

# Analysis of Public Procurement Governance Related to the Participation of Micro, Small and Cooperative Enterprises in Government Procurement

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Abstract. Community economic empowerment, especially Micro and Small Enterprises (MSEs) through government procurement of goods and services (PBJP), is a government strategy for increasing the role of MSEs in Indonesia. However, implementing the policy is hampered by the complexity of PBJP regulations, market access, the ability of MSEs, and competition. The government is pursuing a policy through Presidential Regulation (PERPRES) No. 12/2021 that requires Ministries/Institutions/Local Governments to allocate a minimum of 40% of the procurement budget for MSMEs, which aims to increase the role of MSEs. This research examines the Implementation of PERPRES 12/2021 regarding the participation of MSEs in PPBJ, with several factors, including regulation, market access (e-procurement), capabilities, and competition of MSEs which affect MSE performance. Also, MSE participation in public procurement was influenced by MSE performance. Furthermore, this utilized mixed method quantitative and qualitative analysis: Structural Equation Model and Systematic Literature Review. The findings are (i) Regulatory factors, transparency, MSE capabilities, market access, and competition dominantly influence MSE performance in implementing MSE participation policies in PBJP. (ii) Governance factors are considered the least influencing factors. (iii) SLR analysis: governance factor in quantitative analysis is a novelty due to the lack of studies. The research findings can be used as an evaluation of PBJP policy governance related to MSE participation.

**Keywords:** Governance, Government Procurement, MSEs Performance, Public Policy

## 1 INTRODUCTION

Community economic empowerment, especially Micro, Small and Cooperative Enterprises (MSEs) through government procurement of goods and services (PBJP), is a government strategy in increasing the role of MSEs. Law Number 11 of 2020 concerning Job Creation and its derivatives, the government has provided a policy basis to support MSEs by stipulating steps to provide convenience, protection, and empowerment

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to MSEs, whose spending potential in creating the MSE market is more than 1,000 trillion rupiah through PBJP (LKPP, 2021)

Government spending is allocated within the framework of the State Budget (APBN), becoming an instrument of fiscal policy in supporting MSEs. During the period 2018 to 2022, the total APBN has increased, opening opportunities for MSEs to participate, as explained in Table 1:

**Table 1.** Total Government Procurement Expenditure in the State Budget and Percentage of MSEs involved in government procurement

1.117,5 1.168,4	*
1 160 /	
1.100,4	*
1.027,1	26.80
1.106,4	33.60
1.944,5	41,50

Source: processed, Ministry of Finance and LKPP, 2023

In a macroeconomic context, government expenditure has been shown to stimulate economic growth (Wu et al., 2010), Government spending through PBJP is the main instrument to achieve the goals of increasing economic growth, promoting economic equality, and improving welfare (Iskandar, 2016). Through Presidential Regulation 12 of 2021, PBJP has become an instrument to drive the national economy by providing employment for MSEs, the policy focuses on the participation of MSEs at a minimum of 40% in the APBN. In this case the government intervenes as a policy tool to develop the small business sector (Akenroye et al., 2022).

Kumaranayake et al., (2000) consider that regulation is a potential factor in handling problems in the private sector, in this case MSEs, especially in the aspects of production, financing, and distribution, so government regulation is important in developing the private sector, while Hoekman & Tas, (2020) stated that the involvement of MSEs in public procurement faces various obstacles that hinder growth, including access to finance and compliance with regulations. In the implementation of PBJP there are still several obstacles, such as the PBJP governance factor, namely the lack of Goods / Services Procurement Work Units (UKPBJ) in K / L / Pemda that are not yet mature, and PBJP accountability through the implementation of e-procurement, because previous research states that public procurement, generally found unfair competition practices (Rezky & Gultom, 2022).

On the other hand, according to the report (OECD, 2018) the lack of participation of MSEs in public procurement is due to their poor performance, while according to LKPP, one of the things that affects the participation of MSEs is influenced by the level

of openness of market access that is affordable to MSEs, such as the existence of digital market aggregators. (LKPP, 2022), different opinion from (Nicholas & Fruhmann, 2014) that MSE participation has a correlation with MSE competition that occurs in public procurement. The causes of the low involvement of MSEs in this context can be concluded from the limited capacity of MSEs, market access, and competition among business actors. The phenomenon of MSE participation in PBJP above is a problem that really needs to be studied and analyzed as a solution that helps M / I / Pemda, especially stakeholders in carrying out their functions.

## 2 LITERATURE REVIEW

# 2.1 Public Policy

According to Dye, (2017) Public policy is the government's choice to act or not act, not just a statement of intent. Choosing not to act also includes public policy. It is, classified as a decision with government authority, the public policy aims to achieve goals and provide benefits to society. There are two meanings that can be taken from Dye's definition, namely: 1) Public policy can only be made by the government, not private organizations; 2) Public policy involves choices made or not made by the government so that the choices made by the government are a deliberate decision to do or not do something (Dye, 2017).

### 2.2 Public Procurement

Public Procurement in the context of public policy is a "Policy Tool", in both developed and developing countries, a good procurement system seems to have two groups of objectives namely "procurement" and "non-procurement" with economic objectives that prioritize domestic or local, social objectives (Thai, 2017). Procurement policies in Indonesia are regulated ini Perpres Number 12 of 2021, in Article 4 Procurement of Goods / Services aims to produce the right goods/services for every money spent, measured in terms of quality, quantity, time, cost, location, and provider; and which prioritizes increasing the use of domestic products; and the participation of Micro, Small and Cooperative Enterprises (Presidential Regulation Number 12 of 2021).

