

THE EFFECT OF REGIONAL FIXED ASSETS ON INCREASING REGIONAL REVENUE

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ARTICLE INFORMATION

Received: 23 February 2026

Revised : 17 March 2026

Accepted: 27 April 2026

DOI:

KEYWORDS

Keywords: Keywords: Regional Fixed Assets, Regional Original Revenue, Asset Management, Baubau City.

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A B S T R A C T

Regional fiscal independence in the era of decentralization greatly depends on the ability of local governments to optimize fixed assets as one of the sources of Regional Original Revenue (PAD). However, the management of fixed assets in many regions, including Baubau City, has not yet made a significant contribution to increasing PAD. This study aims to analyze the effect of regional fixed assets on the increase of Regional Original Revenue (PAD) in Baubau City. The research method used is a quantitative method with a simple linear regression approach. The data used are secondary data in the form of reports on the realization of fixed assets and PAD of Baubau City for the period 2017–2024, obtained from the Regional Financial and Asset Management Agency (BPKAD) of Baubau City. The results of the analysis show that the value of regional fixed assets has a negative and insignificant relationship with PAD, with a significance value of 0.834 (>0.05). This indicates that the increase in fixed assets does not necessarily lead to an increase in PAD, as most assets have not been utilized productively to generate income. In conclusion, the management of regional fixed assets in Baubau City needs to be directed toward improving efficiency and optimizing asset utilization to make a real contribution to increasing PAD in the future.

INTRODUCTION

Regional fiscal independence in the era of decentralization is determined by the ability of local governments to increase Regional Original Revenue (PAD) in a sustainable manner, not only through taxes and levies, but also through the orderly, transparent, and value-added utilization of regional assets (Sultra, 2025). An analytical article by the West Sumatra Regional Office of the Directorate General of Treasury emphasizes that the optimization of regional assets is a strategic instrument to strengthen regional finances and encourage economic growth through modern administration, revaluation, monetization of idle assets, and partnerships with third parties (Sultra, 2025).

¹From a positive legal perspective, the architecture of central and regional financial relations is regulated in Law Number 1 of 2022 concerning Financial Relations between the Central Government and Regional Governments (HKPD), which encourages improvements in the quality of regional revenue and fiscal innovation. This framework emphasizes that asset management and utilization are part of strengthening regional fiscal capacity (Sultra, 2025). Conceptually, the components of PAD are regional taxes, regional levies, proceeds from the management of separated regional assets, and other legitimate PAD (Bastian, 2002).

On the Regional Property (BMD) side, operational guidelines are regulated in detail through Permendagri No. 19 of 2016 and refined through Permendagri No. 7 of 2024; this regulation locks in the asset life cycle starting from needs planning and budgeting, procurement, use, utilization (including leasing, utilization cooperation, build-operate-transfer/transfer-operate-build, and similar contractual forms), security and maintenance, valuation, disposal, transfer, development, as well as supervision and control (Indonesia, n.d.). Conceptually and practically, professional asset management includes reliable inventory, complete legalization/certification, fair assessment, market-oriented utilization models, and disciplined contract supervision, which are positively correlated with an increase in local revenue and improved quality of public services (Dewantara, 2023).

Empirical evidence across regions reinforces this. Research in Rejang Lebong Regency found obstacles in the form of minimal interest in leasing, limited utilization budgets, and gaps in human resource competencies; the policy recommendations are utilization efficiency, service/facility improvements, and strengthening human resource capacity for assets (Septianti, 2024). In Surabaya

City, land optimization through leasing, borrowing for use, and build-operate-transfer/build-transfer schemes is hampered by the status/certification of assets and control by other parties without a legal basis (Pratama, 1385) . In Tangerang Regency, obstacles in the form of a lack of market socialization, utilization approval processes, and suboptimal billing are responded to with active offers to business actors, administrative-physical security, and billing mediation (Repwita & Suhairi, 2025) . A study in Purworejo Regency highlights issues of bureaucratic professionalism, advance payment recording, and less strategic asset locations, necessitating strengthened monitoring and guidance as well as intensive offers for underutilized assets (Wibowo, 1385) .

