

The Influence of Asset Management on Optimizing the Utilization of Fixed Assets in Batu Bara Government

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ABSTRACT

Governance in Indonesia has experienced significant changes since the post-Reformation era of 1988, particularly with the implementation of Law Number 22 of 1999 on Regional Government, which initiated the decentralization of authority from the central to regional governments. This implementation was further reinforced by Law Number 32 of 2004, which emphasized the obligation of regional governments to manage their own affairs based on the principle of autonomy. This study examines the influence of asset management on the optimization of fixed assets in the Government of Batu Bara Regency. The population in this study consisted of 99 employees distributed across 35 work units, resulting in a sample of 79 respondents representing the population. The analysis method used was Partial Least Square (PLS), with questionnaires distributed to 79 respondents. The results showed that asset inventory did not have a significant influence on the optimization of fixed assets, whereas asset legal audit and asset valuation had a positive and significant influence. Asset supervision and control were found to moderate the influence of asset inventory on the optimization of fixed assets, but did not significantly moderate the influence of asset legal audit and asset valuation.

INTRODUCTION

Governance in Indonesia underwent fundamental changes after the 1988 Reformation, especially in terms of regional asset management. This change is regulated in Law Number 22 of 1999 concerning Regional Government, which gives greater authority to regional governments to manage affairs independently with the principle of autonomy (Jawandi & Damanhuri, 2017). This principle is strengthened through Law Number 32 of 2004 which mandates regional governments to regulate and manage their assets optimally. In the context of good governance, management of Regional Property (BMD) is an important aspect, including the management of fixed assets such as land, buildings and other infrastructure controlled by the regional government (Maulidiah, 2017). The aim of asset management is to increase the efficiency of resource use, as well as support sustainable development and community welfare.

However, in practice, many local governments face various obstacles in managing their assets. The main challenges that often arise are the lack of accuracy in asset inventory, unclear legal status of assets, errors in assessing asset values, and weak asset monitoring and control systems (Siahaan, 2018). Improper asset inventory can lead to inaccurate asset data or even loss of assets, while incomplete legal audits lead to legal uncertainty regarding asset ownership or use. In addition, an inappropriate asset valuation process can also result in undervaluation or overvaluation of assets, which can affect budget allocation and strategic decision making. In the context of supervision and control, a weak management system causes existing assets not to be utilized optimally or even to be at risk of damage or loss.

In Batu Bara Regency, asset management problems appear increasingly complex with challenges in each asset management variable. First, in terms of asset inventory, Batu Bara Regency still faces difficulties in accurately recording fixed assets such as land, buildings, and infrastructure. The report of the Audit Board of Indonesia (BPK) in 2022 showed that there were a number of assets that had not been properly inventoried, including 31 plots of land and 24 buildings that did not have complete data regarding the area and ownership status (Elzatar et al., 2022). This shows that the inventory process has not been carried out optimally, especially after the expansion of the Asahan Regency area. Second, in the context of legal asset audits, Batu Bara faces obstacles in certifying fixed assets, especially land and buildings. Many assets do not have official certificates or valid proof of ownership, making it difficult to determine the legal status of these assets (Hidayati, 2016). This ambiguity can hinder local governments in optimizing the use of assets, both for public investment and infrastructure development. Third, in asset valuation, errors in determining asset values are also a serious problem. Inaccurate valuations cause assets owned by local governments to be undervalued or overvalued, which in turn affects budget allocation and development planning (Siahaan, 2018). In Batu Bara Regency, inaccurate valuations have caused a number of assets to be registered with values that do not reflect actual conditions in the field. Fourth, in terms of asset supervision and control, Batu Bara has significant weaknesses.

The existing supervision system is not strong enough to ensure that these assets are used in the most efficient and productive manner. The low utilization of information technology and the lack of experts in the field of asset management have exacerbated this condition, so that assets that should be optimized for the public interest are not managed properly (Maulidiah, 2017).

The gaps that arise from this problem are visible in various aspects. On the one hand, local governments are trying to optimize their assets through legal audits and good assessments, but on the other hand, limitations in asset inventory and supervision are still major obstacles. Weaknesses in asset monitoring and control are a significant factor, with many assets not being adequately monitored or even missing from official records. Previous research has contributed to understanding these various asset management issues. According to research by Sherly et al. (2017), asset inventory and physical condition of assets have a positive influence on asset optimization, but legal audit of assets does not show a significant influence. On the other hand, research by Edwin and Syaikhul (2018) shows that legal audits and asset valuations have a significant effect on optimization, while asset inventory does not have a significant effect. The differences in the results of this study indicate that there are gaps that need to be studied further, especially related to the variables of asset monitoring and control which are often overlooked in previous studies.