# 2.3 Regulation Procurement

Regulatory is constructed as a perceived variable when MSEs are involved in public procurement. Previous studies have shown that governments use public procurement as a policy tool to develop the small business sector. (Akenroye et al., 2022). so that regulation controls implementation (Hoekman & Tas, 2020), and understanding of MSEs regulatory context (Flynn, 2018) and the form of affirmative policies (Offei, 2016), provide benefits that MSEs can receive in the form of a clear policy framework (Mphela & Shunda, 2018), and regulations are fast, transparent and accountable (LKPP, 2021), Based on these things, the existence of regulations in the form of procedures and their

authority determines the performance of MSEs (de Bas et al., 2019). Thus, regulation on PBJP is a government intervention to encourage the role of MSEs.

The study conducted Kumaranayake et al., (2000) regulation is a potential factor in handling problems in the private sector, especially in the aspects of production, financing, and distribution. The importance of government regulation on the development of MSEs. Furthermore Edmore, (2017) argues that laws and regulations play a role in business growth in general, and the development of SMEs in particular, with the interrelated processes of identification, strategy, negotiation, and adaptation being important in responding to regulations. (Mallett et al., 2019). This is expected to increase SME productivity, access to finance, ease of doing business, and workforce quality, which in turn can increase the contribution of SMEs to the national economy and the creation of new jobs (Mourougane, 2012).

## 2.4 Governance & Transparancy Procurement

Governance was adopted from previous literature and modified, drawn from the perceived governance experience of MSEs when involved in government procurement. From the results of previous research, it is PBJP governance that affects the maturity of PBJP organizations, by improving the overall quality of the procurement process (Hoekman & Taş, 2022), in the form of human resource qualification (Ayyagari et al., 2007) utilization of public procurement systems (Basheka et al., 2012), and the maturity of UKPBJ in terms of institutional aspects, service planning and development, management and guidance to MSEs, as well as aspects of information availability (LKPP, 2021). Development in the governance of PBJP. In this case, technology encourages MSEs to have good performance by innovating and meeting demand (Saastamoinen, Reijonen, et al., 2018). In the Indonesian context, penelitian Kurniawati et al., (2018) that governance in general is able to have an impact on the development and growth of the MSE sector in Indonesia.

The Transparency of Public Procurement variable is a factor that influences performance because the public procurement system must be transparent and objective (Thai, 2017). In this case, the performance of MSEs on PBJP is influenced by the use of centralized electronic procurement platform transparency (Albano et al., 2015), In addition, PBJP evaluation criteria play a role in determining the performance of MSEs in PBJP (Park et al., 2021). Then, transparent and equitable governance factors (Kurniawati et al., 2018), e-procurement as a PBJP innovation aims to prevent fraud in the PBJP process, which needs to be supported by the parties involved (Artantri et al., 2016), so that transparency will create an efficient system that fosters fair competition (Kaspar & Puddephatt, 2012).

## 2.5 Governance & Transparancy Procurement

The ability level of MSEs is significantly influenced by the profile of MSEs, external environmental support factors, the variety of products offered by MSEs, and the

organization's business capital. (Irjayanti & Azis, 2012). For this reason, innovation is needed to develop something new, expand into new markets, reorganize legal status, organization and capital structure including introducing and utilizing new technology, changing work methods and practices (Sedarmayanti, 2014). Domicile, capital, human resources (Albano et al., 2015) and procedural capabilities (Flynn, 2017), In this case, it can be seen that the capacity of MSEs affects the performance of MSEs in PBJP.

# 2.6 Governance & Transparancy Procurement

Market Access, which has a related influence on the level of openness of market access for MSEs in the involvement of MSEs in government procurement, is significantly influenced by the development of procurement platforms that prioritize products and business opportunities for MSEs provided by the government and other business entities, as well as cooperation with digital market aggregators (LKPP, 2022), formation technology-enabled government procurement is reported to be a powerful tool for improving the effectiveness and efficiency as well as the quality of service of its procurers (Basheka et al., 2012), which is likely to increase market supply (Croom & Brandon-Jones, 2007). The ability of relationships and networks of other businesses to develop helps MSEs' performance in fulfilling innovative products (Flynn, 2017; Saastamoinen, Reijonen, et al., 2018).

Competition in the procurement process is considered important to reduce dissatisfaction with the final product, generally from the perspective that market competition is the main instrument for achieving business efficiency in terms of productive efficiency or dynamic efficiency (Hovenkamp, 2013). The level of MSE competition is significantly affected by an unfair MSE competition environment (Mphela & Shunda, 2018), Increased MSE competition correlates with increased participation of small and medium enterprises in public procurement (Nicholas & Fruhmann, 2014), addition, competition adds value to suppliers by reducing market distortions and ensuring free and open competition in the market (Myoken, 2010). catalogs, invites MSEs to contribute, and makes it easy for business actors to participate in PBJP by ensuring fair competition. The importance of commitment to the competition ethics of MSEs is aimed at maximizing the performance of the MSEs themselves. (O'Dwyer & Gilmore, 2019).