Normative findings confirm that professionally managed assets are *value drivers* for PAD, provided that the stages of inventory, legal structuring, assessment, utilization, and supervision are carried out consistently (Yusuf, n.d.)The performance of Baubau City's PAD in the 2024 Fiscal Year reached IDR 124.19 billion or 99.82 percent of the target of IDR 124.41 billion, which was confirmed through official statements from the local government and credible media reports; this figure became the baseline for assessing the contribution of PAD channels, including those sourced from asset utilization (DataSultra, 2025). In terms of accountability, the Southeast Sulawesi Representative Office of the Supreme Audit Agency (BPK RI) issued an unqualified opinion on the Baubau City LKPD for the 2023 Fiscal Year, which shows compliance in financial reporting, including asset accounts (Tenggara, 2024) . The city government continues to prioritize the management and utilization of assets: (1) an asset utilization evaluation meeting was held in February 2025 as a step to strengthen asset performance (R ; (2) Acceleration of legal certainty for government-owned land through cooperation with the National Land Agency, which indicates that there is still a need to accelerate asset certification (DurasITimes, 2025); and (3) The enactment of a Regional Regulation on the Management of Regional Property to strengthen the legal basis and procedural certainty (P . Asset-based PAD sources, market retribution contributions show uneven potential; several markets and asset points such as Wameo and Kamali Beach are reported to have contributed positively, but in other periods, retribution realization has fluctuated, requiring service improvements, kiosk/stall arrangements, and contract certainty (TerasNusantara, 2024) . These findings imply that the agenda of inventory, certification, valuation, utilization, and supervision still needs to be accelerated so that regional assets shift from being a "maintenance cost burden" to a stable source of local revenue.

Although the regulatory framework and accountability achievements have strengthened, causal evidence measuring the extent of the impact of fixed asset management-namely inventory, valuation, legalization, maintenance, security, and utilization-on the increase in Baubau City's PAD is still limited in the open literature. This causal question is important to identify both direct contributions (asset utilization revenue) and indirect contributions (service cost efficiency and economic multipliers), so that asset utilization policy recommendations can be formulated in a stable manner, oriented towards the public interest, and resistant to economic cycles (RI, 2016)).

METHOD

In this study, the author used a quantitative research method, which, as we know, emphasizes accurate measurement and systematic data analysis to produce reliable and generalizable conclusions. This study was conducted in Baubau City, specifically at the Baubau City Regional Revenue Agency.

RESULTS & DISCUSSION

Statistical Analysis Test

Descriptive statistical analysis aims to describe the variables to be studied from the research sample data. Based on the results of the descriptive statistical test attached in Appendix 2, the following is an explanation of the results of the descriptive statistical analysis.

Table 4.2.1 Descriptive Statistical Test
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Regional Fixed Assets	8	161864562764,00	298963738625,00	220843620634,7500	52791698133,41950
Local Revenue	8	67321910993,00	128096078559,00	97569018579,7638	18108510044,53503
Valid N (listwise)	8				

Source: processed from SPSS 26

Descriptive statistics show that regional fixed assets have a minimum value of IDR 161,864,562,764 and a maximum of IDR 298,963,738,625, with an average of IDR 220,843,620,634.75. Meanwhile, local revenue (PAD) has a minimum value of IDR 67,321,910,993 and a maximum of IDR 128,096,078,559, with an average of IDR 97,569,018,579.76. This interpretation shows that during the 2017–2024 period, the value of regional fixed assets and PAD fluctuated but tended to increase each year. The relatively high average PAD reflects the region's fairly good fiscal capacity, although an increase in assets does not necessarily lead to a proportional increase in PAD.

Classical Assumption Test

Normality Test

The distribution of dependent and independent variables in a normal or non-normal regression model is determined using a normality test (Ghozali, 2018). The One-Sample Kolmogorov-Smirnov normality test, which examines the significance value of Exact P-Values, was used in this study. Residual values are considered normally distributed if they are above the significance level of 0.05, and vice versa, if the residual values are below the significance level of 0.05, they are said to be normally distributed or *abnormal*.