Based on the identified gaps, this study aims to explore more deeply the influence of asset inventory, legal audit, asset valuation, and supervision and control on the optimization of fixed assets in Batu Bara Regency. This research is expected to provide new insights into regional asset management, especially in the context of supervision and control which has not been widely researched so far.

LITERATURE REVIEW

Asset Management

Regional Asset Management (BMD) or regional asset management covers the entire process of managing regional assets, starting from planning needs, procurement, inventory, legal audit, assessment, utilization, to the effective and efficient disposal of assets (Arifin, 2022). According to Marallos and Amekudzi (2008), asset management is a combination of various disciplines applied to physical assets to achieve optimal service levels at minimal cost. In the context of government, asset management aims to maximize service benefits and financial returns, in accordance with the principles of functionality, transparency, efficiency and accountability as regulated in PP Number 27 of 2014. Siregar (2004) emphasized that asset management aims to minimize costs, maximize availability, and maximize the use of assets during their life cycle.

Asset Inventory

Based on the Regulation of the Minister of Home Affairs No. 19 of 2016, inventory is the process of recording and managing regional assets, starting from data collection, arrangement, to reporting assets used by the regional government. This process aims to ensure accurate and complete asset data to

facilitate supervision. Permendagri No. 47 of 2021 emphasizes that inventory is carried out at least once every five years, except for goods in progress and supplies that must be inventoried annually. The inventory process includes recording assets in various categories, such as land, equipment, buildings, and infrastructure. Inventory provides important benefits such as providing accurate information for decision-making related to asset management and security, as well as assisting in effective planning and supervision. According to Sanderson, inventory facilitates data collection, preparation of accountability reports, and provides reference materials for asset supervision. In addition, inventory also helps maintain orderly and cost-effective goods administration.

The inventory stages consist of preparation, implementation, reporting, and follow-up. At the preparation stage, documents and work plans are prepared, while at the implementation stage, asset data collection is carried out, including physical conditions and grouping of goods. The reporting stage involves preparing a report on the results of the inventory, and follow-up includes data bookkeeping with an appropriate application system.

Legal Asset Audit

Legal audit is part of asset management that focuses on inventorying asset ownership status, management procedures, as well as identifying and resolving legal issues related to ownership or transfer of assets (Siregar, 2004). Legal audit aims to ensure the legal security of assets and optimize their utilization. According to Permendagri No. 19 of 2016, legal audit involves physical and administrative security to avoid legal risks and improve asset utilization. The main dimensions of legal audit include data verification, legal ownership of assets, transfer procedures, and identification of legality issues (Asman, 2016).

Asset Valuation

Asset valuation is the process of providing an opinion on the value of an asset, whether tangible or intangible, based on an analysis of objective facts using applicable methods and principles. This valuation is carried out by an independent consultant or a valuation team from the Directorate General of State Assets. The results of the valuation serve various purposes, such as balance sheet preparation, insurance, and asset utilization.

Commonly used valuation methods are the market data, cost, and income approaches. Asset appraisers must be independent and have competencies according to standards. Regional asset valuation is regulated by regulations such as Permendagri No. 21 of 2018 and involves periodic evaluations for value corrections in government financial reports.

Asset Optimization

Asset optimization is a work process in asset management that aims to optimize the physical, location, value, quantity/volume, legal, and economic potential of the asset, Sutrisno (2004). At this stage, state-owned assets are identified and grouped based on the potential of the asset. Optimizing asset utilization is the relationship between service utility and profit returns.

According to Siregar (2004), optimizing asset management must maximize asset availability, maximize *asset utilization*, and minimize cost of ownership.

Asset Monitoring and Control

The definition and scope of BMD supervision and control activities are regulated in the Minister of Home Affairs Regulation No. 17 of 2007 concerning BMD management technical guidelines, namely, Supervision is an effort or activity to find out and assess the actual reality regarding the implementation of tasks and or activities, whether they are carried out in accordance with laws and regulations. While control is an effort or activity to guarantee and direct that the work is carried out according to the established plan. In this activity, problems often arise and become the focus or criticism of the current Ministry/Institution.

