilitator to ensure the market mechanism operates effectively. Research on food price stabilization policies indicates that the government needs to formulate policies based on production conditions, distribution, and price developments at the producer and consumer levels (Yulianthi et al., 2022).

The Tanah Datar Regency Government plays a crucial role in maintaining this balance. The government's role is not to replace market mechanisms, but rather to create a transparent, competitive trading environment that protects both consumers and producers. Market oversight is necessary to prevent trade practices that are detrimental to the public, including price manipulation, hoarding, and practices that hinder competition. Studies on competition law in Indonesia confirm that cartel practices can disrupt market mechanisms, increase prices, reduce consumer choice, and create barriers for new business actors (Setiadi et al., 2026).

In addition to conducting oversight, the government can regularly monitor prices and availability of goods. This information serves as the basis for policymaking when prices of certain commodities rise. The government can also conduct market operations, establish low-cost markets, strengthen food reserves, and coordinate with distribution agencies to maintain supply. Studies on rice market operations indicate that intervention through government food reserves can help stabilize prices more quickly when rice prices rise in the market (Puspaka et al., 2022). Other research also shows that the greater the role of BULOG in the rice market, the lower the price of rice at the consumer level. Therefore, stock management and a market-based approach can be complementary instruments in price stabilization (Rachman et al., 2022).

Distribution is another crucial factor in maintaining price stability. Commodity prices are determined not only by production volume but also by costs incurred throughout the distribution process from producer to consumer. Long and inefficient distribution chains can increase the final price paid by consumers. Studies on food logistics management confirm that effective logistics management plays a crucial role in maintaining the availability of goods and price stability for staple foods (Hertini et al., 2026). Therefore, the Tanah Datar Regency government needs to strengthen market infrastructure, transportation access, storage facilities, and the relationship between farmers, traders, cooperatives, MSMEs, and consumers.

Fiscal policy can also be used as an instrument to mitigate the impact of price fluctuations. Research by Sujai (2011) shows that fluctuations in agricultural commodity prices can impact inflation and food supply stability. Therefore, the government can use fiscal instruments such as subsidies, incentives, and budget optimization as part of stabilization policies. However, government intervention must be carried out carefully, as stabilization policies can cause distortions if not adapted to market conditions. Studies on food policy during price spikes indicate a trade-off between reducing price volatility and the potential for market distortions due to government intervention (Food Policy, 2016).

The government can also use reference price policies to maintain a balance between producer and consumer interests. Research on the sugar reference price policy shows that price policies can be a stabilization instrument, but they must be evaluated periodically and accompanied by market monitoring to ensure the benefits are felt by farmers, producers, and consumers (Nuryati et al., 2019). This approach is relevant for Tanah Datar Regency in developing policies for strategic commodities that significantly impact farmer incomes and household expenditures.

Regional inflation control also requires an integrated approach. Food price stability cannot be handled by a single regional government organization but requires coordination between local governments, the agricultural sector, trade, distribution actors, farmer groups, and the community. Recent research on spatial-based food stabilization strategies emphasizes the importance of synergy between central, provincial, and district/city governments, as differences in production, distribution, and geographic conditions can lead to differences in price pressures between regions (Dewi, 2025).

Furthermore, market policies must consider the effectiveness of interventions. Research on low-cost market operations shows that these policies are not always effective if implemented solely in response to price increases without addressing supply and distribution issues. Interventions supported by government food reserves can have a broader impact on price stabilization (Sasongko, 2025). Other research on rice supply and price stabilization policies also demonstrates the importance of policy evaluation to ensure government interventions effectively influence the market (Rachmadhan & Wijayati, 2025).

Thus, the government's role in regulating markets in Tanah Datar Regency must be directed towards creating efficient, transparent, competitive, and equitable markets. The government functions not only as a price monitor but also as a production facilitator, information distributor, inflation controller, consumer protector, and empowerer of local producers. Price stability needs to be integrated into a broader regional economic development strategy. When basic necessities are affordable for the public, while farmers and MSMEs receive fair prices, market balance can contribute to improving public welfare.

Given these conditions, a discussion of the government's role in regulating markets in Tanah Datar Regency is crucial. Government policies need to integrate price monitoring, strengthening local production, improving distribution, managing food reserves, protecting consumers, empowering MSMEs, and coordinating inflation control. With this approach, the local government is expected to create a market system that is not only stable in the short term but also strong and sustainable in improving the welfare of the people of Tanah Datar Regency.

2. Method

This study uses a qualitative approach with descriptive methods to analyze the government's role in regulating market activities in Tanah Datar Regency, aimed at achieving price stability and improving public welfare. A qualitative approach was chosen because the research focuses not only on price changes but also seeks to understand various government policies, actions, and strategies in controlling market conditions. Descriptive methods are used to systematically describe market conditions, forms of government intervention, oversight mechanisms, and various factors influencing price stability for public needs.