Table 4.2.2 Normality Test
One-Sample Kolmogorov-Smirnov Test

		Regional Fixed Assets	Regional Original Income
N		8	8
Normal Parameters ^{a,b}	Mean	220843620634,7500	97569018579,7638
	Std. Deviation	52791698133,41950	18108510044,53504
Most Extreme Differences	Absolute	,216	,175
	Positive	,216	,175
	Negative	-,204	-,136
Test Statistic		,216	,175
Asymp. Sig. (2-tailed)		,200 ^{c,d}	,200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: adapted from SPSS 26

The Kolmogorov-Smirnov test results show an Asymp. Sig (2-tailed) value of 0.200 for both variables, which is greater than 0.05. This means that the data is normally distributed, so the regression model used meets the assumption of normality. This condition indicates that the residual data does not deviate significantly from the normal distribution and the analysis results can be trusted for use in regression testing.

Multicollinearity Test

The purpose of the multicollinearity test is to evaluate the regression model to determine whether the independent variables are related to each other. The regression model is considered feasible if the Tolerance value is greater than 0.01 and the VIF is less than 10, and it is not feasible if the Tolerance value is less than 0.01 and the VIF is greater than 10 (Ghozali, 2018).

Table 4.2.3 Multicollinearity Test
Coefficients^a

			Collinearity Statistics	
Model			Tolerance	VIF
1	Regional Assets	Fixed	1,000	1,000

a. Dependent Variable: Pendapatan Asli Daerah

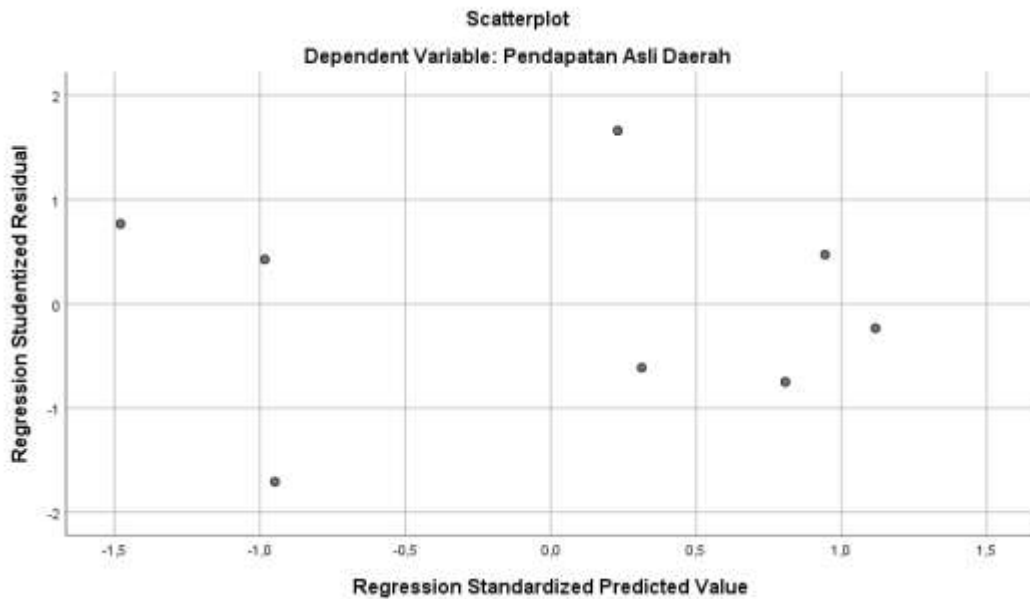
Source: processed from SPSS 26

Tolerance value = 1,000 and VIF = 1,000, which means far below the limit of 10 and above the limit of 0.10. These results indicate that there is no multicollinearity, because there is only one independent variable in the model, namely regional fixed assets. Thus, the regression model is considered valid and there is no double relationship between the independent variables.

Heteroscedasticity Test

The heteroscedasticity test aims to detect whether a model experiences unequal variance in residual values between one observer and another. This test uses a scatterplot. The basis for this decision is that if the points do not form a clear pattern and are scattered above and below 0 on the Y-axis, this indicates that there is no heteroscedasticity (Ghozali, 2018).

