

ABSTRACT

This study is aimed to explore the impact of competition in public procurement on government expenditure. Using competitive bidding model adapted from previous research this study tries to analyze the effect of competition in terms of number, distance and net assets of bidders and project size on construction cost. This study also analyze the simultaneous effect of those variables on construction cost.

This study uses data on e-tenderring process of 50 construction projects in the e-procurement unit in Ministry of Finance. The hypothesis to be tested in this study is that number and net assets of bidders and project size negatively effect construction size while distance of bidders positively effects construction cost. Linear regression is used to analyze the individual effect of each variable on construction cost. Analysis of varians (ANOVA) is used to test the simultaneous hypothesis that all those variables simultaneously effect construction cost.

The analysis proves that under competitive e-tenderring process number and net assets of bidders and project size negatively effect construction cost. Meanwhile, the distance of bidders has no effect on construction cost. This study also proves that those variables simultaneously effect costruction cost.

Keywords: competition, public procurement, government expenditure, e-procurement.