
Factors That Pose Challenges For MSMEs In Engaging With The Government Procurement Digital Marketplace

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Abstract:

Procurement of government goods and services is a very important activity in realizing development. Due to changes in conditions to save the National Economy, the government issued Presidential Instruction number 2 of 2022. LKPP responded by issuing a new policy to make it easier to spend on government procurement of goods/services with a focus on using micro, small and medium enterprise products. However, this policy has not had an impact on increasing the number of MSME providers and products in the Government Procurement Digital Market. Therefore, this article tries to analyze the factors that pose challenges for MSMEs in their involvement in the Government Procurement Digital Market. Study of the factors that pose challenges for MSMEs in involvement in the Government Procurement Digital Market using quantitative methods. Factors that pose challenges for the involvement of MSMEs in the Government Digital Procurement Market include: Policy Complexity, Available Resources, Involvement of Implementers and Interest Groups in the planning process, Consistency between Policy and Organizational Values, Leadership and Political Support, Openness Inter-Organizational Communication, Dependence on External Resources, Dependence on Technology & Human Resources, Dependence on Other Institutions.

Keywords: Government Procurement Digital Market, MSMEs, Transformation of Government Procurement of Goods/Services

1. Introduction

The impact of the COVID-19 pandemic has disrupted global economic growth, including Indonesia's economic growth, which has contracted in terms of economic activity, investment and consumption. In its policies, the government concentrates on three main things: health policies, social safety nets, and support for the private sector, especially to encourage Micro, Small and Medium Enterprises (MSMEs).

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MSMEs play an important role in the Indonesian economy as job creators, drivers of economic growth, and contributors to national income. However, MSMEs often face challenges in accessing larger markets, especially when it comes to goods and services purchased by the government. Government procurement is one industry that has a lot of potential for MSMEs to increase their business and give Indonesia the power to accelerate the spread and equitable distribution of industrial development in the region. Ultimately, this will enable equitable improvements in people's welfare and strengthen national resilience.

An important part of the national economic recovery after the COVID 19 pandemic was government procurement of goods and services. This mechanism helps economic growth by promoting growth through the creation of facilities and infrastructure. (Borrás and Edquist, 2013; Edquist, 2015). Public procurement policies aim to improve the economy for businesses and society through economic equity and sustainable development (Kamal, 2019; Liebman, 2016). The involvement of MSMEs in procurement is significant in opening a positive climate in the economy (Papilaya, Soisa, and Akib, 2015), but SMEs experience difficulties when entering the public procurement process (Mphela and Shunda, 2018). Some of the things that can affect MSMEs are related to the limitations of MSMEs in finding opportunities, negotiating prices as well as related to regulations or policies from the government (Tsygankov et al., 2021). This problem will affect the increase in income earned by MSMEs (Mali and Rachmawati, 2022).

In response to changes in conditions and in the context of saving the national economy, the government issued Presidential Instruction number 2 of 2022 concerning the Acceleration of the Use of Domestic Products and Micro, Small and Medium Enterprises Products and in order to succeed the National Movement of Proud to be Made in Indonesia (GBBI). LKPP responded to the Presidential Instruction by issuing the Decree of the Head of LKPP Number 122 of 2022 concerning Procedures for Implementing Electronic Catalogs on April 1, 2022. The amount of government spending through the Electronic Catalog is an opportunity to include as many products as possible in the Electronic Catalog to 1,000,000 products by the end of 2022 with various new policies to facilitate spending on government procurement of goods / services.

This significant change in the business process and procedures for implementing the Electronic Catalog has led to the procurement of goods and services by the government using electronic procurement methods, which are expected to help government programs to increase the empowerment of MSMEs. In addition, this change is also expected to make it easier for businesses to take part in government procurement of goods and services by registering their businesses and products on the Electronic Catalog platform. In its development, the utilization of the E-Purchasing system and the existence of the Electronic Catalog are increasingly showing its strategic role, indicated by the increasing number of products, providers, users, and the value of E-Purchasing transactions. Currently, economic activities are

starting to shift to the internet-based digital world, which became clear at the beginning of the COVID-19 pandemic which limited the ability of humans to interact directly. Many businesses are switching from conventional stores to online stores, which can serve customers in the midst of a pandemic by using the delivery method. This is a solution to keep economic activity going.