The research focuses on the role of the Tanah Datar Regency Government in market regulation, particularly in relation to price monitoring, the availability and distribution of basic necessities, regional inflation control, consumer protection, and the empowerment of local economic actors. The analysis also examines the relationship between government policies and the interests of various stakeholders, including consumers, farmers, traders, MSMEs, and other community groups. Thus, the research provides insight into how

government policies strive to create a balance between affordability for consumers and a reasonable level of profit for producers.

The data used is secondary data. It was obtained from various relevant sources, including publications from the Central Statistics Agency (BPS), Tanah Datar Regency Government documents, commodity price and inflation development reports, trade and food policy documents, and scientific articles and previous research discussing market regulation, price stability, inflation, distribution, and public welfare. These various sources were used to obtain more comprehensive information regarding market conditions and government policies in the region.

Data collection was conducted through documentation and literature studies. Documentation studies were used to identify information regarding government policies, price developments, trade conditions, and inflation control programs. Meanwhile, literature studies were used to obtain theoretical foundations and previous research findings that could support the analysis. The collected data were then selected based on relevance, source credibility, and its relevance to the research objectives.

The data analysis was conducted descriptively through several stages. The first stage was to identify various problems related to market activity and price fluctuations in Tanah Datar Regency. The second stage was to categorize the forms of government roles and interventions, such as price monitoring, distribution control, market operations, supply chain strengthening, consumer protection, and business empowerment. The third stage was to analyze the relationship between these policies and price stability and the economic conditions of the community. The final stage was to draw interpretations regarding the effectiveness of the government's role in creating a stable, efficient, and transparent market capable of supporting the improvement of the welfare of the people of Tanah Datar Regency.

3. Results And Disccusion

The Role of Government as a Market Regulator

The government's primary function as a regulator is to create rules governing economic activity. In the context of regional markets, the government needs to ensure that trade transactions take place in an orderly, transparent manner, and in accordance with applicable regulations. Regulation is necessary to prevent trade practices that are detrimental to the public, such as hoarding, price manipulation, and other practices that can create inequity.

The Tanah Datar Regency Government can oversee traditional markets and trade centers by monitoring prices and availability of goods. This oversight is especially important for basic necessities, which significantly impact household spending. Accurate price information is also necessary so the government can identify commodities experiencing significant price increases and take swift action.

Good regulations must also provide certainty for traders and businesses. The government should avoid policies that overly burden small businesses, as this can increase trading costs and ultimately lead to price increases. Therefore, market regulations must strike a balance between the interests of the government, traders, producers, and consumers.

Controlling Fluctuations in Prices of Basic Necessities

One of the government's most significant roles is controlling the prices of basic necessities. Price fluctuations can be caused by various factors, such as changes in agricultural production, weather conditions, increased demand at specific times, transportation costs, and distribution disruptions.

Tanah Datar Regency, with its strong agricultural activity, faces challenges in maintaining a balance between producer and consumer prices. When production of a commodity declines, prices can rise due to reduced supply. Conversely, when production increases significantly, farm-gate prices can fall due to excess supply.

The government can respond to these conditions through regular price monitoring, inter-agency coordination, strengthening food reserves, facilitating distribution, and implementing low-cost markets or market operations under certain conditions. These policies must be data-driven to ensure targeted government intervention.

Streamlining the Distribution of Goods

Price stability is inextricably linked to the distribution system. Goods available at the producer level may not reach consumers quickly if there are transportation constraints, inadequate infrastructure, or an excessively long distribution chain.

Regional governments need to ensure that commodity distribution channels operate efficiently. Road infrastructure, markets, storage facilities, and transportation are all factors that support smooth distribution. The more efficient distribution, the less likely additional costs are to be passed on to consumers.

Strengthening relationships between farmers, traders, cooperatives, MSMEs, and markets can also reduce dependence on overly long distribution chains. The government can facilitate direct partnerships between producers and markets to provide wider market access for community products.

Government in Controlling Regional Inflation

Inflation is an economic indicator closely linked to price stability. General and sustained price increases can reduce people's purchasing power. Therefore, local governments need to control inflation through coordination across sectors.

Regional inflation control cannot be achieved by a single regional government organization. Coordination is required between local governments, relevant agencies, distributors, farmer groups, traders, and other institutions. The government can monitor price developments in strategic commodities, identify the causes of price increases, and determine policies based on field conditions.

Inflation control strategies also need to consider supply availability. Price control through short-term interventions must be accompanied by long-term policies such as increasing local production, strengthening distribution, and enhancing agricultural productivity. Therefore, price stability depends not only on government intervention but also on the ability of regions to maintain a balance between supply and demand.

Consumer Protection

The government's role in regulating markets also relates to consumer protection. Consumers have the right to obtain good quality goods, fair prices, and accurate information. In practice, consumers often have a weaker informational position than traders or producers.

The government can monitor the quality and safety of goods in circulation. Furthermore, information on price developments should be transparently communicated to the public. Price transparency will help people make informed choices and reduce the information gap between sellers and buyers.

Consumer protection can also be achieved through education about consumer rights, complaint mechanisms, and monitoring of non-compliant trade practices. A healthy market is characterized not only by stable prices but also by a sense of security and fairness for consumers.

