

Local Entrepreneurs Involvement in the Procurement of Goods and Services by the Regional Government

(Case Study: Construction Service Business Entities in Banten Province)

Ahmad Romani¹, Bambang Priyambodo², Mardiaman³, Pio Ranap Tua Naibaho⁴,
Manlian R. A. Simanjuntak⁵, Ernamaianti⁶

^{1,2,3,4} Program Studi Magister Teknik Sipil, Universitas Tama Jagakarsa

⁵ Program Studi Teknik Sipil, Universitas 17 Agustus 1945 Jakarta

⁶ Program Studi Teknik Lingkungan, Universitas Riau

Email: ahmad.romani1989@gmail.com; bbpriyambodo2018@gmail.com; mardi240967@gmail.com;
piorthnaibaho@gmail.com; manlian.adventus@gmail.com; yantibioling@gmail.com

ABSTRACT

The Banten Provincial Government continues to encourage the involvement of local business actors in procurement of goods and services, as effort to encourage job opportunities and economic equality in Banten Province. In 2024, the construction business sector will contribute 11.69% to the Banten Province economy. Based on the explanation above, this study aims to distribution mapping and to determine the level of local entrepreneurs' involvement in construction and consulting projects in Banten Province. The research method is literature study and in-depth interviews with purposive sampling. The research location is Banten Province. Descriptive method used to analyze the distribution and involvement of local business company, and the Relative Importance Index (RII) method used to calculate the inhibiting factors. The results of this study shown as follow: there is 2,261 units of Construction Service Business Entities (BUJK) in Banten Province, with 29,85% concentrated in Tangerang Regency. In Banten Province, 92.26% involved as construction service, and 7.74% involved as consultant services. The level of involvement of local business actors in Banten Province in construction projects is 70.01%. Meanwhile, the involvement of local consultant entrepreneurs is 29.99%. The obstacle for local entrepreneurs not being able to get involved in their own business environment (company domicile) is 60.4% because the work is only controlled by certain individuals and 18.9% stated that local entrepreneurs lack the finances to carry out government projects.

Key words: construction services business entities, inhibiting factors, construction service, consultation service, projects, procurement.

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INTRODUCTION

Banten Province as one of the provinces in Indonesia that is experiencing rapid development in the construction of construction services, especially the infrastructure sector, is continuously striving to accelerate infrastructure development in the Region, until now the region certainly has challenges and problems and issues related to the complexity of data and information related to Construction Business Entities such as the relative lack of implementation of the principle of justice for Business Entities to get work or activity packages from service users which results in a gap between business entities, therefore it needs to be fixed immediately. This can also occur due to the lack of construction workers who have skilled expertise and do not yet have a Work Competency Certificate as a form of recognition of expertise, resulting in unhealthy competition in the goods/services procurement system

The distribution of local entrepreneurs' involvement in construction and consulting

projects is not only limited to one region, but is spread across various regions in Indonesia. Their involvement is influenced by factors such as resource availability, government support, and project potential. The involvement of local entrepreneurs in construction projects can be seen in various types of projects, such as housing, commercial buildings, industry, infrastructure, public transportation, energy, and utilities. Local entrepreneurs are also involved in consulting projects, such as planning, supervision, and project management.

The objectives of this study are: (1) How is the distribution of Construction Service Business Entities (BUJK) in Banten Province. (2) What is the level of involvement of local entrepreneurs in construction service and consulting service projects in Banten Province. (3) What is the Minimum Income Level of Construction Service Business Entities (BUJK) Projects for Local Entrepreneurs with Small Qualifications in Banten Province. (4) What are the factors that influence

the involvement of Local Entrepreneurs in Construction Service & Consulting Service projects in Banten Province.

RESEARCH METHODOLOGY

The methodology to determine the distribution of local entrepreneurs' involvement in construction and consulting projects can be interpreted as an approach used to identify and map the geographical locations where local entrepreneurs are involved in construction and consulting projects. This approach involves data collection, analysis, and mapping to understand the pattern of local entrepreneurs' involvement in various regions.