The business process of listing goods / services in Electronic Catalogs and Online Stores needs to be changed immediately, because so far the system only serves from the procurement side while the Government Procurement Digital Market has been integrated in terms of planning, budgeting, procurement, payment, delivery of goods and recording assets. In the implementation of this mandate, PT Telekomunikasi Indonesia Tbk, was appointed by the government to assist LKPP where one of the scope of assignments for the Acceleration of Digital Transformation is to create an Indonesian Government Procurement Digital Market system integrated with the Digital Payment Ecosystem which has the benefit of increasing the effectiveness, efficiency, transparency and accountability of state spending and empowering providers, most of which are MSMEs.

2. Theoretical Background

Impact of simplifying the business process of listing products in the Electronic Catalog

The problem is that in implementing policies to increase the participation of MSMEs in the Indonesian Government Procurement Digital Market, there are challenges faced, among others, as follows: Product display in the Electronic Catalog in 2022 is dominated by product display from providers with Non-MSME business qualifications with 1,597,794 products or 64 percent while the number of products displayed from providers with MSME qualifications is 895,747 products or 36 percent of the total number of products displayed of 2,493,151 in the Electronic Catalog. Some storefronts of medical devices, medicines, motor vehicles are still dominated by providers with non-MSME business qualifications.

The government has carried out several programs to increase the participation of MSMEs in the procurement of goods and services, including: training and mentoring programs directly to each region to help local MSMEs to directly list goods / services; collaborating with cooperative and SME offices in the regions to help MSMEs take care of licensing; cooperating with associations and MSME assistance to invite as many MSME providers to join the procurement digital market; collaborating with fintech to assist capital for MSMEs; for spending on MSMEs with a value of up to 50 million can be paid directly in advance using the Supply Money mechanism. Seeing the conditions that occur in the field, although various kinds of efforts have been made to encourage MSMEs to be involved in the procurement digital market, in reality the number of products and realization of MSMEs is still small when compared to Non-MSMEs. . The small contribution of

product views from Electronic Catalog providers with Micro and Small Business qualifications shows that the business process and product listing features in the Electronic Catalog application are not sufficient to facilitate MSME businesses to be able to display their products in the Electronic Catalog as listed in the following table.

Table 1. Development of Product Listing based on Provider Business Qualification in 2021-2022

Types of Electronic Catalogs	Micro Business			Small Business			Medium Business			Non-SME		
	2021	2022	% Changes	2021	2022	% Changes	2021	2022	% Changes	2021	2022	% Changes
National Electronic Catalog	-	34.226	-	4.119	79.919	1.840%	30.238	33.507	11%	46.258	1.198.283	2.490%
Local Electronic Catalog	-	307.090	-	2.400	329.901	13.646%	5.904	41.218	598%	3.321	166.396	4.910%
Electronic Catalog Sectoral	-	27.402	-	705	117.209	16.525%	2.088	36.069	1627%	7.262	121.931	1.579%

Data Source: Monev Report of the Directorate of Digital Market Procurement LKPP in 2022

Factors Influencing the involvement of MSMEs in Government Procurement of Goods/Services

Thuso and Shunda (2018) said that lack of transparency in the public procurement process, disproportionate eligibility criteria, and the burdensome nature of public procurement are the main reasons MSMEs are reluctant to participate in public procurement in Lagos, Nigeria. To increase MSME participation in public procurement, transparent procurement management must be guaranteed. The process is often competitive and very challenging for MSMEs when compared to large enterprises due to a number of reasons such as capital requirements, technical know-how, and others. To prevent the tendency of discriminating SMEs from public procurement, 'set-aside' and 'quota' policies are in place in several countries such as Canada, South Africa, India, and others (Lieban and Benyamin, 2019). The challenge of the involvement of MSMEs in government procurement of goods and services requires assistance from the government so that MSMEs can compete with large companies. Loader (2005) and MacManus (1991) as cited in Flynn and Davis (2016) observed that SMEs have consistently expressed their dissatisfaction with public sector tendering processes and procedures (Goh and Dooley, 2009). This view is echoed by Afande (2015), who asserts that many potential suppliers, including small and micro enterprises, may be reluctant to tender for public sector contracts due to a number of perceived or real barriers which include: opportunity information (including subcontracting opportunities); the belief that the processes involved in bidding are too complex and costly; not understanding the requirements fully; the tendering process, MSMEs do not always pass the initial selection stage. In Nigeria, Akenroye and Aju (2013) in their study on barriers to SMEs participation in public procurement using the Federal Capital Territory Abuja as a case study revealed that lack of clarity of information and incompetence are the most important barriers facing SMEs participation in public procurement. Lieban and Benyamin