Table 4.2.4 Heteroscedasticity Test



Source: processed from SPSS 26

Based on the scatterplot results, the data points are scattered randomly above and below the zero line without forming a specific pattern. This indicates that there is no heteroscedasticity, so the residual variance is homogeneous (homoscedastic). The regression model used is declared feasible and stable for analysis because the disturbance errors do not have a specific pattern between observations.

Simple Linear Regression Analysis Test

The data processing technique used in this study is simple linear regression analysis. According to Sugiyono (2019), simple linear regression analysis can be followed by calculating the regression equation, which can be used to predict how high the dependent variable will be if the independent variable is changed.

Table 4.2.5 Simple Linear Regression Test
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1					
	(Constant)	104293389229,497		3,304	,016
	Fixed Assets	-,030	-,089	-,218	,834

a. Dependent Variable: Local Revenue

Source: processed from SPSS 26

The regression equation obtained is:

$$Y = 104,293,389,229.497 - 0.030 X$$

The constant value of 104.29 billion indicates that when fixed assets are considered constant (unchanged), PAD is estimated at Rp104.29 billion. The fixed asset regression coefficient of **-0.030** means that every 1 unit increase in fixed assets (in rupiah) tends to decrease PAD by 0.03 units, although the effect is not significant. This shows that an increase in the value of fixed assets does not

directly impact an increase in PAD, possibly because these assets have not been optimally utilized to generate revenue.

Hypothesis Testing

t-Test (Partial)

The partial test is used to determine the extent to which independent variables affect dependent variables. If the significance value is less than 0.05, it means that the independent variable has an effect, but if the significance value is 0.05, it means that the independent variable has no significant effect on the dependent variable.

**Table 4.2.6 t-Test (Partial)
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	104293389229,497	31564809194,837		3,304	,016
	Fixed Assets	-,030	,139	-,089	-,218	,834

a. Dependent Variable: Local Revenue

Source: processed from SPSS 26

Calculated t-value = -0.218 with significance 0.834, greater than 0.05. This means that regional fixed assets do not have a significant effect on local revenue (PAD). Thus, the research hypothesis stating that "regional fixed assets have a significant effect on PAD" is rejected. This may be because many regional assets have not been utilized productively or have not contributed directly to regional revenue.

Determination Coefficient Test

The coefficient of determination test aims to measure the extent to which independent variables influence dependent variables. The R value shows the magnitude of the influence, while the R Square value shows how much the X variable contributes to influencing the Y variable.

Table 4.2.7 Determination Coefficient Test

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,089 ^a	,008	-,157	19482214559,35477

a. Predictors: (Constant), Regional Fixed Assets

b. Dependent Variable: Regional Original Income

Source: processed from SPSS 26

The R² value is 0.008, or approximately 0.8%, while the R value is 0.089. This means that the influence of regional fixed assets on PAD is only 0.8%, while the remaining 99.2% is influenced by other factors such as regional taxes, levies, BUMD management, or regional economic conditions. This shows that the contribution of fixed assets to the increase in PAD is very small and has not become a major factor in determining local revenue.

The Influence of Regional Fixed Asset Management on the Increase in Regional Original Revenue

Based on the results of a simple linear regression test, it is known that the regional fixed assets variable does not have a significant effect on the local revenue (PAD) of Baubau City. This is indicated by a significance value of 0.834 > 0.05 and a negative regression coefficient of -0.030. This means that an increase in the value of regional fixed assets is not necessarily followed by an increase in PAD; in fact, it tends to decrease even though the effect is not statistically significant.

Theoretically, these results are not entirely in line with the agency theory used as the basis for the research. According to this theory, the local government as an "agent" should manage the fixed assets belonging to the community ("principal") efficiently and productively so as to provide benefits in the form of increased PAD. However, the results of this study show that the role of fixed assets in boosting PAD in Baubau City is not yet optimal.

This condition can be explained by the fact that increases in the value of fixed assets often come from the addition of new non-commercial assets such as government buildings, roads, or other public

facilities, which do not directly generate income. Thus, the increase in the value of fixed assets functions more as a means of public service than as a source of regional income.