METHODOLOGY

This study uses a quantitative descriptive method, namely analyzing data that describes the information collected. According to (Sugiyono, 2019), quantitative descriptive research aims to describe, research, and explain something that is studied based on existing conditions, as well as draw conclusions from observable phenomena using numerical data. This study aims to determine the effect of asset inventory, asset legal audit, asset valuation, asset supervision and control on the optimization of BMD assets in the Batu Bara Regency Government. This research was conducted at the Regional Government Apparatus Organization (OPD) of Batubara Regency, North Sumatra, located at Jalan Lintas Sumatera Km. 119, Lima Puluh, Batu Bara, North Sumatra. This research was conducted for approximately 5 months, namely from March 2024 to July 2024.

In this study, a population of 99 people was obtained with a sample of 79 respondents. The sampling technique used *purposive sampling technique*. This number accurately represents and reflects the study population. The data collection technique used was to create a questionnaire and distribute the questionnaire to respondents who were involved in managing land and building assets, such as the head of the general section/general sub-section who had the authority to manage regional assets. This study uses *non-parametric* statistical data analysis using *partial least squares structural modeling* (PLS-SEM) used for structural equation modeling which allows estimation of complex causal relationships in path models with latent variables.

RESEARCH RESULT

Discriminant Validity Analysis

Discriminant validity is by looking at the *Square Root of Average Variance Extracted* (AVE). The rule of thumb used is *Average Variance Extracted* (AVE) > 0.5. The following are the AVE values in this study.

Table 1 AVE Value Results Table

	<i>Average variance extracted (AVE)</i>
X1	0.688
X2	0.685
X3	0.656
Y1	0.626
Z1	0.622

Source: Processed primary data, 2024

Based on Table 1, the AVE value results of the asset inventory variable (X1) are 0.688, asset legal audit (X2) is 0.685, asset valuation (X3) is 0.656, asset optimization (Y) is 0.626, and asset supervision and control (Z) is 0.622. So it can be concluded that the overall AVE value is above 0.5 , meaning it shows good convergent validity because the latent variable can explain an average of more than half of the variance of its indicators. It can be concluded that these values show the percentage of the construct that is able to explain the variations in the indicators.

Composite Reliability

To assess the reliability of a construct can be done by looking at the composite reliability value between the construct and its indicators giving good results if >0.7 . What is meant by reliable is the indicator used in the study in accordance with the real conditions of the research object.

Table 2 Composite Reliability Value Results

	<i>Composite reliability</i>
X1	0.939
X2	0.929
X3	0.883
Y1	0.938
Z1	0.908

Source: Processed primary data (2024)

Based on table 2, the results of the composite reliability values of all variables are above 0.7 and are said to be good and can be used for further research processes.

Structural Model Evaluation (Inner Model)

Table 3 R-Square Value Results

	<i>R-square</i>	<i>R-square adjusted</i>
Y1	0.76	0.736

Source: Processed primary data (2024)

R² coefficient is used on the independent variable against the dependent variable as a measuring tool. The higher the R² value means the better the model

in explaining the variability in the data which shows that the independent variable has a significant influence on the dependent variable. Based on Table 3 above, it can be seen that the *adjusted R-square value* is 0.736 or 73.6%, meaning that asset inventory, asset legal audit, asset valuation, asset supervision and control are able to explain asset optimization by 73.6% and the remaining 26.4% is explained by other variables outside this study. This *R-Square* value indicates a strong *R-Square* value or a good model.

In conducting the evaluation of the inner model, it can be presented through a path diagram, using analysis on bootstrapping. Then the image below is obtained:

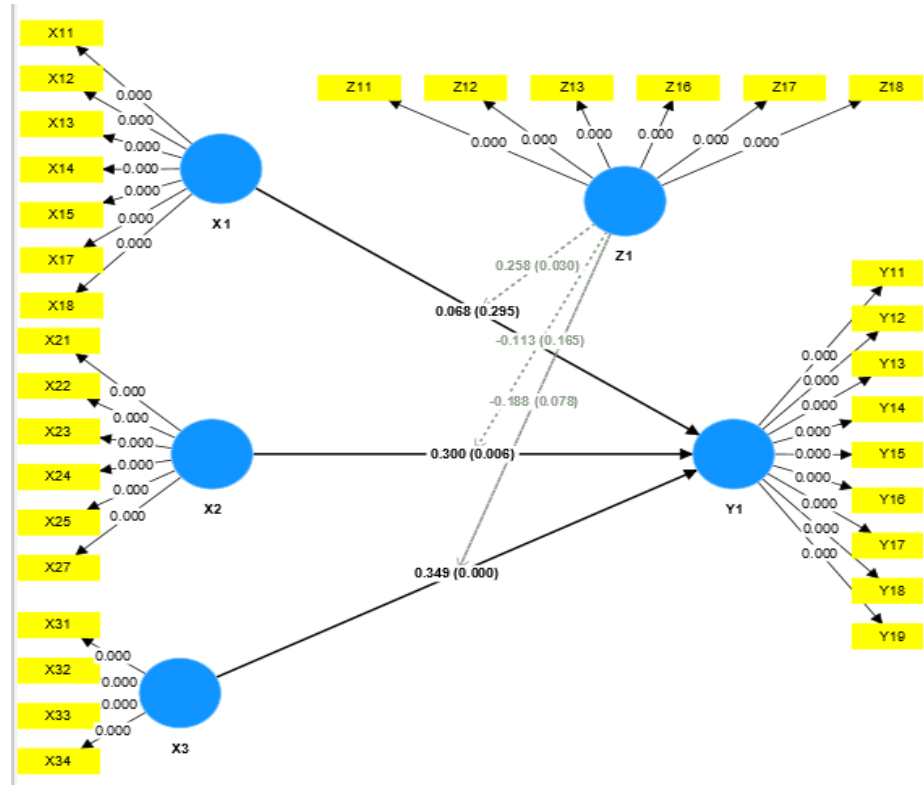


Figure 1 Bootstrapping

Hypothesis Testing

Table 4 Hypothesis Testing

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
X1 -> Y1	0.068	0.081	0.127	0.538	0.295
X2 -> Y1	0.300	0.292	0.118	2,535	0.006
X3 -> Y1	0.349	0.339	0.104	3.359	0.000
Z1 -> Y1	0.192	0.207	0.12	1,596	0.055
Z1 x X3 -> Y1	-0.188	-0.175	0.132	1.42	0.078
Z1 x X2 -> Y1	-0.113	-0.102	0.116	0.973	0.165
Z1 x X1 -> Y1	0.258	0.233	0.137	1,879	0.030

Source: Processed primary data (2024)

DISCUSSION

Asset Inventory (X1) Has a Positive and Insignificant Influence on Fixed Asset Optimization (Y)

The results of this study indicate that asset inventory does not have a positive and significant influence on the optimization of fixed assets of Regional Property (BMD) in the Batu Bara Regency Government. Although the stages of asset inventory – such as recording, assessment, verification, and reporting – have been explained in detail, their implementation in the field has not been optimal. The 2023 BPK report revealed that the information in the Goods Inventory Card (KIB) is still incomplete, especially regarding building, construction, and land assets. This results in the inventory process being ineffective as a basis for decision-making.

Asset verification has also not been carried out thoroughly, with assets that should have been written off still being recorded as fixed assets. Limitations in inputting data into asset management systems, such as area, value, and location, exacerbate this problem. Overall, asset inventory has not functioned optimally to support the optimization of asset management.

From the respondent's side, although asset recording has been quite good (indicator X14), the perception of inventory reporting still needs to be improved, especially in the recapitulation aspect which received the lowest score (mean 3.56) . This shows a gap between technical implementation and field understanding related to asset reporting.

This study differs from the results of previous studies by Gamaliel et al. (2017), Winaro (2019), and Finlandia (2022) which stated that asset inventory has a positive effect on optimization. However, these results are in line with Pangayow (2016), Yasa et al. (2020), and Antoh (2017) who found that asset inventory had no significant effect, often caused by disorderly inventory.