(2019) stated that lack of transparency in the public procurement process, disproportionate eligibility criteria, and the burdensome nature of public procurement are the main reasons why SMEs are reluctant to participate in public procurement in Lagos, Nigeria. There are challenges in implementing the policy, such as limited access to technology and the lack of understanding of SMEs about the Government Procurement Digital Market (Rahayu and Raharjo, 2021). Another factor, Macpherson and Holt (2007) surmised that lack of skills to prepare good bids, tender costs and excessive documentation requirements are factors that deter MSMEs from participating in public procurement. Morrissey and Pittaway (2006) assert that payment delays and disproportionate qualification criteria are some of the factors that hinder SMEs' participation in public contracts.

In Indonesia, research on the Strategy for Strengthening the Economic Recovery of Micro, Small and Medium Enterprises (MSMEs) affected by Covid-19 in Malang District found that the government launched a national economic recovery program to make MSMEs a priority and develop MSMEs. There are many problems faced by MSMEs affected by the pandemic and the efforts the Malang Regency government has made to address these problems (Islam, 2021). The COVID-19 pandemic has impacted MSMEs, especially on labor income, credit repayment, and capital availability. The provision of social assistance, tax incentives, and expansion of working capital affected the growth of MSMEs during the COVID-19 pandemic. The government addresses these impacts by implementing priority support policies, credit restructuring, working capital credit, digitalization of MSMEs, tax incentives and social assistance (Masruroh et al., 2021). The pandemic has caused many problems for MSMEs. There needs to be a long-term plan that uses a roadmap for digital-based MSME development and encourages the government to work with businesses to empower MSMEs through corporate social responsibility (Kartiko and Rachmi, 2021).

Another factor is the availability of digital marketplaces, The rapid spread of the internet and the increasing use of smartphones triggered a huge transformation that took place in Indonesia. This shows that retail businesses have started the change by using digital technology. Small and medium businesses (MSMEs) are aware of the trend where customers are turning to online shopping. Eventually, marketplaces became a reliable place to connect MSMEs with consumers in a big way. To ensure economic resilience, the government is also providing stimulus to MSMEs. According to the Central Bureau of Statistics (BPS), people's interest in online shopping increased by 400 percent every month during the Covid-19 pandemic. The results of a 2020 study by Google, Temasek, and Bain and Company show that Indonesia has the highest digital economy transaction value in ASEAN. The value reached USD 44 billion, or equivalent to IDR 622 trillion, and is expected to reach USD 124 billion, or equivalent to IDR 1,752.9 trillion, by 2025. Selvaris and Kosnas (2020) conveyed the UK government's initiatives aimed at supporting SMEs in various aspects of business, including in their access to government procurement, including: training and development to MSMEs, partnership programs, funding,

collaboration and awards to MSMEs. According to Yang and Junsok (2020), the South Korean government implements strategies that are implemented to support MSMEs in government procurement through providing capital loans, marketing support and innovation. Meanwhile, Malaysia supports MSMEs in the form of simplifying MSME requirements in government procurement, education and training, collaboration with large companies and funding assistance (Charles, 2021). Ali, (2019) says practitioners and academics constantly list several problems that MSMEs, and in particular microenterprises, face when trying to access the public procurement market. Lack of knowledge about tender procedures or even difficulties in obtaining information, large contract values, sizable participation fees, and delays in payments by public authorities are among the most frequently mentioned barriers. Given that larger companies are also likely to reap the benefits of e-procurement solutions, it does not necessarily follow that MSMEs will be able to outperform larger competitors. Separating the two aspects can help refine MSME-friendly public procurement policies, by identifying measures that effectively facilitate MSME success in public tenders (Curran, 2018).

From the regulatory aspect of public governance modernization, according to Loader (2016) the importance of public procurement arrangements as an instrument of local governments to support the development of SMEs in the market is emphasized. The European Commission aims to improve public procurement practices, encourage the demand for innovative goods and services in Europe, and promote the uptake of innovation in the EU. The theoretical and practical legal issues of public procurement of innovations, which received limited discussion in certain academic management literature as the main analysis was carried out either before preparations for entering the EU began or immediately after Lithuania's accession (Kane and Shashank, 2018). Challenges that MSMEs in Thailand must overcome, such as quality control issues, payment security, and lack of awareness about the effectiveness of the e-commerce system. To strengthen Thailand's e-commerce ecosystem, it is necessary to consider the opportunities and threats associated with demographic factors, ICT workforce, infrastructure, and e-payment options. The use of big data analytics can also help in gaining insights into customer behavior and industry trends (McConnell, 2020).

