

IMPLEMENTATION ANALYSIS OF E-PROCUREMENT IN INCREASING SMALL AND MEDIUM ENTERPRISE PARTICIPATION IN MALANG REGENCY

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Abstract

E-procurement (electronic procurement of goods and services) is the digital transformation of government procurement processes based on the internet. It offers opportunities to make procurement more transparent, effective, efficient, and accountable. The implementation of E-procurement is one manifestation of good governance. However, various regulations that encourage the participation of SMEs (Small and Medium Enterprise) in government procurement have not been utilized properly. This research was conducted to analyze the implementation of E-procurement in increasing the SME's participation in Malang Regency. This study adopted an explanatory research design using a quantitative approach with a sample size of 75. The analysis results state a significant relationship exists between the performance of procurement services, leadership, e-procurement, and the enhancement of SMEs' participation in Malang Regency.

Keywords: E-procurement, good governance, SMEs

INTRODUCTION

Electronic procurement of goods and services is a digital transformation of the process of government procurement of goods and services which was initially carried out conventionally into the procurement of goods and services by utilizing internet-based technology, information and communication facilities (E-procurement). E-procurement is one of the implementations of E-government. E-government is an effort to develop electronic-based government administration to realize good governance.

According to Sutedi (2012), corrupt practices in conventional procurement indicate a system of low transparency and accountability, and the system for preventing corrupt practices is not yet effective. E-procurement makes the opportunity for direct contact between providers of goods and services and the procurement committee lower, so that the procurement process can be more transparent, effective, efficient and accountable. The implementation of e-procurement is included in one of the national programs to create a government that is clean and free of Corruption, Collusion and Nepotism (Arsyad, 2015 in Siallagan et al., 2022). In line with this, the Malang Regency Government followed up on this policy by establishing the Malang Regency Electronic Procurement Service (LPSE) to avoid corruption, collusion and nepotism practices in the process of procuring government goods and services in Malang Regency. LPSE is also expected to guarantee transparency, accountability, openness and healthy business competition.

The implementation of E-procurement can increase market access, accountability, transparency and healthy business competition, but in its implementation, there are still several obstacles encountered (Siallagan et al., 2022). One of them is the participation of SMEs which has not been maximized. Previous research shows that the use of the E-catalog system by SME actors is still low due to limited capital and information regarding the use of the E-catalog system (Iqbal, 2020). Meanwhile in Indonesia, the economic sector is largely supported by SMEs. Technological developments can give rise to financial financing innovations that make it easier for SME players to invest so that they can increase the income of SMEs and workers who work in this field (Fadilla, 2019). The issuance of Law Number 11 of 2020 concerning Job Creation encourages SME actors to have the opportunity to become participants in auctions for the procurement of goods and services, and in Presidential Regulation Number 12 of 2021 concerning Amendments to Presidential Regulation Number 16 of 2018 concerning Government Procurement of Goods and Services mandates that The aim of procuring goods and services is to increase the participation of SMEs. The government is obliged to allocate at least 40% of its budget to use products from small businesses and cooperatives from domestic production (Article 65 paragraph (2) in conjunction with paragraph (3) Presidential Decree 12/2021). However, in reality, not all SMEs take advantage of these conveniences and opportunities. Various regulations that encourage the participation of SME actors in the procurement of government goods and services have not been utilized properly.

Based on data on the realization of transactions for the procurement of goods and services for the Regional Government of Malang Regency through electronic catalogs (e-catalog) in 2023 to July 2023 Fiscal Year with a total of 2,756 packages and a transaction value reaching IDR 249,244,743,732.46 (Two hundred and four twenty-nine billion two hundred forty-four million seven hundred forty-three thousand seven hundred thirty-two rupiah point four six). The realization of e-purchasing transactions for the procurement of goods and services for regional apparatus and work units outside the Malang Regency Government which utilized the Malang Regency electronic catalog was 97 packages with a transaction value of IDR 3,089,815,000.00 (Three billion eighty-nine million eight hundred fifteen thousand rupiahs). The realization of spending on procurement of goods and services for the Malang Regency Government through the Online Shop or the East Java Online Shopping Application (Jatim Bejo) was 4,223 packages and the transaction value was IDR 254,958,912,643.46 (Two hundred and fifty-four billion nine hundred and fifty-eight million nine hundred twelve thousand six hundred forty-three rupiah point four six). The data above represents the number of SME actors in Malang Regency, both in the form of business entities and individuals who carry out transactions for the procurement of goods and services electronically (e-Purchasing) through electronic catalogs or online shops and from the data above, only 0.184% of SME actors are involved. So, the challenge is how to encourage the participation of SME actors in the process of procuring government goods and services.