Data Collection includes: Construction Project Identification and Consultation: Conducting surveys or collecting data from various sources, such as government project databases, non-governmental organizations, or construction associations, to identify relevant projects. Data Analysis is descriptive analysis (identifying general characteristics of local entrepreneur distribution, such as the number of entrepreneurs in each area, the most common types of involvement, and possible geographic patterns. Spatial Analysis: Using a geographic information system (GIS) to map the distribution of local entrepreneurs and relate them to project locations. This allows for the

identification of clusters or patterns of involvement that may be associated with specific geographic locations. Relationship Analysis: Examining the relationship between local entrepreneur involvement and other factors, such as project type, project value, and local resource availability.

RESULT AND DISCUSSION

Distribution of Local Construction Service Business

According to identification and survey data (sourced by associations and the Banten Provincial Public Works and Public Housing Agency), there were 2,261 Construction Service Business Entities (BUJK) in Banten Province in 2024. This includes 2,086 Construction & Other Services Business Entities and 175 Consulting Services Business Entities. The distribution of these BUJK is presented in Table 11 and Figure 1 below.

Based on regional data processing, the distribution of Construction Services Business Entities (BUJK) in the construction sector is dominated by Tangerang Regency, with 591 Business Entities, while the dominant region in the construction consulting sector is Serang City, with 72 Business Entities operating in different regencies/cities.

Table 1. Distribution of *BUJK* by Regency/City in Banten Province

Regency/city	Construction Service	Consultant Service	Total	
	Units	Units	Units	%
Lebak Regency	52	7	59	2,61
Pandeglang Regency	119	19	138	6,10
Serang Regency	119	1	120	5,31
Tangerang Regency	591	16	607	26,85
Cilegon City	192	6	198	8,76
Serang City	187	72	259	11,46
Tangerang City	407	22	429	18,97
Tangerang Selatan City	419	32	451	19,95
Total	2.086	175	2.261	100,00

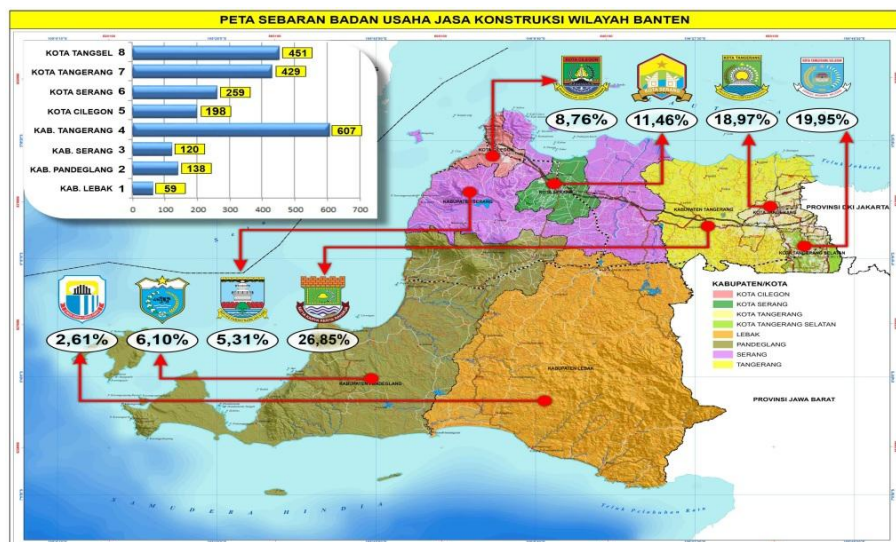


Figure 1. Map Distribution of BUJK in Banten Province

Based on the image above, it can be seen that the distribution of the number of companies/businesses in the Construction Services Sector in Banten Province is dominated by Tangerang Regency with 607 companies/business entities, South Tangerang City with 451 companies/business entities and the smallest distribution is in Lebak Regency with 59 companies/business entities.

Based on the type of construction service business (BUJK) consists of construction services and consulting services. In each city/district in Banten Province, the construction business sector still dominates, where in each district/city the number of construction sectors is greater than the number of consulting services sectors.

The involvement of local entrepreneurs can vary depending on the type of project, such as housing projects, commercial buildings, or road and bridge infrastructure. The location of the project also affects the distribution of local entrepreneur involvement. Projects located in areas with higher economic growth tend to have more local entrepreneurs involved. Good project management is essential to ensure local entrepreneur

involvement and the efficiency of the construction project.