Kamal and Mustofa (2020) say the Indonesian government's focus on the regulation of MSME empowerment through digitalization is essential to modernize the country's financial management and drive economic growth. While the system provides benefits to various parties, including government agencies, vendors, banks, auditors, and tax authorities, there are still some challenges that need to be addressed, such as platform exclusivity and tax compliance. It is necessary to educate vendors, especially MSMEs, about the benefits of joining this online marketplace. In addition, banks that own DIGIPay should be able to provide certainty, ease of access, and security with a variety of services.

Transformation of Public Procurement Regulations

In Indonesia, policies related to government procurement of goods/services have changed due to the issuance of Law Number 11 of 2020 concerning Job Creation. Presidential Regulation Number 12 of 2021 concerning Government Procurement of Goods/Services answers the mandate of the Job Creation Law to encourage MSME Empowerment to include goods/services produced by MSMEs in the Electronic Catalog, which is believed to have significant potential to increase MSME empowerment. The method of selecting providers of goods / construction work / other services consists of: E-Purchasing, Direct Procurement, Direct Appointment, Fast Tender, Tender.

Through Presidential Instruction Number 2 of 2022 concerning the Acceleration of the Use of Domestic Products and MSME Products and in order to succeed the National Movement of Proud to be Made in Indonesia (GBBI), all Ministries / Institutions and Regional Governments are instructed to spur spending on MSME Products. In addition, realizing at least 40 percent of the budget value of goods/services expenditure to use Domestic Products and MSME Products.

In response to the Presidential Instruction, LKPP issued the Decree of the Head of LKPP Number 122 of 2022 concerning Procedures for Implementing Electronic Catalogs. The amount of government spending through the Electronic Catalog is an opportunity to list as many products as possible in the Electronic Catalog to 1,000,000 products by the end of 2022 through the following policies: a) Simplification of the process flow for listing goods/services through the Electronic Catalog, which originally consisted of eight stages, now consists of two stages; b) Prioritizing the listing of Domestic Products and MSME products in the Electronic Catalog; c) Out of a total of one thousand trillion in government spending on goods/services, 40 percent is prioritized for spending on Domestic Products and MSME products through the Electronic Catalog.

One of the procurement methods regulated in Presidential Regulation Number 12 of 2021 and Presidential Regulation Number 16 of 2018 is E-purchasing, namely Procurement through Electronic Catalogs and Online Stores. The benefits of government spending through Electronic Catalogs and Online Stores are to drive and prosper the local economy, facilitate the shopping mechanism of M / I / RG as a database for national, sectoral and regional economic policy making. LKPP continues to encourage the use of domestic products and MSEs in the procurement of government goods / services, one of LKPP's efforts is to collaborate with the Ministry of Home Affairs to encourage Regional Heads to make procurement purchases through Electronic Catalogs and Online Stores. LKPP will optimize the use of Electronic Catalogs and Online Stores to make it easier for MSME players to sell their products to the government market. Thus, the existence of this platform is expected to help MSMEs in accelerating the MSME business recovery process during the Covid-19 pandemic.

Regulations regarding the implementation of Electronic Catalogs and Online Stores are regulated in LKPP Regulation Number 9 of 2021 concerning Electronic Catalogs and Online Stores in Government Goods/Services Procurement. Further arrangements are regulated technically in Deputy II Decree Number 38 of 2021 concerning Procedures for Implementing Online Stores. Regarding the implementation of the Electronic Catalog, there have been several changes to the rules, namely Deputy II Decree No. 61 of 2022 concerning Procedures for Implementing Electronic Catalogs which revokes Deputy II Decree No. 11 of 2021 concerning Procedures for Implementing Electronic Catalogs and the latest applicable is LKPP Head Decree No. 122 of 2022 concerning Procedures for Implementing Electronic Catalogs.

Changes in regulations can affect the effectiveness of the implementation of Electronic Catalogs and Online Stores, both in terms of Ministries / Institutions / Regional Governments as users and in terms of business actors as providers of goods / services. Several problems in the implementation of the Electronic Catalog and Online Store regulations. Both from the government side as the user of the Electronic Catalog itself and from the provider side as the party that provides goods/services. One of the problems that arises is providers who are unable to fulfill PPK requests due to unavailable product stock.