This finding is in line with research conducted by Faldhomura Armanzi Hukmi (2020) in North Bengkulu Regency, which found that fixed asset management has not contributed optimally to PAD because it has not been fully utilized for productive economic activities. A similar point was also raised by Siti Noor Mawaddah Rohmah and Husnurrosyidah (2022), who showed that fixed asset management in Pati Regency has been carried out in accordance with procedures, but has not been able to significantly increase regional revenue due to limitations in the commercial utilization of assets. In contrast, the results of a study by Kirana Nur Novia Dewi (2018) confirm that effective asset management can have a positive impact on increasing PAD because assets are utilized for regional economic activities such as cooperation in asset utilization and leasing. Meanwhile, Eva Juniar Agustina's (2021) research found that the aspects of planning and administration of fixed assets affect the quality of financial reports, but do not always have a direct implication on increasing PAD without a clear utilization strategy. Based on these results, it can be concluded that although regional fixed assets are an important part of local government wealth, their effect on PAD is still very small, only 0.8%, as seen from the results of the coefficient of determination test. The remaining 99.2% of PAD variation is explained by other factors such as local taxes, levies, BUMD (Regional Owned Enterprises) profits, as well as regional economic conditions and fiscal policies.

Thus, empirically, the results of this study answer the research question that the management of regional fixed assets has not had a significant effect on increasing PAD in Baubau City. Although the local government has assets with a large value, their contribution to revenue is still limited because these assets have not been utilized productively, some are still uncertified assets, have no direct economic value, or are not utilized according to the region's potential.

In relation to the research objectives, these results show that the relationship between regional fixed assets and PAD in Baubau City does not indicate a strong or significant influence. In other words, even though regional fixed assets have increased from year to year, their contribution to PAD has not been optimal because these assets have not been utilized productively or managed with a revenue orientation.

Therefore, these findings reinforce the importance of local government policies in optimizing the utilization of fixed assets, such as through utilization cooperation schemes, leasing, or build-operate-transfer, so that regional assets can become a source of sustainable income and strengthen regional fiscal independence.

CONCLUSION

Overall, it can be concluded that the management of regional fixed assets in Baubau City has not contributed significantly to increasing PAD. This condition indicates obstacles in asset utilization, both from an administrative and regulatory perspective, as well as in terms of optimizing available potential. Therefore, a more effective, transparent, and innovative management strategy is urgently needed so that fixed assets not only function as a means of supporting public services but also provide real added value to regional finances and strengthen the fiscal independence of local governments.

This study still has limitations that need to be considered. The data used only covers eight years, so the results are not yet able to describe the long-term relationship between fixed assets and Local Own-Source Revenue (PAD). The variables analyzed are also limited to fixed assets, even though PAD is influenced by many other factors such as taxes, levies, and regional economic conditions.

In addition, this study only uses secondary data from financial reports, so it does not capture qualitative aspects, such as the effectiveness of asset utilization or bureaucratic constraints. The analysis method used is also still simple, namely simple linear regression, so it cannot explain the more complex effects of various factors on PAD.

Given these limitations, the results of this study must be interpreted with caution. Further research with broader data coverage, more complete variables, and more in-depth analysis methods is needed to gain a more comprehensive understanding of the role of fixed assets in PAD.

ACKNOWLEDGMENTS

With deep gratitude, the author would like to express his sincere thanks to Asriadi, SKM. M.Kes, as Director of the Baubau Polytechnic, Wilda Fatmala, S.Sos., M.Si, as Head of the Economics and Business Department and Supervisor 2, Filasti Rahma, S.E., M.Si, Coordinator of the Four-Year Diploma Program in Public Finance, Husriah, S.E., M.M, Supervisor I, and Murni Sari,

S.AB., M.M, Supervisor and Academic Examiner, who have provided guidance, support, and valuable knowledge in the process of writing this research proposal and thesis. The author also extends gratitude to all faculty members and staff of the Public Finance Program who have contributed to the development of knowledge during the author's education.

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