The distribution of local business involvement in construction projects is generally concentrated in Tangerang Regency, with 26.847% or 607 entities. Based on the **Fig. 1**, it can be seen that the distribution of the number of companies or businesses in the Construction Services Sector in Banten Province is dominated by Tangerang Regency with 607 companies/business entities, South Tangerang City with 451 entities and the smallest distribution is in Lebak Regency with 59 companies/business entities.

Based on the type of construction service business entities (BUJK) consists of construction services and consulting services. In each city/district in Banten Province, the construction business sector still dominates, where in each district/city the number of construction sectors is greater than the number of consulting services sectors. The distribution and number can be seen in Table 2 and Figure 2 below.

In Banten Province, 92.26% involved as construction service, and 7.74% involved as consultant services, distributed as shown.

Table 2. Distribution of the Number of Goods and Services Procurement in the Banten Region in 2023

No	Provider	Types of Procurement in 2023				Total Project
		Construction	Consulting	Other Services	item	
1	Banten Province	2.626	1.323	7.723	6.690	18.362
2	Lebak district	558	252	1.925	2.195	4.930
3	Pandegelang district	796	319	562	2.533	4.210
4	Serang district	381	430	1.850	3.714	6.375
5	Tangerang District	5.769	562	4.841	8.282	19.454
6	Cilegon City	627	472	1.514	1.397	4.010
7	Serang City	541	604	1.938	3.863	6.946
8	Tangerang City	1.210	647	2.162	6.209	10.228
9	Tangerang Selatan City	2.374	1.127	3.902	10.784	18.187
Total		14.882	5.736	26.417	45.667	92.702

Source: Analysis results, 2025

Involvement of Local Entrepreneur in Construction and Consulting Projects

The involvement of local entrepreneurs can be varied depending on the type of project, such as housing projects, commercial buildings, or road and bridge infrastructure. The location of the project also affects the distribution of local entrepreneur involvement. Projects located in areas with higher economic growth tend to have more local entrepreneurs involved. Good project management is essential to ensure local entrepreneur involvement and the efficiency of the construction project.

The involvement of local entrepreneurs in Banten Province is in accordance with the Business Entity Certificate (SBU) based on the expertise and disciplines that have been owned by local entrepreneurs. In Banten Province, there are 476 small-scale companies/business entities, then there are around 27 medium-scale companies, 7 large-scale and specialist companies each.

The involvement of local entrepreneurs in Banten Province in construction projects is 70.01%. Meanwhile, the involvement of local consultant entrepreneurs is 29.99%. The largest involvement

of local entrepreneurs is in Tangerang Regency with 429 BUJKs spread across all Sub-districts. Procurement of goods/services funded by the Regional Budget (APBD/APBN) in the regions is required to implement electronic procurement for some or all packages. 43.1% of local companies operating in Banten Province have been operating for more than 10 years. Only 3.9% have been operating for less than one year.

Local companies have been involved in or received work/procurement contracts (PBJP) at the Regency or City level in Banten Province. The highest level of local business involvement in PBJP projects is at the Banten provincial level, at 64.2%. The second highest level of local business involvement is in Pandegelang Regency, at 45.3%, and Serang Regency, at 30.2%, is third. Meanwhile, the lowest level of local business involvement is in Tangerang Regency, at 15.1%.

