Journal of Economics and Business UBS
e-ISSN: 2774-7042 p-ISSN: 2302-8025
Vol. 15 No. 4 August 2026

The Effect of State-Owned Asset Management on the Quality of Financial Statements at the State Audit Agency

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Keywords:
State Property Bookkeeping, Inventory, Reporting, Financial Statement Quality, State Assets.

Abstract

The quality of government financial statements is a key indicator of transparency, accountability, and effective public financial management. One of the principal factors influencing the quality of financial statements is the proper administration of Barang Milik Negara (BMN; State Property), which includes bookkeeping, inventory, and reporting processes. Inadequate BMN administration may result in inaccurate asset records, discrepancies between administrative records and physical assets, and reduced reliability of financial information. This study aims to examine the effect of BMN administration, comprising bookkeeping, inventory, and reporting, on the quality of financial statements at the Audit Board of the Republic of Indonesia (BPK RI). This research employed a quantitative approach with an associative research design. The population consisted of employees involved in BMN administration at BPK RI, and 61 respondents were selected using purposive sampling. Data were collected through a questionnaire using a five-point Likert scale and analyzed using multiple linear regression with IBM SPSS Statistics. The results indicate that BMN bookkeeping, inventory, and reporting each had a significant positive effect on the quality of financial statements. Simultaneously, the three components of BMN administration significantly influenced financial statement quality, with an R^2 value of 0.565, indicating that 56.5% of the variation in financial statement quality was explained by BMN administration. The findings demonstrate that effective BMN administration plays a critical role in enhancing the accuracy, reliability, and accountability of government financial reporting. This study concludes that strengthening BMN administration systems is essential for supporting sustainable public sector governance and enhancing institutional accountability.

INTRODUCTION

Government financial statements represent a key mechanism for accountability in state financial management by providing information on financial position, budget realization, cash flows, and changes in equity for a given reporting period. Within the public sector, financial statements serve as an essential instrument of public accountability for the management of state resources (Jannah et al., 2025). Consequently, the quality of financial statements is a key indicator of the transparency and accountability of government institutions (Garcia-Lacalle & Torres, 2021; Tran et al., 2021).

According to Government Regulation of the Republic of Indonesia No. 71 of 2010 concerning Government Accounting Standards, high-quality government financial statements should possess the qualitative characteristics of relevance, faithful representation, comparability, and understandability. These characteristics ensure that financial information is useful for decision-making and support the implementation of good governance (Hasanudin, 2023; Ziolo et al., 2019).

One of the major components of government financial statements is Barang Milik Negara (BMN; State Property). BMN comprises assets acquired through the Anggaran Pendapatan dan Belanja Negara (APBN; State Budget) or other legally recognized means in accordance with applicable laws and regulations. In government financial statements, BMN constitutes a significant portion of total assets and is primarily reported as property, plant, and equipment. Therefore, effective and orderly BMN administration is essential for ensuring the fair presentation of government financial statements (Mahmudi, 2016; Rusman, 2017).

Inadequate BMN administration may result in unrecorded assets, discrepancies between administrative records and the physical condition of assets, and delays in asset reporting (Hafidz et al., 2025; Motulo et al., 2025). These deficiencies increase the risk of material misstatements and reduce the reliability of financial information. Findings from government financial audits have consistently shown that weaknesses in fixed asset administration remain among the most frequently identified issues.

BMN administration constitutes an integral component of state asset management intended to ensure administrative order and accountability. Under the Regulation of the Minister of Finance of the Republic of Indonesia No. 181/PMK.06/2016, BMN administration comprises bookkeeping, inventory, and reporting. These three components form an integrated process for producing valid, accurate, and accountable asset information.

BMN bookkeeping involves recording all state assets within the prescribed administrative system and serves as the foundation of asset administration. BMN inventory is conducted to verify the consistency between administrative records and the physical existence and condition of assets. BMN reporting represents the final stage of the administration cycle by presenting asset information as part of the government's financial statements.