Legal Audit of Assets (X2) Has a Positive and Insignificant Influence on Fixed Asset Optimization (Y)

This study found that legal audit of assets (X2) has a positive and significant influence on the optimization of fixed assets of Regional Property (BMD) in Batu Bara Regency. Legal audit of assets, which is carried out by internal auditors or independent institutions such as regional inspectorates and the Audit Board of Indonesia (BPK), involves several stages, namely asset identification, document review, legal status examination, asset certification, and preparation of recommendations. The results of the study indicate that all stages of the legal audit have been implemented well in Batu Bara Regency. Asset certification is carried out seriously through cooperation with the National Land Agency (BPN), and the Regency Government actively monitors and follows up on assets that have not been certified. This process ensures that assets have valid legal documents, minimizing the potential for misuse of assets by other parties.

This study highlights three important indicators in legal asset audits: legal ownership, transparency of the legality process, and identification of problematic assets, with each indicator obtaining a high mean value (4.01–4.06), indicating excellent performance. This finding is in line with previous studies

by Kuntadi (2023), Winarko (2019), and Finlandia (2022) which also found that legal asset audits have a positive effect on asset optimization. Jones et al.'s (2020) research supports these results by explaining that legal certainty from legal audits increases stakeholder trust and facilitates strategic planning in asset management.

Asset Valuation (X3) Has a Positive and Insignificant Influence on Fixed Asset Optimization (Y)

This study shows that asset assessment has a positive and significant influence on the optimization of Regional Property (BMD) assets in Batu Bara Regency. The asset assessment carried out is in accordance with regulations, such as Government Regulation Number 27 of 2014 and Batu Bara Regency Regional Regulation Number 8 of 2021. This assessment aims to determine the fair value of the asset and is carried out by an independent appraiser who meets the criteria of objectivity, transparency, and compliance with regulations. A good assessment process provides reliable information on the value of the asset, which is then used to plan resource allocation and ensure that the asset contributes maximally to regional development. Assessment also allows for more effective asset management, including maintenance, repair, and disposition of the asset.

Respondents in this study rated asset valuation in Batu Bara Regency positively, with an average indicator value of 4.00 . The "independent assessment" indicator received the highest score, highlighting the importance of objectivity in the assessment process.

The results of this study are in line with previous studies by Finland (2022), Ardiani (2020), and Antoh (2017), and Zhang et al. (2021), which stated that accurate and periodic asset assessments support more efficient and optimal asset management. Accurate assessments help make better decisions regarding asset maintenance, use, and disposition.

Asset Supervision and Control (X_{mod}) can Moderate Asset Inventory (X₁) towards Optimization of Regional Fixed Assets (Y) in Batu Bara Regency Government

This study shows that asset monitoring and control (X_{mod}) acts as a moderating variable that strengthens the relationship between asset inventory (X₁) and fixed asset optimization (Y). Asset monitoring and control act as pure moderation, where this variable does not directly affect optimization, but strengthens the influence of asset inventory on optimization. Asset monitoring and control ensures that all assets are properly identified and recorded. This includes monitoring, auditing, and regulatory actions by users and managers of goods. With good supervision, asset inventory becomes more reliable, supporting effective decision-making processes in asset management and optimization. Control also prevents misuse of assets and ensures that assets are recorded accurately, in good condition, and used optimally.

However, in Batu Bara Regency, asset inventory still faces problems, such as incomplete data and discrepancies in asset recording, as revealed in the BPK report. Regional Regulation Number 8 of 2021 stipulates that supervision

is carried out by users and managers of goods through monitoring, regulation, and investigation. This study identified four important indicators in asset supervision and control, namely: direct supervision, supervision of policy violations, use of the SIMBADA application, and conformity of inventory data with the physical condition of the asset. All of these indicators scored high, emphasizing the importance of consistent and transparent supervision to improve inventory performance and asset optimization.

These results are in line with research by Sumardi et al. (2019), Yuanita (2021), and Fazatin (2013), which show that asset inventory supported by strong supervision can optimize asset use.

Asset Supervision and Control (X_{mod}) can Moderate Legal Audit of Assets (X_1) towards Optimization of Regional Fixed Assets (Y) in Batu Bara Regency Government

This study found that asset supervision and control were not significant in moderating the effect of legal asset audits on fixed asset optimization. Although legal audit of assets (X_2) has a positive and significant effect on asset optimization (Y), when the asset supervision and control variable (X_{mod}) is added as a moderation, the effect of legal audit on optimization becomes insignificant. This shows that legal asset audits have a strong and independent influence on the optimization of fixed assets without the need for moderation by supervision and control. Legal asset audits are a structured process carried out by auditors or independent institutions, focusing on the legal aspects of assets such as certificates, ownership status, and legal regulations. In Batu Bara Regency, legal audits have been carried out with a strong internal control mechanism, including recommendations for corrective actions to resolve legality issues. Therefore, asset supervision and control which usually focus on operational and technical aspects, such as asset monitoring and control, do not add significant influence to the optimization that has been built through audits. This finding is in line with Firmansyah's (2023) research, which states that although supervision can help identify and resolve legal issues related to assets, it does not always moderate the effect of legal audits on asset optimization.