#### 2.7 Performance of MSEs

The lack of MSE participation in public procurement is due to the poor performance of MSEs (OECD, 2018), which is influenced by the regulatory dimension, namely the performance of MSEs is influenced by authority, procedures (de Bas et al., 2019), and the level of understanding of regulations (Flynn, 2017). Meanwhile, in the governance dimension, the performance of MSEs is influenced by the use of information technology (de Bas et al., 2019), then the role of state agencies (Ministries, Institutions, Local Governments) (Rice et al., 2013), and the type of new products offered to MSEs (Saastamoinen, 2017). in addition, a variable that affects MSE performance is

transparency by using a centralized (electronic) procurement platform (Albano et al., 2015), and its procurement evaluation mechanism (Park et al., 2021).

Other variables that affect the performance of MSEs are the ability of MSEs, especially in domicile, capital capacity, human resources, and equipment (Albano et al., 2015) relationship and procedural capabilities of MSEs (Flynn, 2017). Then the market access variable also affects the performance of MSEs, and how MSEs can build networks to fulfil their products (Saastamoinen, Tammi, et al., 2018), which is coupled with the ability to communicate with the government (Flynn, 2018).

## 2.8 Implementation Policy

The programs that have been designed by the government, both at the central and regional levels, are currently still in the form of general statements that include goals, objectives, and various means used. In order to be carried out properly, it is necessary to further elaborate into operational programs. Thus, the actual policy implementation is to implement these programs so that it is easy, efficient, and effective to socialize to the community, in this case MSEs, that the implementation of a group of activities will directly bring results into the program (Grindle, 2017).

The policy implementation model aims to explain how differences in the implementation process are influenced by the characteristics of the policy to be implemented. That is, the success of policy implementation does not only depend on the policy decisions taken, but also depends on the interaction between factors such as the policy that has been designed, the adequacy of resources, political support, governance, and the external environment that affects it.

Based on the literature review, we created the model of the research as follows:

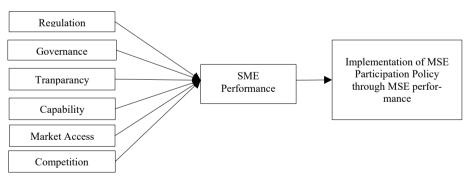


Fig 1. Model Research

## 3 RESEARCH METHODOLOGY

This research is a test of influence and temporary conjecture, on research that will be tested with research problems, research using mixed methods is that combines

qualitative and quantitative research in one particular research field (Creswell, 2017). Quantitative methods using the Structural Equation Model (SEM) used a combination of interdependence and dependence multivariate data analysis techniques, namely confirmatory factor analysis and path analysis, the variables analyzed are latent variables (constructs). Structural Model is a model of the structure of the relationship that forms or explains between factors (Mattjik et al., 2011). PLS-SEM has proven to be effective and efficient, especially when used by researchers in the exploratory stage of their studies (Hair et al., 2014). Researchers can examine complex relationships between variables and understand more deeply the aspects involved in data analysis, which enables the use of data analysis through AMOS software in research with confirmatory factor analysis estimation (Hair et al., 2006).

Qualitative method is carried out by mapping a specific literature review through the Systematic Literature Review (SLR) analysis technique, this research method aims to identify, evaluate, and interpret all specific research results. (Siswanto, 2010). The SLR technique is usually used in Meta-analysis. According to Stanley & Jarrell (1989), meta-analysis is an analysis of several empirical studies that aim to integrate and explain the literature on a parameter measurement. Meanwhile, according to Lipsey & Wilson Lipsey & Wilson, (2001), meta-analysis is a form of survey research that uses written reports as survey objects rather than a group of people.

## **Population and Sample**

The quantitative approach in this study, the population used is MSEs that have conducted procurement with the government. The sample selection method used is nonprobability sampling. The samples in this study are MSEs that have procured goods/services with the government through various procurement mechanisms. We conducted a virtual survey of MSEs in several regions such as Jakarta, Banten, West Java, and several cities in Sumatra, Sulawesi, and so on. There were 300 usable respondents in the study. This number of samples is considered sufficient, based on Hair's theory for sample size, items multiplied by five or ten (Hair et al., 2006).

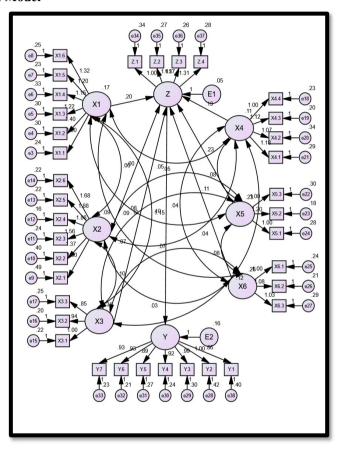
While the qualitative approach, through the Web of Science (WOS) database. The search began by using several keywords as follows: (i). Public Procurement; (ii). SME Procurement; and (iii). SME Performance + Procurement which will be generated through a "query" in the database system, with the criteria used in collecting data samples namely: 1) Year of Publication; 2) Document Type; 3) Language and 4) Research Area.