The existence of the Electronic Catalog along with the E-Purchasing process is intended as a media/platform and an easy alternative procurement process for actors in the procurement of Government Goods/Services. Transparent and open Electronic Catalogs create a competitive business climate, encourage the development of product quality at reasonable product prices, thereby encouraging the growth of the performance of domestic business partners. Overall, the Electronic Catalog is regulated in LKPP Regulation Number 9 of 2021 and was also regulated in LKPP Regulation Number 11 of 2018. In this case, LKPP Regulation Number 9 of 2021 revokes LKPP regulation number 11 of 2018 concerning Electronic Catalogs. The procedure for implementing the Electronic Catalog is regulated in LKPP Head Decree Number 122 of 2022 which revokes Deputy II Decree Number 61 of 2022 on the Procedure for implementing the Electronic Catalog. The Decree of the Head of LKPP Number 122 of 2022 on the Procedure for Implementing the Electronic Catalog has made many changes with the aim of making it easier and more efficient for MSME providers to register their products in the Electronic Catalog. Including the changes made are the stages of the process of listing goods/services in the Electronic Catalog; many stages have been eliminated that must be passed by companies to register their products in the Electronic Catalog.

Digital transformation of organizations (government and private) is a need for organizational and operational change in the era of the Industrial Revolution 4.0. This change is reinforced by the conditions of the Covid-19 pandemic which forces organizational actors to work outdoors, separate the distance between actors, use multi-devices, use resources simultaneously where data is interconnected, and

integrated using a cloud-based platform. Digital transformation, in government organizations in Indonesia, known as the Electronic-Based Government System (SPBE) in recent years is a series of continuous processes consisting of the SPBE transformation phase 2020-2024: Governance Strengthening Phase in 2020; SPBE Service Strengthening Phase in 2021; SPBE Infrastructure Strengthening Phase in 2022; ICT 4.0 Development Phase in 2023; ICT Development Phase in 2024. Digital transformation in order to improve government services in RI, in addition to the SPBE evaluation, is also strengthened by policies related to the implementation of Satu Data Indonesia (SDI) as a form of government response to the times and technological developments such as Big Data and Artificial Intelligence. This technology is able to collect, orchestrate data and services that exist in all fields and levels of government so that they become more cohesive, more harmonious and more transparent in providing excellent services to the public. Optimizing the use of MSME products in the Digital Transformation era is expected to ensure the independence and stability of the national economy. The industrial sector will be the driving force of the national economy, making Indonesia a producer country instead of an importer country, having the power to accelerate the spread and equitable distribution of industrial development throughout Indonesia, which in turn is able to improve the welfare of the Indonesian people fairly and equitably and strengthen national resilience.

Thus, it is very reasonable if one day government organizations will implement a marketplace platform by imitating the e-commerce model that has become a trend in Indonesia. Whatever the motive for adopting e-commerce business models into state financial governance, the government can learn from private marketplaces to improve the effectiveness and efficiency of government spending. The current condition of the marketplace in Indonesia shows that the needs of marketplace users in the procurement of goods / services in Indonesia have entered the integrative web stage which requires the ability to perform transaction and negotiation functions. In fact, more than that, users need a feature that can manage transactions in the form of planning data consolidation, business process optimization, monitoring and evaluation.

The right digital transformation scheme regarding the Electronic Catalog and Online Store business model to be able to increase the increased participation of MSMEs in government procurement consists of a number of elements, namely: regulations/policies, human resources and institutions (managers, developers, ministries/institutions, vendors), and platforms (hardware and software). The digital transformation scheme as mentioned must pay attention to the following: needs and constraints from users, benchmarking with implementation in other countries, compatibility with the SPBE-based procurement digital transformation roadmap, and the need to develop Electronic Catalogs and Online Stores into an integrated web.

The Digital Transformation scheme of the Electronic Catalog and Online Store business processes requires an integrated public procurement marketplace to be

built. This marketplace was developed by LKPP under the name of the Indonesian Government Goods and Services Procurement Digital Market. To assist LKPP in building the Procurement Digital Market system, Presidential Regulation No. 17 of 2023 on Accelerating Digital Transformation in the field of Government Procurement was issued by assigning PT Telekomunikasi Indonesia Tbk to plan, build, develop, integrate, operate and maintain the Electronic Procurement System and its supporting systems (one of which is the Government Procurement Digital Market system).