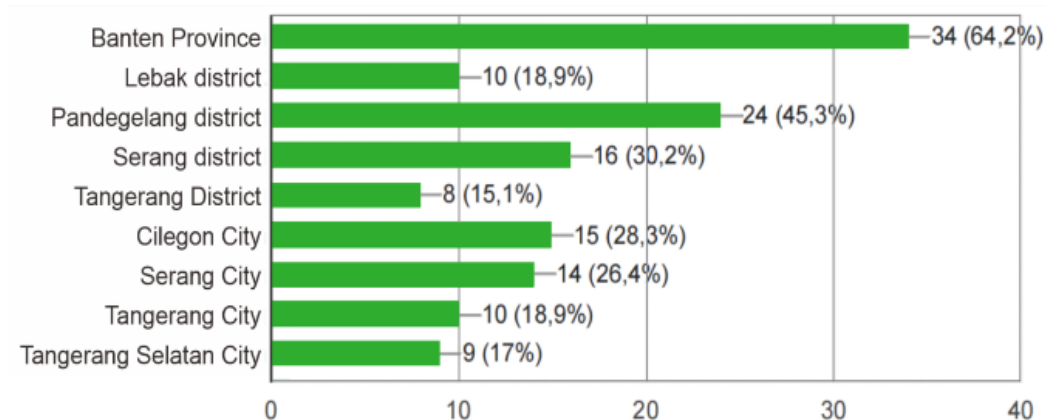


Figure 4 Local Companies Involved in PBJP Projects in Banten Province

Local entrepreneurs believe that association involvement plays a crucial role in the absorption of local entrepreneurs, which is 88.2%. The togetherness and solidarity of local entrepreneurs is crucial for building regional economic strength. With strong solidarity, entrepreneurs can support each other, share market information, and face challenges together, such as major business competition or uncertain economic conditions. However, in practice, many entrepreneurs still operate independently due to a lack of communication channels, unhealthy competition, or differing visions.

Minimum Income Level for Local Entrepreneurs in Construction and Consulting Projects in Banten Province

The minimum income level for local entrepreneurs in construction projects is not specifically set as a percentage. However, there are provisions and practices aimed at ensuring local entrepreneurs receive opportunities and a fair share in construction projects, particularly government projects.

The value (Rupiah) of work earned by local entrepreneurs in Banten Province in 2023 is 58.5% (Rp 0 to 250 million); 17.1% (Rp 500 million to 1 billion); 12.2% (More than 1 billion to 2.5 billion) and 7.3% (> 2.5 billion).

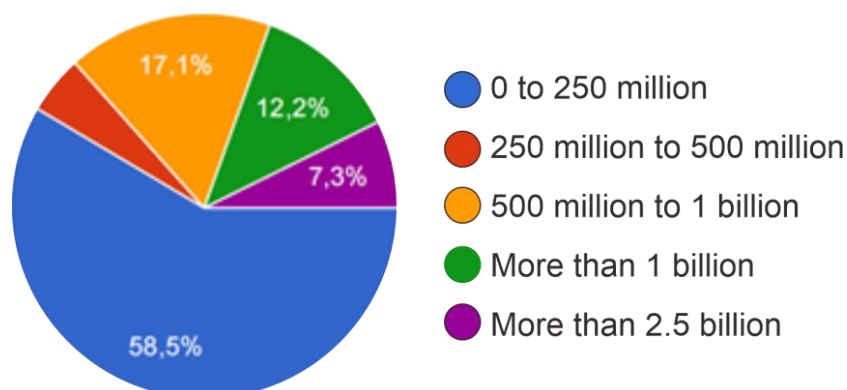


Figure Local Entrepreneur Income in Banten Province

Inhibiting Factors on Local Entities Involvement on Regional Procurement

The main factors influencing local entrepreneur involvement in construction and consulting projects in Banten Province are government policies, availability of local resources, regulatory ease, networks, relationships, communication, collaboration, association involvement, education, and training.

Based on general opinions from local entrepreneurs regarding local entrepreneur involvement in construction and consulting projects in Banten Province, existing and implemented tender and qualification requirements support local entrepreneur involvement, with 52.7% of participants participating. This is illustrated in the pie chart below.