Previous studies have demonstrated that effective asset administration contributes significantly to the quality of government financial reporting. Amaliah et al. (2019) found that BMN administration and information systems positively influenced the quality of government financial statements. Similarly, Fitrania et al. (2022) reported that fixed asset administration significantly affected financial statement quality by emphasizing the importance of accurate asset recording and management. More recent studies by Andrianto and Ramadhani (2025), Majid and Kuntadi (2025), and Simarmata and Junawan (2025) further confirmed that bookkeeping and inventory activities positively contribute to improving financial reporting quality. Collectively, these findings indicate that effective asset governance is a critical determinant of reliable government financial reporting.

Although previous studies have examined the relationship between asset administration and financial reporting quality, several research gaps remain. Most existing studies have focused broadly on government agencies or local government institutions, whereas limited research has specifically investigated BMN administration within strategic national institutions such as the Audit Board of the Republic of Indonesia (BPK RI). Furthermore, previous studies have generally examined asset administration as a single construct, while the combined influence of bookkeeping, inventory, and reporting as interconnected components of BMN administration has received limited empirical attention. These gaps highlight the need for a more comprehensive examination of how each component of BMN administration contributes to improving financial statement quality.

The urgency of this research is reinforced by the strategic role of BPK RI as the institution responsible for auditing and promoting accountability in state financial management. As the supreme audit institution of Indonesia, BPK RI requires high-quality internal financial management to ensure that its own financial statements accurately reflect its assets and financial position. Effective BMN administration is therefore essential not only for maintaining reliable financial information but also for strengthening institutional credibility and public trust. Understanding the factors that influence financial statement quality can provide valuable insights into improving asset governance practices across public sector organizations.

The novelty of this study lies in its integrated examination of the three dimensions of BMN administration—bookkeeping, inventory, and reporting—as determinants of financial statement quality within BPK RI. Rather than examining asset administration from a general perspective, this study evaluates the individual and collective contributions of each administrative component to the quality of financial statements. Furthermore, the study provides empirical evidence from personnel directly involved in BMN administration, offering a more contextual understanding of asset governance practices within a national public institution. This approach extends previous research by presenting a more comprehensive model of the relationship between BMN administration and government financial reporting quality.

This study aims to analyze the influence of BMN bookkeeping, inventory, and reporting on the quality of financial statements at BPK RI. Specifically, it examines whether each dimension of BMN administration has a significant partial effect and whether all three dimensions simultaneously contribute to improving financial statement quality. Through a quantitative approach, this study provides empirical evidence regarding the role of BMN administration in supporting accurate, transparent, and accountable government financial reporting.

This study contributes both theoretically and practically. From a theoretical perspective, it extends the public sector accounting literature by strengthening the understanding of the relationship between state asset administration and financial reporting quality through the perspective of stewardship theory. From a practical perspective, the findings provide guidance for government institutions in strengthening BMN administration systems, improving internal asset controls, and enhancing the reliability of government financial statements. Furthermore, the study offers valuable insights for policymakers and public sector managers in developing more effective asset governance mechanisms that promote transparency, accountability, and sustainable public financial management.

METHOD

This study employed a quantitative approach with an associative research design to examine the influence of Barang Milik Negara (BMN; State Property) administration on the quality of financial statements. The independent variables comprised BMN bookkeeping, BMN inventory, and BMN reporting, whereas the dependent variable was the quality of financial statements.

The research was conducted at the Audit Board of the Republic of Indonesia (BPK RI). The study population consisted of employees involved in BMN administration, and 61 respondents were selected using purposive sampling based on their direct involvement in BMN bookkeeping, inventory, and reporting activities.

Primary data were collected through a structured questionnaire. The measurement instruments for BMN bookkeeping, inventory, reporting, and financial statement quality were developed based on the relevant regulatory framework and established indicators in the literature. Financial statement quality was assessed according to the qualitative characteristics specified in the Government Accounting Standards.

The data were analyzed using multiple linear regression with IBM SPSS Statistics. Prior to hypothesis testing, the research instrument was evaluated through validity and reliability testing. Classical assumption tests, including tests of normality, multicollinearity, and heteroscedasticity, were also performed to verify the suitability of the regression model.

Hypotheses were tested using t-tests to evaluate the partial effects of each independent variable, an F-test to assess their simultaneous effect, and the coefficient of determination (R^2) to measure the proportion of variance in financial statement quality explained by the independent variables.

RESULTS AND DISCUSSION

Respondent Characteristics

This study involved 61 respondents who were employees within the Audit Board of the Republic of Indonesia who were involved in the management of BMN.