3. Methodology

The study on the factors that pose challenges for MSMEs in engaging in the Government Procurement Digital Market uses quantitative methods. Furthermore, qualitative interviews and FGDs were conducted involving actors involved in the Government Procurement Digital Market, namely business actors, LKPP, PP/PPK, Ministry of Cooperatives and MSMEs involved in the government procurement digital market. The results of the interviews were then analyzed and used as data describing the condition of the factors that pose challenges for MSMEs in the Government Procurement Digital Market.

4. Empirical Findings/Result

Government Regulation Number 7 of 2021 regulates 4 categories of qualifications for business providers in the Electronic Catalog, namely Micro, Small, Medium and Non-Micro Enterprises. This classification is based on the business capital (excluding land and buildings) owned by the business provider and its annual sales results.

Table 2. Grouping of provider qualifications based on PP No.7 of 2021

Business Qualification	Business Capital (Excluding land and building)	Annual Sales
Micro Business	\leq Rp 1.000.000.000	\leq 2.000.000.000
Small Business	$>$ 1.000.000.000 s.d. 5.000.000.000	$>$ 2.000.000.000 s.d. 15.000.000.000
Medium Business	$>$ 5.000.000.000 s.d. 10.000.000.000	$>$ 15.000.000.000 s.d. 50.000.000.000
Non SME	$>$ 10.000.000.000	$>$ 50.000.000.000

Source: Government Regulation No.7/2021 Article 35

Referring to the grouping of provider qualifications based on Government Regulation Number 7 of 2021, details of the number of providers that appear in the National, Sectoral, and Local Electronic Catalogs can be seen in Table 3. Table 3 shows that the total number of providers is 7,645 providers that appear in the National, Sectoral, and Local Electronic Catalogs. It can also be seen that there is enthusiasm from Small Providers involved in the implementation of procurement,

namely 3,158 providers (41.31%) who are currently live in the Electronic Catalog system.

With the creation of an SME-friendly public procurement system by the government, it has a very good potential in supporting national development. The role of the community is needed in national development. The involvement of MSMEs in the government procurement process is a good potential in the absorption of labor resources so that it contributes to the formation of the government's Gross Domestic Product (GDP) (Sarfiah, 2019).

Table 3. Number of broadcast providers by provider qualification in the National, Sectoral and Local Electronic Catalogs

Type Catalog	Provider Small	Provider Medium	Provider Non SME	Undefined	Amount
Catalog National	646	203	727	35	1.611
Catalog Local	1.624	191	1.148	204	3.167
Catalog Sectoral	888	311	1.574	94	2.867
Amount	3.158 (41,31%)	705 (9,22%)	3.449 (45,11%)	333 (4,36%)	7.645 (100%)

Source: LKPP 2022

The large number of suppliers involved in procurement through the Electronic Catalog is in line with the increase in the number of products displayed by suppliers on the Electronic Catalog page. As shown in Figure 4, Non-SME providers had the highest growth in product views from the beginning of 2022 to October 2022, followed by Small Providers and Medium Providers. In addition to the increase in the number of providers and product views, there was also an increase in the value of e-purchasing transactions. This can be seen in Table 4 and Figure 5 below.

Table 4. Transaction value by supplier qualification in National, Sectoral, and Local Electronic Catalogs

CATALOG TYPE	Undefined (Rp)	Non-SME (Rp)	Small Business (Rp)	Medium Business (Rp)	Micro Business (Rp)	Amount (Rp)
Nasional	22.246.940.000	11.321.668.756.911	1.026.101.283.369	835.856.103.944	393.654.004.736	13.599.527.088.959
Sektoral	45.108.195.660	16.608.954.253.218	1.319.338.844.130	801.470.078.257	450.487.400.850	19.225.358.772.115
Lokal	90.815.373.374	2.392.683.050.724	808.383.215.997	719.686.439.331	175.488.941.799	4.187.057.021.225
Total Transaksi	158.170.509.034	30.323.306.060.854	3.153.823.343.495	2.357.012.621.531	1.019.630.347.385	37.011.942.882.299

Source: LKPP 2022

Based on Table 4, it can be seen that the largest transaction value in the procurement process is still dominated by Non-SMEs in the Sectoral Electronic Catalog transaction with a total transaction value of IDR 30,323,306,060,854. For micro,

small and medium enterprises with a total percentage of transactions in the range of 2.3% to 19.3% can be seen in Figure 5. MSME participation has been quite high in participation and product display, but not high enough as expected by the government. Especially in the transaction process, it turns out that MSMEs still cannot dominate, and the role of Non-SMEs is still higher.