#### Measurement

In the use of quantitative methods, in this study there are 36 statements adapted from previous studies, which consist of 6 indicators for regulation (X1) (quality regulation, policy control, facilitating policies, affirmative and special policies, and policies that are fast, transparent and accountable). 6 indicators for governance (X2) (quality of human resources, utilization of information systems, maturity of UKPBJ in the aspects of strategy development, institutional strategy, aspects of human resource planning and development, management processes, and availability of data information). 3 indicators for transparency (X3) (procurement system is objective, has integrity and provides benefits, and the procurement system is easy to know). 4 indicators for the ability of MSEs (X4) (type of business / product, organizational form, technology utilization, and capital) 3 indicators for MSE market access (X5) (government procurement programs,

showcase/business matching, e-purchasing platforms,). 3 indicators for MSE competition (X6) (competitive environment, level of competition, providing added value). 7 indicators for MSE performance (Y) (procedures/regulations, understanding of regulations, innovation, *e-procurement*, evaluation methods, capabilities, relationships, communication effectiveness). In addition, 4 indicators for policy implementation (Z) (increasing participation, accommodating regulations, involvement reflects facts on the ground, MSE performance).

## Structural Model



**Fig 1**. Path Diagram of Full Sample Hypothesis Testing Output Results. Source: Data processing results, with AMOS Software, 2024.

## 4 RESULT

## 4.1 Characteristics of Respondents

Based on the results of a survey of 300 respondents, the majority of respondents are male, with a position as an administrator in MSEs, aged 46 years as much as 47%, with 74% of respondents' small business criteria. Furthermore, the majority of respondents whose business character is in the form of a Limited Liability Company (PT) as much as 44%, with 1-10 years of business experience as much as 67%, whose capital comes from loans as much as 79%, the majority of the main commodity is procuring goods as much as 64% and the majority collaborates with local governments as much as 56%, and the majority of respondents through direct procurement methods as much as 38%.

### 4.2 Measurement Model

Based on Reliability Test The reliability testing method uses Cronbach's Alpha which is worth a minimum of 0.60 (Sekaran & Bougie, 2017) which is processed using SPSS software. The basis for making reliability test decisions. If Cronbach's Alpha  $\geq$  0.60 then the statements in the questionnaire are feasible to use (reliable). If Cronbach's Alpha 0.60 then the statements in the questionnaire are not suitable for use (not reliable).

Variables Cronbach Alpha Conclusion Regulation 0.843 Reliable Governance 0,818 Reliable Transparency 0.782 Reliable Capability of MSEs 0,663 Reliable Market Access for MSEs 0,751 Reliable MSE Competition 0,767 Reliable MSE performance 0.865 Reliable Implementation of MSE Participation 0,749 Reliable Policy in Government Procurement

**Table 2.** Reliability Testing Results

Source: Results of data processing, with SPSS Software (2024)

Hypothesis testing is carried out by analyzing the level of significance of the causal relationship between constructs in the model based on the Critical Ratio (C.R) value. The C.R value itself is analyzed by referring to the cut of value of the T table.

 Score Cut of Value
 Critical Ratio (C.R)

 1%
 ≥ 2,56

 5%
 ≥ 1,96

 10%
 ≥ 1,645

Table 3. Significance Condition

Variables are considered to have a significant effect if the Critical Ratio (C.R) value in the AMOS output shows a value of more or equal to 1.96 because it means that the variable has a significant level of 95%. The results of the regression analysis can be seen in the following output table:

Influence Test		Beta	S.E.	C.R.	Prob (1 Tail)	Decision
Regulation	MSE performance	0.239	0.067	2.974	0.002	H1 accepted
Governance	MSE performance	0.001	0.087	0.019	0.493	H2 rejected
Transparency	MSE performance	0.157	0.068	1.412	0.079	H <sub>3</sub> accepted
Capability of MSEs	MSE performance	0.186	0.118	1.622	0.053	H4 accepted
Market Access for MSEs	MSE performance	0.319	0.066	3.468	0.000	H5 accepted
MSE Competition	MSE performance	0.162	0.046	2.379	0.009	H6 accepted
MSE performance	Implementation MSE Participation	0.708	0.173	6.654	0.000	H7 accepted
performance						

Table 4. Hypothesis Testing Full Sample Output of SEM AMOS

Source: Hypothesis Test Results with regression using SEM AMOS (2023)

## H1: There is an Effect of Government Regulation on MSE Performance

From table 4, it is known that the coefficient value of government regulation is 0.239, meaning that if the perception of government regulation increases, the perception of MSE performance will also increase. The test results show that the prob value is 0.002 <0.05 (Alpha 5%), so it accepts H1, and it is concluded statistically at the 95% confidence level that there is a positive effect of government regulation on MSE performance. These results are in accordance with the concept of macro theory where expansive or accommodative government policies will have an impact on increasing output. This result is also in line with the opinion of Kumaranayake et al., (2000) who consider that regulation is a potential factor in handling problems in the private sector, especially in the aspects of production, financing, and distribution. The importance of government regulation on the development of the private sector, especially on *Small Medium Enterprises* (SMEs), can also be seen in the study Akinboade & Kinfack, (2012); Edmore, (2017); Mallett et al., (2019); Mourougane, (2012)

### H2: There is an Effect of Governance on MSE Performance

From table 4, it is known that the coefficient value of Governance is 0.001, meaning that if the perception of Governance increases, the perception of MSE performance will also increase. The test results show the magnitude of the prob value of 0.493 <0.05 (Alpha 5%) then reject H2 and it is concluded that statistically there is no effect of Governance on MSE Performance. These results are in accordance with research conducted by Kurniawati et al., (2018) on the SME sector in one region of Indonesia. The study shows the results that, governance in general is able to have an impact on the development and growth of the SME sector in

Indonesia, but the results show that Governance in general has no direct influence on the performance of MSEs.