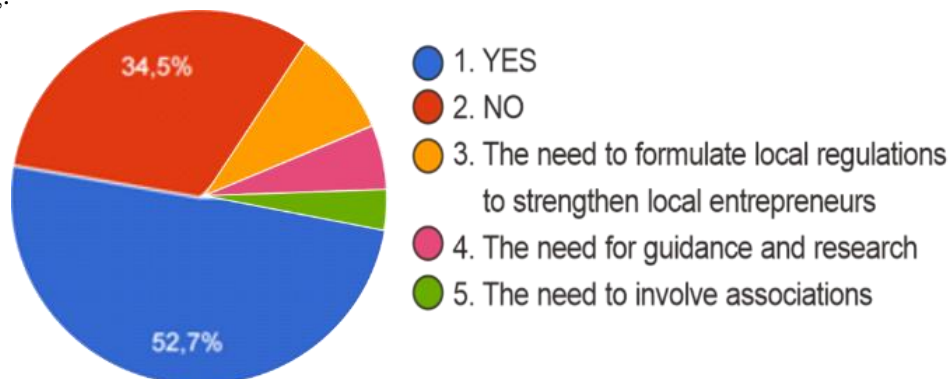
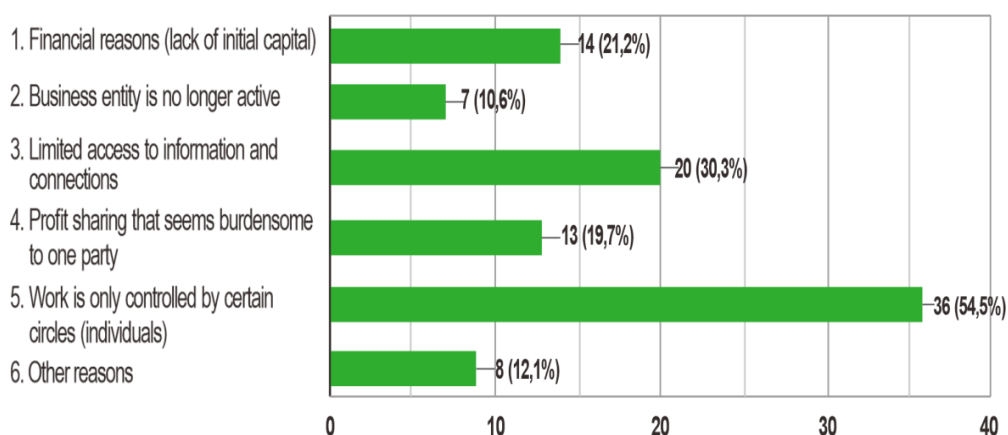


Figure Respondents Opinion about Guidance for Local Business Entities

A total of 25.5% of respondents stated that the regional government, specifically the Banten Provincial Government, has provided low-interest credit facilities for local entrepreneurs interested in participating in construction projects. Respondents also stated that 76.5% of the local workforce is currently competitive (in terms of education and skills) with external workers in implementing construction projects. Local construction workers generally receive higher salaries than non-local workers, by approximately 37.3%.

Based on questioners addressed to local construction service companies, there are at least 5 (five) inhibiting factors which are:

1. Lack of initial capital,
2. Inactive business entities
3. Limited access to procurement information
4. Burdensome profit sharing
5. Controlling
6. Any other reasons, as shown on diagram below.



Obstacles to Local Entrepreneurs Not Engaging in Work within Their Own Company Domicile

As shown in the figure above, in the service provider area, there are also a number of important factors that influence the development of the construction sector, such as business actors, workers and the supply chain that determine the success of the

construction service provision process, which drives socio-economic growth.

CONCLUSSION

The conclusion of this study is:

- 1) Construction Service Business Entities (BUJK) in Banten Province are spread across

- every regency/city, with the predominant distribution being in Tangerang Regency.
- 2) The level of company involvement in construction projects in Banten Province is dominated by companies located in Tangerang Regency. This involvement stems from special internal company relationships, resulting in minimal direct involvement of local entrepreneurs in projects in Banten Province.
 - 3) The minimum standard level of company revenue in construction projects in Banten Province remains low, but still sufficient to cover annual circulating needs.
 - 4) The main factors influencing the involvement of local entrepreneurs in construction and consulting projects in Banten Province are government policy, availability of local resources, ease of regulation, networks, relationships, communication, collaboration, association involvement, education, and training.
 - 5) Local entrepreneurs face obstacles in being unable to participate in their home environment (where the company is domiciled) because the work tends to be controlled by certain individuals. Furthermore, local entrepreneurs face financial constraints in undertaking government projects.
- Recommendations from this study are as follows:
- 1) There is a need to establish a Regional Regulation/Gubernatorial Regulation/Regent Regulation/Mayor Regulation on the Involvement of Local Entrepreneurs in Government Projects in the Domicile of Local Companies.
 - 2) There is a need for a study to provide low-interest/no-interest capital loans to local entrepreneurs so that local entrepreneurs can be involved in government projects in their own environment.
 - 3) Strengthen institutional capacity, increase community participation in supervising the implementation and provision of buildings;
 - 4) Prepare a recommendation document for controlling the role and responsibilities and obligations of business entities from the aspect of business licensing in the implementation of development of construction service business entities.
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