The urgency of this research was carried out, based on the following considerations: first, SME's participation in E-procurement is low; secondly, various regulations that encourage the participation of SMEs in government procurement have not been utilized properly. Based on the explanation above, this research needs to be carried out to analyze the implementation of E-Procurement in increasing the participation of SMEs in Malang Regency.

RESEARCH METHOD

The type of research used is explanatory research using a quantitative approach. The population of this research is SMEs in Malang Regency. The samples in this research were SME actors who had carried out goods and services procurement transactions via E-procurement as well as employees in the Goods and Services Procurement Section of the Regional Secretariat of Malang Regency as E-procurement actors. The data collection technique uses a questionnaire with a sample size of 75 (Seventy-Five) samples. The independent variables used in this research are Goods and Services Procurement Service Performance (X1) and Leadership (X2); the dependent variable, namely Increasing the Participation of SMEs (Y); and the intervening variable, namely E-procurement (Z). The tests used to test the quality of the instrument are validity test, reliability test and Partial Least Square (PLS) test using SmartPLS version 3.0 software.

RESULTS AND DISCUSSION

The Implementation of E-procurement in Increasing the SME's Participation in Malang Regency

1. Influence of performance of goods and services procurement services (X1) on E-procurement (Z)

The performance of goods and services procurement services has a positive and significant effect on E-procurement. To implement Presidential Regulation Number 16 of 2018 and its amendments to Presidential Regulation Number 12 of 2021 article 75 paragraph (1) that "Ministries/Institutions/Regional Governments carry out electronic procurement service functions", the Malang Regency Government through the Malang Regency Goods and Services Procurement Section has an Electronic Procurement Service or LPSE. LPSE is a mechanism and ecosystem for organizing government and regional government procurement of goods and services where all procurement procedures and processes are carried out through an E-procurement system called SPSE (Electronic Procurement System). This is done to ensure that the goods and services procurement services used in E-procurement have good performance to optimize the benefits obtained through E-procurement.

The above is in accordance with research conducted by Vaidya et al. (2006), electronic procurement is a procurement action that utilizes internet-based technology that integrates processes from upstream, as well as digitizing processes in the public sector throughout the procurement process starting from pre-procurement, implementation of procurement or purchasing to post-procurement (Vaidya et al., 2006). This involves E-procurement by the government in conducting tenders for public works or procurement of goods and services, for example using e-auction, e-tendering, e-catalog, e-ordering and other electronic procurement (Rotchanakitumnuai, 2013; Vaidya et al. , 2006 in Adjei-Bamfo et al., 2019). The performance of procurement services can have a significant impact on the adoption and success of electronic procurement (E-procurement) in several ways: efficiency gains, accuracy and transparency, cost savings, supplier engagement, quality and compliance, data-driven decision-making, and User adoption.

2. Influence of Leadership (X2) on E-procurement (Z)

Leadership has a significant influence on E-procurement, meaning that effective and strong leadership can play an important role in the successful implementation and management of E-procurement in an organization. Implementing E-procurement often involves significant changes in processes and workflows. Good leadership includes managing these changes effectively, ensuring buy-in from stakeholders, providing necessary training, and cultivating a culture that embraces technological advances.

According to Fahmi (2018) in Payon (2021), leaders play an important role in encouraging the formation of organizations according to stakeholder expectations. The role of leaders in creating a work climate is very vital, so transformational leadership is needed to increase motivation and performance. The main functions of a leader in a good public organization are (Payon, 2021):

- a. Problems Solving Function, namely a leader who can convey input who is useful in overcoming problems that arise and presenting contributions in the form of ideas and information for the obstacles faced;
- b. Social Function, namely the leader who encourages everyone components to work optimally.

Leadership sets the course for successful implementation and integration of E-procurement by creating a supportive environment, providing guidance, and aligning procurement strategies with organizational goals. Their influence extends to creating a culture that values innovation, efficiency and adaptability in procurement practices.

3. Influence of Goods and Services Procurement Service Performance (X1) on Increasing the Role of SMEs (Y)

The performance of goods and services procurement services has a positive and significant effect on increasing the role of SMEs. With good performance in procurement services, SMEs can experience increased access, fairer opportunities, higher visibility, better capability building, and better collaboration with suppliers and business partners. This helps SMEs to participate actively in the process of procuring goods and services, improve the quality of products and services and expand their business network. The performance of goods and services procurement services can significantly influence and potentially increase SME business participation in several ways: simplified processes, access to opportunities, fair and inclusive practices, increased capacity and support, flexible requirements, building networks and partnerships, technology adoption, input and improvements.