## H3: There is an Effect of PBJP Transparency on MSE Performance

From table 4, it is known that the PBJP Transparency coefficient value is 0.157, meaning that if the perception of PBJP Transparency increases, the perception of MSE Performance will also increase. The test results show that the prob value is 0.079 <0.10 (Alpha 10%), so it accepts H3, and it is concluded statistically at a 90% confidence level that there is a positive effect of PBJP Transparency on MSE Performance. The transparency variable is also part of the principle of good governance where it will help the growth of MSME development in accordance with the results of the study by Kurniawati et al., (2018). Artantri et al., (2016) in their study identifying the role of E-Procurement in preventing *fraud* also stated that, transparency that occurs will support the creation of increased procurement effectiveness and efficiency so as to minimize fraud. The same thing was also stated by Kaspar & Puddephatt, (2012).

## H4: There is an Effect of MSE Capability on MSE Performance

From table 3, it is known that the coefficient value of MSE Ability is 0.186, meaning that if the perception of MSE Ability increases, the perception of MSE Performance will also increase. The test results show the magnitude of the prob value of 0.053 <0.10 (Alpha 10%) then accept H4 and statistically concluded at the 90% confidence level there is a positive influence of MSE Ability on MSE Performance. This result is also in accordance with the opinion of Sedarmayanti, (2014) where the ability of SMEs to innovate (Expósito & Sanchis-Llopis, 2019), market expansion (Osano, 2019), and technology utilization (Astuti et al., 2020), are able to impact the growth of MSEs.

### H5: There is an Effect of MSE Market Access on MSE Performance

From table 3, it is known that the coefficient value of MSE Market Access is 0.319, meaning that if the perception of MSE Market Access increases, the perception of MSE Performance will also increase. The test results show that the prob value of 0.000 <0.05 (Alpha 5%) then accepts H5 and it is concluded statistically at the 95% confidence level that there is a positive influence of MSE Market Access on MSE Performance. Market access for SMEs contributes to public procurement which increases the number of offers in the market (Croom & Brandon-Jones, 2007) can be considered as an opportunity and inclusiveness. Raju, (2023) in his study of 323 manufacturing firms found that the financing sector is able to provide opportunities for SMEs to enter the export market. Based on these results, it implies that the opportunities provided for the SME sector can have an impact on the performance of the SME itself.

### H6: There is an Effect of MSE Competition on MSE Performance

From table 3, it is known that the MSE Competition coefficient value is 0.162, meaning that if the perception of MSE Competition increases, the perception of MSE Performance will also increase. The test results show the magnitude of the

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prob value of 0.009 <0.05 (Alpha 5%) then accept H6 and statistically concluded at a confidence level of 95% there is a positive influence of MSE Competition on MSE Performance. This result also supports the opinion of O'Dwyer & Gilmore, (2019) which states that competition factors will drive SME performance through identifying opportunities and building sustainable business competition. Competition orientation will build understanding in SMEs of the existing market structure so that decision making will be more effective, both operational and market related.

H7: There is an influence of MSE performance on the implementation of MSE participation policy.

From table 3, it is known that the MSE Performance coefficient value is 0.708, meaning that if the perception of MSE performance increases, the perception of MSE Participation Policy Implementation will also increase. The test results show the magnitude of the prob value of 0.000 <0.05 (Alpha 5%) then accept H7 and statistically concluded at a confidence level of 95% there is a positive influence of MSE Performance on the Implementation of MSE Participation Policy. This result supports the findings of previous hypothesis testing, the improvement of MSE performance, such as: (i). Increased participation in government procurement of goods and services; (ii). Increased MSE income; (iii). Increased employment; and so on; is a sign of effective implementation of MSE participation policies, this is in line with the study of OECD, (2018) that the lack of MSE participation in public procurement is due to the poor performance of MSEs.

## 4.3 Systematic Literature Review (SLR)

The results and analysis of data processing carried out with the SLR approach; the first stage will show the results of screening each data source (article) to be analyzed further. As previously described, screening articles through a number of inclusion and exclusion criteria with the help of the Preferred Reporting Items for Systematic Reviews and META Analysis (PRISMA) diagram. Before showing the screening results, here is a table that shows, in outline, how many articles will be used (eligible articles), as follows:

**Table 5.** Data Source Inclusion & Exclusion Tabulation "Public Procurement" Item Records Excluded 3146 Included **Publication Years** 2020-2024 1550 1596 Document Types Article 1337 213 Language English 1168 169 **Business Economics** Public Administration 499 Research Areas 669 Government Law Included 669 2477 **SME Procurement** N Excluded Item Records 118

I	ncluded			
Publication Years	2020-2024	45	73	
Document Types	Document Types Article		5	
Language	English	36	4	
	Business Economics		10	
Research Areas	Public Administration	26		
	Government Law			
I	Included			
"SME Perform	"SME Performance" + Procurement		Excluded	
Itei	Item Records			
Included		35.668		
Publication Years	2020-2024	11085	24583	
Document Types	Article	9140	1945	
Language	English	8781	359	
	Business Economics		6303	
Research Areas	Public Administration	2478		
	Government Law			
Included		1000	33190	
Total Items I	1695	35759		

Next, the results of using PRISMA will be shown in relation to the screening of inclusion and exclusion criteria of the data sources to be used, with the following explanation:

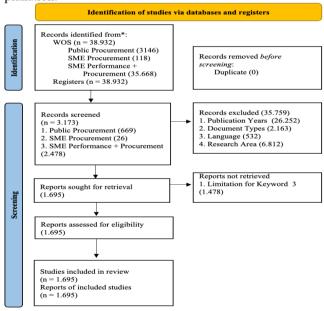


Fig 3. Arithmetic Filtering PRISMA Diagram

Referring to Table 5 and figure 3, it can be explained that the publication time criteria are between 2020-2024 (5 years). The keywords used are: (i). Public Procurement; (ii). SME Procurement; (iii). And Public Procurement + SME Performance. The reason underlying the use of these keywords is to refer to the research objectives that have been built. Based on the search for the keywords used, 38,932 data were generated (n =

38,932), while each keyword produced as much data: (i). Public Procurement - 3,146 data; (ii). SME Procurement - 118 data; and (iii). SME Performance + Procurement - 35,668 data. Furthermore, from the 38,932 available data, the following exclusion criteria were used: (i). Year of publication - 2020-2024; (ii). Document type - Article; (iii). Language - English; and (iv). Research area - Business Economics, Public Administration, and Government Law. Based on this, there are several criteria that describe some data:

- 1. The first criterion (Publication Year) has 26,252 excluded data;
- 2. The second criterion (Document Type) has 2,163 excluded data;
- 3. The third criterion (Language) there are 532 excluded data; and
- 4. The fourth criterion (Research Area) has 6,812 excluded data.

So, in this case the remaining data is 3,173 data by limiting the third keyword as much as 1,478 data. Therefore, there are 1,695 data in the form of articles that will be processed further (eligible articles).

### 1. Public Procurement

Based on the query "Public Procurement", the following results are obtained:

"Public Procurement" Item Records Included		N	Excluded
		3146	
		3140	
Publication Years	2020-2024	1550	1596
Document Types	Article	1337	213
Language	Language English		169
	Business Economics		499
Research Areas	Public Administration	669	
	Government Law		
Included		669	2477

Table 5. Output Query "Public Procurement"

Source: Web of Science (2024)

Based on Table 6, there are 669 eligible articles that will be analyzed at an advanced stage (*bibliometric*). A more in-depth analysis was also conducted by looking for the most relevant words that have the greatest frequency of occurrence from the 699 articles with the keyword Public Procurement. The following analysis shows what is meant:

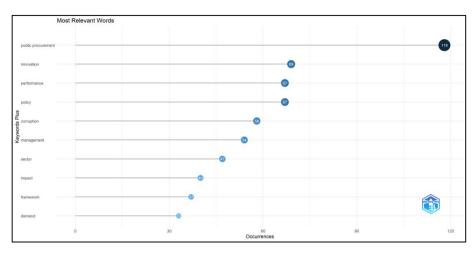


Fig 2. Most Relevant Words "Public Procurement" Source: Data processing results, with bibliometrix software, 2024

Based on Figure 4, it can be seen that there are at least 5 most relevant words in the 699 studies used namely; (i). Innovation - 69 occurrences; (ii). *Performance* - 67 occurrences; (iii). *Policy* - 67 occurrences; (iv). *Corruption* - 58 occurrences; and (v). *Management* - 54 occurrences. Next, we will show the development of the themes formed from the 699 *eligible articles*, the following figure shows what is meant:

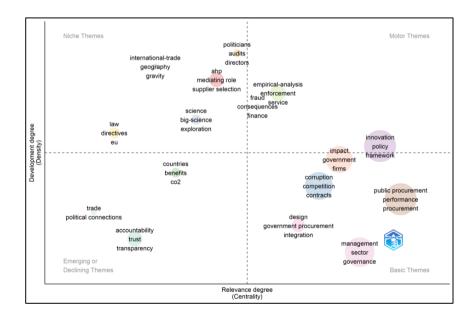


Fig 3. Cluster Analysis "Public Procurement" Source: Data processing results, with bibliometrix software, 2024

There are 4 quadrants divided in bibliometric cluster analysis (Agbo et al., 2021) namely: (i). Q1 Driving Theme located at the top right; (ii). Q2 Niche Theme located at the top left; (iii). Q3 Declining Theme located at the bottom left; and (iv). Q4 Basic Themes which is located at the bottom right. Furthermore, the vertical and horizontal lines represent how correlated and cohesive a node is, thus interpreting how important the nodes or keywords are in relation to the main theme (Agbo et al., 2021). (Agbo et al., 2021). Based on the data above, it can be seen that the keyword "Innovation" "Policy Framework" is between Q4 and Q1 which means that the aspects of innovation and policy frameworks are very important and related to Public Procurement, but still have moderate study development. Other keywords that have similar conditions are Corruption, Competition, Contracts, Design, and governance

### 2. SME Procurement

Based on the query "SME Procurement", the following results are obtained:

**SME Procurement** Item Records Excluded 118 Included Publication Years 2020-2024 45 73 Document Types Article 40 5 English 36 4 Language Business Economics Research Areas Public Administration 26 10 Government Law Included 92 26

Table 7. Output Query "SME Procurement"

Source: Web of Science (2024)

Based on Table 7, there are 26 eligible articles that will be analyzed at an advanced stage (*bibliometric*). A more in-depth analysis was also conducted by looking for the most relevant words that had the greatest frequency of occurrence from the 26 articles with the keyword Public Procurement. The following analysis shows what is meant:

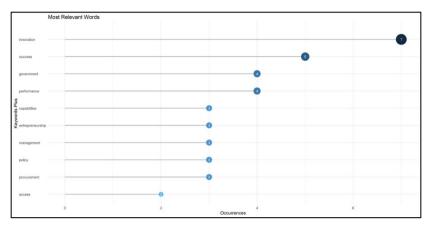


Fig 4. Most Relevant Words "SME Procurement" Source: Data processing results, with bibliometrix software, 2024

Based on the figure above, it can be seen that innovation is also the most mentioned of the 26 selected articles in the context of public procurement. This result is also consistent with the analysis of the first keyword (Public Procurement). Furthermore, there are at least 5 most relevant words, namely; (i). Innovation - 7 occurrences; (ii). Success - 5 occurrences; (iii). Government - 4 occurrences; (iv). Performance - 3 occurrences; and (v). Capabilities - 3 occurrences. Next, we will show the development of themes formed from the *eligible articles*, here is a picture that shows what is meant:

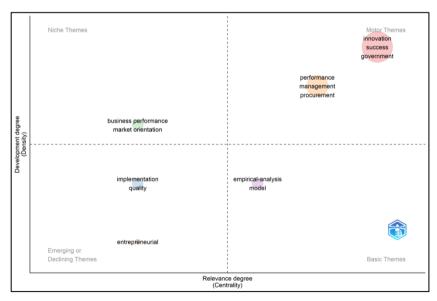


Fig 5. Cluster Analysis "SME Procurement" Source: Data processing results, with bibliometrix Software, 2024

Based on the data above, it can be seen that the keyword "Innovation" is between Q4 and Q1 which means that the innovation aspect is very important and related to SME Procurement, and also has a high study development. Other very specific keywords (Q2) have been developed (Business Performance; Market Orientation). This indicates that the variable areas in the SME Performance literature have grown and become broader (associated with business performance and market orientation) but less relevant.

## 3. SME Performance + Procurement

Based on the query "SME Performance + Procurement", the following results are obtained:

"SME Perform	ance" + Procurement	N	
Item Records		35,668	Excluded
I	ncluded	33.006	
Publication Years	2020-2024	11085	24.583
Document Types	Article	9140	1945
Language	English	8781	359
Research Areas	Business Economics		6303
	Public Administration	2478	
	Government Law		
Included		1000 (Limitation)	33190

**Table 6.** Output Query "SME Performance + Procurement"

Source: Web of Science (2024)

Based on the Table 8, there are 1000 (*limitation*) *eligible articles* that will be analyzed further (*bibliometric*). A more in-depth analysis was also conducted by looking for the most relevant words that have the greatest frequency of occurrence out of 1000 articles with the keyword Public Procurement. The following is an analysis that shows this:

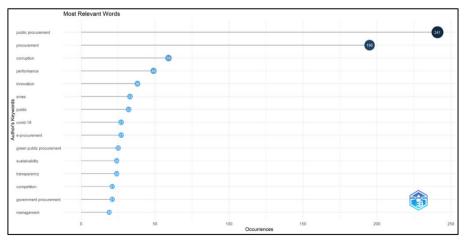


Fig 6. Most Relevant Words "SME Performance + Procurement" Source: Hasil pengolahan data, dengan Software bibliometrix, 2024

Based on the figure above, it can be seen that innovation is also one of the most occurring words from the 1,000 selected articles in the context of SME performance in procurement. This result is also consistent with the analysis of the first and second keywords related to *Public Procurement*). Furthermore, the 5 most relevant words include; (i). *Public Procurement* - 241 occurrences; (ii). *Procurement* - 195 occurrences; (iii). *Corruption* - 59 occurrences; (iv). *Performance* - 49 occurrences; and (v). Innovation - 38 occurrences. Next, we will show the development of the themes formed from the 1,000 *eligible articles*, the following figure shows what is meant.

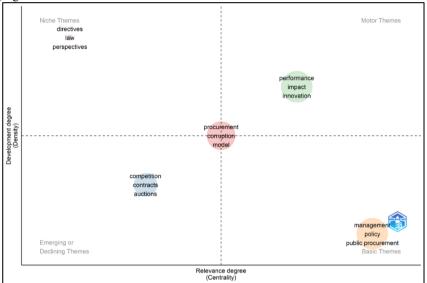


Fig 7. Cluster Analysis "SME Performance + Procurement" Source: Data processing results, with bibliometrix software, 2024

Based on the data above, it can be seen that the keywords "Performance", "Impact", and "Innovation" are among Q4 which means that the aspects of innovation, performance, and impact are very important and related to the procurement aspect and also have high study development.

### 5 DISCUSSION

Based on the results and analysis previously described, several conclusion points can be drawn with this research, namely as follows

1. Based on SEM analysis, the governance factor does not have a positive effect, indicating that good governance does not always have a direct impact on MSME performance. Factors that have a positive effect on MSME performance in the implementation of MSME participation policies in government procurement include government regulations, transparency of PBJP, MSME capabilities, market access, competition, and MSME performance. Appropriate government regulations can improve MSME performance, while transparency in the public procurement process increases MSME trust and participation. The ability of MSMEs to innovate, expand

their markets, and utilize technology also contributes positively to their performance. In addition, broad market access provides opportunities for MSMEs to grow and improve performance, and healthy competition encourages improvements in product and service quality. Finally, improved performance of MSMEs can increase their participation in government programs such as procurement of goods and services.