Table 1. Respondent Characteristics

Features	Category	Number (People)	Percentage (%)
Gender	Male	51	83,6
	Women	10	16,4
Age	25–35 Years	21	34,4
	36–45 years old	31	50,8
	>45 Years	9	14,8
Education	Diploma IV / S1	31	50,8
	S2	24	39,3
	Others	6	9,9
Departments	Operator SIMAN/SAKTI	26	42,6
	Executive Staff	20	32,8
	Other BMN managers	15	24,6

The majority of respondents were male as much as 83.6%, in the age range of 36-45 years (50.8%), educated in Diploma IV/S1 by 50.8%, and dominated by SIMAN/SAKTI Operators by 42.6%. These characteristics show that the respondents have a direct relationship with the research object so that the data obtained is considered representative.

Instrument Quality Test

The results of the validity test showed that all statement items in the variables of BMN Bookkeeping, BMN Inventory, BMN Reporting, and Financial Statement Quality had a corrected item-total correlation value above the table r value of 0.252, so that all instruments were declared valid. The results of the reliability test showed that Cronbach's Alpha value for BMN Bookkeeping variables was 0.842, BMN Inventory was 0.801, BMN Reporting was 0.784, and Financial Report Quality was 0.756. All of these values are above the minimum limit of 0.70, so all instruments are declared reliable.

Classic Assumption Test

The results of the normality test using the Kolmogorov-Smirnov showed a significance value of 0.643 (>0.05), so that the data was normally distributed. The results of the multicollinearity test showed that all variables had a tolerance value above 0.10 and a VIF value below 10, namely BMN Bookkeeping of 1.468, BMN Inventory of 1.689, and BMN Reporting of 1.603. This shows that the regression model is free of symptoms of multicollinearity. The results of the heteroscedasticity test showed that all variables had a significance value above 0.05, namely BMN Bookkeeping of 0.418, BMN Inventory of 0.537, and BMN Reporting of 0.291, so that the regression model was declared free of heteroscedasticity.

Uji Hypothesis

Partial Test (t-test)

The results of the partial test showed that all independent variables had a significant effect on the quality of the financial statements.

Table 2. Partial Test Results (t-test)

Variabel	t count	Sig.	Remarks
BMN Bookkeeping (X1)	2,781	0,007	Significant Impact
BMN Inventory (X2)	2,324	0,024	Significant Impact
BMN Reporting (X3)	3,115	0,003	Significant Impact

The BMN Bookkeeping variable (X1) has a calculated t-value of 2.781 with a significance level of 0.007 (<0.05), so H1 is accepted. This shows that BMN bookkeeping has a significant effect on the quality of financial statements. The BMN Inventory variable (X2) has a calculated t-value of 2.324 with a significance level of 0.024 (<0.05), so H2 is accepted. This shows that BMN inventory has a significant effect on the quality of financial statements. The BMN Reporting variable (X3) has a calculated t-value of 3.115 with a significance level of 0.003 (<0.05), so H3 is accepted. This shows that BMN reporting has a significant effect on the quality of financial statements.

Simultaneous Test (F Test)

Table 3. Simultaneous Test Results (F Test)

Remarks	Value
F count	24,761
F Table	2,77
Sig.	0

The results of the simultaneous test showed that the calculated F value of 24.761 was greater than the F of the table of 2.77, with a significance level of 0.000 (<0.05). Thus, H4 was accepted. This means that BMN bookkeeping, inventory, and reporting simultaneously have a significant effect on the quality of financial statements.

Coefficient of Determination (R^2)

The results of the determination coefficient test showed an R Square value of 0.565 and an Adjusted R Square of 0.542. This shows that 56.5% of the variation in the quality of financial statements can be explained by the variables of bookkeeping, inventory, and BMN reporting, while the remaining 43.5% is influenced by other factors outside the research model.

The results of the study show that the bookkeeping of State Property (H1) has a positive and significant influence on the quality of financial statements at the Audit Board of the Republic of Indonesia. These findings show that order in the asset recording process is the main foundation in producing accurate and accountable financial information. Systematic bookkeeping allows each asset to be recorded completely, thereby minimizing the risk of recording errors and loss of asset data.