Asset Supervision and Control (X_{mod}) can Moderate Asset Assessment (X_1) towards Optimization of Regional Fixed Assets (Y) in Batu Bara Regency Government

The results of this study indicate that asset supervision and control cannot moderate the influence of asset valuation on fixed asset optimization. In this hypothesis, supervision and control act as moderation predictors, meaning that although supervision and asset control affect asset optimization independently, they do not significantly strengthen or weaken the relationship between asset valuation and asset optimization. The asset assessment carried out by the Batu Bara Regency Government has been carried out properly in accordance with standards and regulations, as stipulated in the Batu Bara Regency Regional Regulation Number 8 of 2021. The assessment is carried out by government assessors or certified third parties, so the process is objective and transparent. Therefore, additional supervision and control do not have a

significant impact on the already comprehensive and valid asset assessment in supporting asset optimization.

Asset monitoring and control are more relevant to ensure that assets are used, maintained, and managed properly, while asset valuation focuses on estimating economic value. Due to their different natures, monitoring and control do not directly affect the asset valuation process, which is already strong in supporting optimization. Therefore, moderation of monitoring and control does not provide significant added value to the relationship between asset valuation and fixed asset optimization. Overall, asset supervision and control are important in asset operational management, but asset valuation that has been carried out properly does not require additional moderation in relation to fixed asset optimization. This finding is in line with the research of Arifin et al. (2022), which states that supervision and control can mediate the relationship between asset valuation and asset optimization, but in this context, the role of supervision is more effective in the management aspect than in direct moderation of the valuation process.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study concludes that asset management affects the optimization of fixed assets in Batu Bara Regency with several important findings. Asset inventory is not significant in influencing asset optimization, due to inaccurate data quality and inadequate understanding of implementation. In contrast, legal audits of assets and asset valuations have a significant impact, where legal audits provide legal certainty and asset valuations support strategic decisions. Asset monitoring and control strengthen the influence of inventory on asset optimization, but do not moderate the relationship between legal audit and asset valuation on optimization.

This research enriches the literature on asset management in local government. The results of the study show that asset inventory does not have a significant effect on asset optimization, which emphasizes that a complete asset list is not sufficient for optimization. In contrast, legal audit and asset valuation have a positive and significant impact, underlining the importance of comprehensive legal audit and valuation in asset management. Supervision and control as moderating variables strengthen the interaction between variables, but are not the main determinants in the relationship between legal audit, asset valuation, and asset optimization. This finding suggests that the Batu Bara Regency Government should focus on implementing routine legal audits and asset valuations and strengthening supervision and control to support the inventory process.

Recommendations

Based on the research results, there are several recommendations that can be put forward as follows:

- a. For Regional Device Organizations (OPD) :

- 1) Increase training and outreach regarding the importance of detailed asset inventory.
- 2) Conduct periodic evaluations and supervision of the inventory process to ensure it complies with established standards.
- 3) Increase transparency in legal asset audits and accelerate the asset certification process.
- 4) Conduct periodic asset assessments by involving competent appraisal institutions and increasing information transparency in the process.
- 5) Adopting the latest technology for asset monitoring and control to improve efficiency and transparency.
- 6) Conduct more stringent field verification and comprehensive evaluation of asset usage to identify suboptimal areas.

b. For the Batu Bara Regency Government :

- 1) Provide training to employees regarding asset management.
- 2) Give awards to employees or fields with the best performance.
- 3) Conduct regular evaluations of the asset management process to ensure compliance with regulations and support regional strategic objectives.

ADVANCED RESEARCH

- 1) other variables that can influence asset optimization to provide a more comprehensive picture of asset management in local government.
- 2) Using qualitative approaches, such as in-depth interviews, to gain a broader understanding of the asset management context and processes that may not be revealed through quantitative surveys.

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