- 2. Related to the context of public procurement, in this study the authors try to incorporate a new perspective by factoring in the analysis of MSE governance and capabilities, often interpreted as innovation, into the study of public procurement. Through SLR analysis the emergence of the keywords "innovation" and "policy" in the theme analysis shows the relevance and rapid development in public procurement studies. While governance factors are generally regarded as important factors in improving organizational performance, this research shows that in the context of MSEs and participation policy implementation, other factors such as regulation, transparency, capability, market access, and competition play a more dominant role. As of February 2024, according to LKPP, out of a total of 628 UKPBJ in Indonesia, only 145 or 23% have reached maturity level 9/9 with Proactive status. LKPP as a regulator continues to encourage UKPBJ to reach level 3, the minimum standard of procurement governance with professionalism, adaptive organization, continuous learning, and collaboration with stakeholders. This condition shows the need for synergy and acceleration for UKPBJ that are not yet Proactive. (LKPP - Pemerintah, Lembaga Kebijakan Pengadaan Barang Jasa, n.d.).
- 3. While based on the results of this study using the SLR approach:
  - a) First, to answer the research objectives related to public procurement and its relation to Small Medium Enterprises (SMEs), in this case MSEs. Therefore, this study uses several keywords as the basis for searching data sources and is based on the WOS index. The keywords in question are: (i). Public Procurement; (ii). SME Procurement; and (iii). SME Performance + Procurement. The three keywords resulted in 38,932 data (n = 38,932). The next stage is to use several main criteria to get articles that are suitable for further processing. The criteria in question are:
    - The first criterion (Year of Publication) has 26,252 excluded data;
    - The second criterion (Document Type) has 2,163 excluded data;
    - The third criterion (Language) has 532 excluded data; and
    - The fourth criterion (Research Area) has 6,812 excluded data.

As many as 3,173 data were found by limiting the third keyword to 1,478 data. Therefore, there are 1,695 data in the form of articles that will be processed further (eligible articles).

Second, Analysis is divided into 4 namely: (i). Scientific Production; (ii). Word Frequency; (iii). Theme Cluster; (iv). Keyword Networks; and (v). Sankey Diagram. In the first keyword (Public Procurement), the results of the analysis show that studies related to public procurement experience an increasing trend every year, so the big theme of this research is not something new in the world of public procurement. However, its relationship with Governance, which is one of the variables used in the quantitative

analysis (Governance) of this research, is a novelty due to the lack of studies conducted. In addition, this study also uses the SME capability variable which can be translated as an Innovation. The emergence of the keywords innovation and policy in the theme analysis shows a very rapid development and is important (relevant) for the development of public procurement studies. This indicates that this research is already on the right development path. In addition, the third keyword (SME Performance + Procurement) shows an increasing trend, and innovation is one of the words with the largest frequency of occurrence. In addition, there are also occurrences of the keywords "Access", "Competition", and "Capability" in the SME Procurement keyword in the keyword network cluster analysis. The use of 5 analytical tools with different assistive instruments showed relatively similar results (triangulation). These results also support the quantitative findings regarding the significant influence of regulation, governance, capability, access, and competition.

## 6 CONCLUSION AND RECOMMENDATION

Based on SEM analysis, the governance factor does not have a positive effect so good governance does not always have a direct impact on MSE performance. Some of the factors that positively affect the performance of MSEs in the implementation of MSE participation policies in government procurement include the positive influence of government regulations that show that appropriate government policies can improve the performance of MSEs; transparency of PBJP that can increase the trust and participation of MSEs; the ability of MSEs to innovate, expand markets, and utilize technology; broad market access that increases opportunities for the development of MSEs; and healthy competition that encourages improvement in the quality of MSE products and services. In addition, improving the performance of MSEs also has a positive impact on the implementation of MSE participation policies in government programs, such as the procurement of goods and services.

Related to the context of public procurement, in this study the authors try to incorporate a new perspective by factoring in the analysis of MSE governance and capabilities, often interpreted as innovation, into the study of public procurement. Through SLR analysis the emergence of the keywords "innovation" and "policy" in the theme analysis shows the relevance and rapid development in public procurement studies. While governance factors are generally regarded as important factors in improving organizational performance, this research shows that in the context of MSEs and participation policy implementation, other factors such as regulation, transparency, capability, market access, and competition play a more dominant role. This is evidenced by the fact that currently, LKPP as a regulator continues to encourage UKPBJ as a representation of government procurement governance practices to reach maturity level 3.

Recommendations: The government should establish conducive regulations for MSEs, such as special budget allocations and open market access, to encourage the growth of MSMEs. The government also empowers MSEs through training programs,

mentoring, and licensing facilitation to improve their ability to innovate and utilize technology and increase the transparency of PBJP. In addition, LKPP needs to improve synergy and collaboration with various stakeholders, and then UKPBJ in each K/L/Pemda Government as operators must develop an institutional strategy that includes the development of PBJP Functional Human Resources and organizational and management arrangements, so as to open up opportunities for broad MSE participation.

The limitation of this research is only the involvement of MSEs in government spending through PBJP carried out by K/L/Pemda, not on MSE spending on household consumption, which is limited to MSEs that have experience in contracting at least once with K/L/Pemda. For future research, the research is expected to contribute to academic and scientific development, and the results can be a reference for future studies on the factors that influence the implementation of a policy implementation.

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