Protection and Empowerment of Local Producers

Price stabilization policies must consider the welfare of producers, particularly farmers and MSMEs. Prices that are too low can reduce producer income and reduce incentives to increase production. In the long term, this situation can lead to reduced supply and, in turn, increase prices.

The Tanah Datar Regency Government can improve producers' bargaining power by strengthening farmer groups, cooperatives, MSMEs, and community economic institutions. Improving product quality, access to market information, business management training, and expanding marketing access can help producers achieve greater added value.

Digital marketing can also be an alternative to shorten the distribution chain. By utilizing digital platforms, local producers can expand their market reach and connect directly with consumers. The government can play a role in providing training and mentoring to enable businesses to utilize this technology.

Markets as an Instrument for Improving Community Welfare

A stable market benefits society by creating certainty in economic activity. Consumers can better plan their spending, while producers gain certainty in selling their products. Traders can also conduct trade activities with more controlled risk.

Public welfare is not solely determined by low prices. People will be more prosperous if goods are relatively affordable and they have adequate incomes. Therefore, the government needs to implement comprehensive policies, namely maintaining price stability while increasing productivity and public income.

In the context of Tanah Datar Regency, strengthening the local agricultural and trade sectors can be a key component of this strategy. Increasing local production can reduce the need for supplies from outside the region. At the same time, increasing the productivity of farmers and MSMEs will increase community incomes and strengthen the regional economy.

Government Challenges in Regulating the Market

Implementing market regulation faces various challenges. One of these is the rapid fluctuations in commodity prices. The government requires an accurate and regularly updated price information system to enable timely decision-making.

Another challenge is the length of the distribution chain. The large number of intermediaries can lead to significant price differences between producers and consumers. This situation requires better coordination and oversight without diminishing the economic function of distribution actors.

Furthermore, budget and human resource limitations can also impact the government's ability to conduct market oversight. Therefore, utilizing information technology, strengthening inter-agency coordination, and public involvement are crucial for creating more effective oversight..

4. Conclusion

The government plays a strategic role in regulating markets in Tanah Datar Regency to achieve price stability and improve public welfare. This role is carried out through regulatory functions, price and distribution supervision, inflation control, consumer protection, and empowerment of farmers, traders, and MSMEs. Price stability cannot be achieved through short-term market interventions; it requires policies that can strengthen production, distribution, and market access in a sustainable manner. The local government needs to establish a data-driven price monitoring system, strengthen inter-agency coordination, increase distribution efficiency, and ensure the availability of basic necessities. At the same time, local producers

need support through increased productivity, access to information, financing, technology, and marketing. With an integrated approach, markets can function more efficiently and fairly. Price stability, followed by increased community income, will ultimately be a crucial foundation for improving the welfare of the people of Tanah Datar Regency.

5. Reference

Ariestiyanti, D., & Adrison, V. (2020). Market revitalization and food commodity price stabilization. Scientific Bulletin of Trade Research and Development, 14(2), 261–282.https://doi.org/10.30908/bilp.v14i2.440.

Ceballos, F., Hernandez, M. A., Minot, N., & Robles, M. (2017). Grain price and volatility transmission from international to domestic markets in developing countries. World Development, 94, 305–320.

Hertini, E., et al. (2026). Food logistics management to support the availability and price stability of staple foods. Journal of Logistics and Business Research.

Nuryati, S., et al. (2019). Reference price policy for sugar purchases to support price stabilization and farmer welfare. Scientific Bulletin of Trade Research and Development.

Puspaka, IGAA, et al. (2022). Effectiveness of market operations in stabilizing rice prices. Journal of Agribusiness and Agrotourism.

Rachman, B., et al. (2022). The role of Bulog in stabilizing rice prices and food security in Indonesia. Economies, 10(12), 296.

Rachmadhan, R., & Wijayati, H. (2025). Evaluation of rice supply and price stabilization policies in Indonesia. Journal of Agri-Food Science and Technology.

Sasongko, A. (2025). The effectiveness of low-cost market operations in controlling food prices and stabilizing the community's economy. Online Journal of Governance.

Setiadi, A., et al. (2024). Food price volatility and the welfare of agricultural communities in Indonesia. Moneta: Journal of Economics and Finance.

Setiadi, R., et al. (2026). Cartel practices and their impact on business competition and price stability in the Indonesian market. Indonesian Journal of Law and Economics Review.

Sujai, M. (2011). The impact of fiscal policy in efforts to stabilize agricultural commodity prices. Agricultural Policy Analysis, 9(4), 297–312.https://doi.org/10.21082/akp.v9n4.2011.297-312.

Theresia, R., et al. (2025). Food price volatility and spatial price transmission in Indonesia. Economies, 13(9), 256.

Yulianthi, Juharni, & Nurkaidah. (2021). Analysis of government policy formulation in maintaining food price stability in Pangkep Regency. Journal of Public Administration Paradigm, 4(1), 22–27.https://doi.org/10.35965/jpan.v4i1.1176.

Hawanda, A. (2025). Islamic economic approach to strengthening public purchasing power through price stabilization policy. Dinar: Journal of Islamic Economics and Finance.