Factors that pose challenges to the involvement of MSMEs in the Government Digital Procurement Market based on the results of interviews and FGDs are as follows:

1. Policy Complexity:

The provisions contained in the Regulation of the Decree of the Head of LKPP Number 122 of 2022 concerning Procedures for Implementing Electronic Catalogs have had an impact on the difficulties for MSME Providers, including: difficulty in fulfilling the requirements for the inclusion of Goods/Services related to the fulfillment of provider terms and conditions, business licenses, taxes, deeds of establishment and their amendments, blacklist status and price formation structure. MSME providers also find it difficult to comply with all aspects of licensing based on applicable laws and regulations in the Electronic Catalog. Another difficulty is in determining the unit price of the products displayed, guaranteeing product warranty. MSME providers have difficulty in meeting the qualification criteria required in the registration announcement document. From the buyer's side, in this case PP/PPK, there are also concerns about transacting with MSME providers because licensing constraints result in administrative and legality requirements for MSMEs to enter the public procurement process. The problem of MSMEs that still do not have business licenses and other licensing aspects that slow down transactions with MSME providers for the purchase of Government Goods/Services.

2. Available resources (infrastructure):

One of the barriers for MSMEs in adopting e-marketplaces is infrastructure barriers. MSMEs tend not to adopt e-marketplaces if there are still fundamental issues that will determine the sustainability of the e-marketplace. These infrastructure barriers include technological barriers (especially computers and the internet), inadequate telecommunications and internet networks, high access costs, access to computing equipment, and logistical readiness. The ability of MSME providers to distribute their products and the inability of MSMEs to fulfill bulk purchases. MSME providers, especially micro businesses, are generally household industries that are accustomed to conducting face-to-face sales transactions and are constrained by infrastructure such as computers, networks, which strengthens the reluctance of MSMEs to join the Government Procurement Digital Market. Although LKPP has massively invited MSME providers to join, MSME providers are still reluctant to try to change their trading patterns online due to these infrastructure constraints.

3. Technology and Human Resource Dependency Factors:

The weak adoption of MSMEs on the e-marketplace platform in the government sector is characterized by the low qualification of MSMEs to participate in

procurement (Lawrence & Tar, 2010). In terms of transactions between MSME providers and PP/PPK, they experience difficulties in conducting E-Purchasing with price negotiation methods and mini-competitions. PP/PPK also experience concerns about transactions with MSME providers related to quality assurance and service of goods/services in the form of: authenticity of goods. Regarding the timeliness of delivery, MSME providers have difficulty in appointing distributors/resellers/work executors/shippers of goods in the context of implementing E-Purchasing transactions.

The ability of MSME human resources and administration in the provision of goods/services for government procurement packages is one of the inhibiting factors. The HR and administrative capabilities of these MSMEs must be able to compete with non-SME providers. The competence of workers of MSME providers is still limited in having workers with adequate abilities, who have competencies related to technology and digitization, and competence in data analysis. The more products that enter the catalog, the tighter the competition, so MSME providers need to carry out promotions to introduce their products. In terms of information technology, government spending through the Procurement Digital Market raises doubts in terms of compatibility and technological complexity related to data integration, data complexity and the ability to exchange data in real time. Moreover, the process of transitioning to the latest version of the Catalog often has obstacles that cause the application to be inaccessible and result in failed transactions. Related to payment documentation that is still collected manually, of course, it has an impact on delays in payments.

4. Factor Dependence on external resources (capital):

The main obstacle to MSME providers being reluctant to join government procurement in general is the reason for payments made after goods/services are received. Limited business capital is one of the obstacles for MSMEs to develop. The lengthy payment process associated with collecting and validating proof of payment severely disrupts the cash flow of MSME suppliers. This is due to the complex documentation process required to issue payment for purchased products. In terms of profit, MSME providers feel that transacting on the Government Procurement Digital Market is still lacking, this is due to the low selling price and high distribution costs. In addition, transactions on the Government Procurement Digital Marketplace require high costs related to equipment, initial investment, and maintenance costs. Capital assistance for business development is something that is urgently needed for MSME providers to be able to continue to exist in government procurement through the Government Procurement Digital Market.