In BMN management practice, bookkeeping not only functions as an administrative process, but also becomes the basis for the inventory and reporting process. When the bookkeeping data is well arranged, the next stage of management can run more effectively. This condition shows that the quality of financial statements is greatly influenced by the quality of initial recording of assets carried out by BMN managers.

These findings are in line with *Stewardship Theory* which emphasizes that organizational managers have a responsibility to maintain the resources they manage optimally. In this context, BMN bookkeeping reflects the state apparatus's responsibility in ensuring accountability in asset management. The results of this study are also consistent with the research of Andrianto and Ramadhani (2025) which states that BMN bookkeeping affects the quality of financial statements.

In addition to bookkeeping, BMN (H2) inventory has also been proven to have a significant influence on the quality of financial statements. This shows that the existence of asset data in the administrative system is not enough without adequate physical verification. Inventory serves to ensure that the recorded assets really exist, in the appropriate condition, and are still being used as they should.

The inventory process that is carried out periodically is able to increase the validity of asset data and reduce the potential for discrepancies between administrative records and real conditions in the field. In the context of government institutions such as BPK RI, the accuracy of the inventory is very important because the recorded assets will affect the value of fixed assets in the financial statements.

These results reinforce the view that asset management accountability is not only determined by administrative records, but also by rigor in ensuring the physical existence of assets. These findings are in line with the research of Majid and Kuntadi (2025) and Simarmata and Junawan (2025) which show that inventory has a real contribution to improving the quality of financial statements.

BMN (H3) reporting in this study is the variable that has the most dominant influence compared to other variables. This shows that the quality of financial statements is greatly influenced by how asset information is compiled and presented in the form of complete, timely, and in accordance with applicable standards. Good reporting not only presents data, but also ensures that it can be used as a basis for decision-making.

The dominance of BMN reporting shows that the final stage in asset management has a very important role in shaping the quality of financial information. Even though the bookkeeping and inventory have been done well, without accurate reporting, the value of the information produced will still be reduced.

These findings show that reporting is the meeting point of the entire BMN administration process. The better the quality of reporting, the higher the level of trust in the financial statements produced. These results are in line with research by Santosa et al. (2023) which states that asset reporting has a significant influence on the quality of financial statements.

Simultaneously, BMN bookkeeping, inventory, and reporting have proven to have a significant effect on the quality of financial statements. This shows that the three components are inseparable and must be seen as a single asset management system. Bookkeeping provides basic data, inventory ensures data validity, and reporting presents that information formally in financial statements.

The determination coefficient value of 56.5% indicates that more than half of the variation in the quality of financial statements can be explained by these three variables. This confirms that BMN administration has a considerable contribution in shaping the quality of financial statements at BPK RI.

Overall, the results of this study show that the better the administration of BMN, the better the quality of the financial statements produced. These findings imply that improving the quality of BMN bookkeeping, inventory, and reporting should be a major concern in efforts to strengthen accountability and transparency in state financial management.

CONCLUSION

The findings of this study indicate that Barang Milik Negara (BMN; State Property) administration, comprising bookkeeping, inventory, and reporting, significantly contributes to improving the quality of financial statements at the Audit Board of the Republic of Indonesia (BPK RI). BMN bookkeeping was found to strengthen the accuracy and completeness of asset records, while BMN inventory ensured consistency between administrative records and the physical condition of assets. Furthermore, BMN reporting played a critical role in providing reliable, relevant, and accountable financial information. Collectively, the three dimensions of BMN administration significantly influenced the quality of financial statements, indicating that effective asset administration requires an integrated process encompassing recording, verification, and reporting. These findings emphasize that strengthening BMN administration systems is an essential strategy for enhancing transparency, accountability, and credibility in public sector financial management.

Future research should expand the analytical model by incorporating additional factors that may influence financial statement quality, such as internal control systems, human resource competence, digital asset management systems, organizational commitment, and audit effectiveness. Further studies could also examine a broader range of public sector institutions by comparing BMN administration practices across central government agencies and regional governments to provide more comprehensive evidence. In addition, future research is encouraged to adopt mixed-methods or longitudinal research designs to examine changes in BMN administration practices over time and to provide deeper insights into the mechanisms through which improvements in asset administration contribute to sustainable government financial accountability.

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