This is in accordance with research conducted by Johannes et al., (2012), that in the principle of participation there is feedback from policymakers to impact recipients or vice versa. In this case, the main stakeholder is LPSE as an institution that carries out tasks along with the system developed in This is LPSE and suppliers (SMEs) whose function is to provide goods and services.

4. Influence of leadership (X2) on increasing the role of SMEs (Y)

Leadership does not have a significant effect on increasing the role of SMEs. This shows that other factors that may have a more dominant role in influencing the participation of SMEs. Even though leadership does not have a significant direct influence, it is important to remember that effective leadership still has an important role in the overall development of SMEs. Good leadership can help in developing strategies, motivating teams, building collaboration and managing the changes needed in the growth of SMEs. Although the impact of increasing SME participation through E-procurement may not be significant in the data analysis, strong leadership is still important for the long-term success of SMEs.

Factors that influence SME participation are as follows (Johannes et al., 2012):

- a. intensive training;
- b. LPSE transparency and competence;
- c. improving network quality;
- d. Electronic Procurement System (SPSE) automatic response (when the document is uploaded and successful, the proposer knows that the document has arrived);
- e. more intensive training to suppliers who are lacking competent; And
- f. more government budgets are held through LPSE.

5. Influence of E-procurement (Z) on Increasing the Role of SMEs (Y)

E-procurement has a positive and significant effect on increasing the role of SMEs. Thus, implementing E-procurement can be an effective tool in increasing SME participation in the goods and services procurement process. E-procurement can significantly influence and increase the participation of small and medium enterprises (SMEs) in various ways: reducing barriers to entry, increasing access and visibility, leveling the playing field, improving communication and collaboration, efficiency and cost savings, access to data and analysis, compliance and transparency, and driving innovation. Walker and Brammer (2012) state that there is a relationship between the use of electronic procurement and sustainable procurement in the public sector and the participation of SMEs that are limited by electronic resources. Digital stimulation such as advertising can be used to invite SME players to tender... as well as greater communication between Suppliers and Buyers can improve procurement implementation.

Electronic procurement systems play an important role in democratizing access to procurement opportunities, empowering SMEs to compete more effectively, reducing barriers to entry, and fostering a more inclusive procurement environment. As technology continues to develop, the use of E-procurement becomes increasingly important in enabling the growth and success of small and medium businesses in various industries.

6. Influence of the Performance of Goods and Services Procurement Services (X1) on Increasing the Participation of SMEs (Y) through E-procurement (Z)

The performance of goods and services procurement services has a significant influence on increasing the participation of SMEs through E-procurement. Some of the influences on the performance of goods and services procurement services on increasing the participation of SMEs through E-procurement are as follows: wider access, fairer opportunities, operational efficiency, increased visibility and better collaboration. According to Walker and Brammer (2012) and Karjalainen and Kemppainen (2008), the use of E-procurement services can hinder the participation of SMEs or Local Providers due to a lack of supporting facilities and infrastructure or

resources so that several efforts can be made by developing countries to support and improve participation of SMEs or Local Providers is by providing and setting special quotas for them to be able to participate in electronic procurement. SME players must develop their potential to face the free market era. SMEs must always be encouraged and overcome various weaknesses so that they can compete and not be oppressed by competitors (Nuryanti, 2020).

7. Influence of Leadership (X2) on increasing the role of SMEs (Y) through E-procurement (Z)

Leadership is unable to mediate the influence of increasing the role of SMEs in E-procurement. This means that one of the factors increasing Leadership is not very significant in increasing the role of SMEs because other factors are more dominant in their influence on increasing the role of SMEs. Leadership plays an important role in establishing an E-procurement implementation ecosystem that encourages SME participation. Their commitment to inclusive practices, strategic vision, investment of resources, and supportive policy advocacy is critical in creating an environment where small and medium-sized businesses feel empowered to engage and thrive in E-procurement initiatives.

According to Adjei-Bamfo et al. (2019), sociocultural elements are very important in implementing E-government, in this case one of which is E-procurement. These elements greatly influence the attitudes and behavior of Providers and Procurement Officials, and contribute to achieving sustainable global development goals. Another factor that influences the role of SMEs in implementing E-procurement is healthy business competition (Nurchana et al., 2014).

CONCLUSION

In the overall analysis, there is a significant relationship between the performance of goods and services procurement services, leadership, E-procurement and increasing the role of SMEs in Malang Regency. Therefore, the Malang Regency government needs to continue improving procurement services' performance, strengthen effective leadership, and continue implementing E-procurement with various regulations and developing better systems to support the growth and development of SMEs in Malang Regency.

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