5. Leadership and political support factors: .

The challenge for MSMEs to adopt e-commerce/e-marketplace is also determined by the relevant public policy climate (Greer, 1989; Loader, 2005). In Indonesia itself, the focus of effective and efficient government spending mechanisms is highly dependent on the focus of the leadership and the political conditions targeted at that time. The impact of the Covid 19 Pandemic has made a turning point for the Indonesian government to change course from previously

still loosening the rules regarding the use of imported products, but now it is strictly limited to a maximum of 5% (five percent) of the realization of spending on imported products. The government is currently strongly encouraging government goods / services shopping transactions using Domestic Products and MSME Products in order to improve Indonesia's economic conditions after the Covid 19 Pandemic. It needs support from various sectors from upstream to downstream related to achieving these targets. LKPP as the compiler of government goods / services policies and as the manager of the digital procurement market has the mandate to encourage the downstreaming of MSME and PDN products in government spending through the Electronic Catalog.

6. Openness and communication factor between organizations regarding product quality and risk:

The quality of products from MSME providers generally does not meet or comply with technical specifications, making it difficult for MSMEs to meet the product standards set by the government. The process of listing goods/services in the Electronic Catalog currently no longer has a curation process, so during the purchasing process PP/PPK needs to ensure the quality of the products to be purchased. The constraints of transactions with MSME providers are that some of the products are not standardized, which makes PP/PPK worried about transacting with MSME providers.

Risk factors are no less a consideration for MSMEs to join the Government Procurement Digital Market, the reasons include: the inconvenience of providing personal information through the system, concerns about using the system because other parties can access personal accounts, feeling unsafe sending information through the system, feeling that all risks in the Procurement Digital Market are very high related to the security built by the system is not strong enough to protect personal finances, data ownership, and information security that is prone to hacking and exploitation.

7. Dependence on other institutions in the policy system:

The results of this study show that there are 29 ministries/institutions that implement 120 MSME empowerment programs, 21 of which are proposed to be flagship programs because of their sustainability, have a large enough budget and coverage of recipients, and target vulnerable groups, such as the poor and women. Many programs focus on empowering micro and small enterprises, while programs to build HR competencies and market expansion have a relatively small scope and do not have clear targets. In addition, overlapping beneficiaries cannot be identified because there is no system to present integrated data on MSME management. From the results of interviews with stakeholders, the synchronization process is a fundamental thing that needs to be done by the Indonesian government. Various MSME empowerment programs have been implemented by various ministries/institutions, whether for financing, mentoring, training, or business incubators. However, so far the implementation has been carried out by each ministry/institution without being well coordinated. Coordination is still limited and has not been carried out by one institution that has full authority to carry out the coordination function.

Kemenkop UKM is an institution appointed as the leading sector of MSME empowerment in Indonesia that has the task and function of coordinating and aligning programs between sectors together with Bappenas for planning and the Coordinating Ministry for Economic Affairs for harmonizing policies between sectors. However, the authority and resources of Kemenkop UKM are still limited to perform cross-sector coordination functions because the ministry also performs the technical function of implementing MSME programs. This limited authority and budget have hampered the ministry's ability to coordinate policies and harmonize databases. Currently, there is potential for overlapping recipients of MSME empowerment programs, especially financing programs. An integrated database and one-stop reporting can be a solution. With a note that integration is carried out by the Ministry of Cooperatives and SMEs, which has full authority to request data, information, and reports on program implementation in each Ministry implementing the MSME program.

Dependence on Technology & Human Resources: In some regions, especially in rural or remote areas, the technology infrastructure may not be good enough. This can affect the quality of internet access, connection speed, and availability of electricity required to run online transactions. Building adequate technology infrastructure can be expensive, especially for MSMEs with limited resources. The cost of purchasing hardware, software, and training staff to use it can be prohibitive. Relevant parties can assist MSMEs in accessing the necessary resources, such as funding, raw materials, technology and markets. This can be done through subsidy programs, loan assistance, or access to wider business networks..

5. Conclusions

The role of Micro, Small, and Medium Enterprises (MSMEs) in the digital marketplace of government procurement in Indonesia is crucial in order to drive economic growth, expand business opportunities, and increase private sector involvement in government projects. The Indonesian government itself has programs to encourage MSME participation in government procurement, including through digital platforms. By strengthening the role of MSMEs in the digital marketplace of government procurement, Indonesia can achieve greater economic benefits, create jobs, and support the development of a more diverse business sector. Factors that pose challenges to MSME engagement in the Government Digital Procurement Market include: Policy Complexity, Available Resources (infrastructure), Dependence on Technology and Human Resources, Dependence on External Resources (capital), Leadership factors and political support, Openness and communication between organizations regarding product quality and risk, dependence on other institutions in the policy system.

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