

OPTIMIZING THE UTILIZATION OF REGIONAL PROPERTY THROUGH RENTAL, LEND-TO-USE, AND COOPERATION MECHANISMS: A LITERATURE REVIEW OF THE POTENTIAL FOR REGIONAL ORIGINAL INCOME AND THE RISK OF REGULATORY COMPLIANCE

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Abstract

Fiscal constraints drive local governments to optimize Regional Government Assets (BMD) through lease, borrow-to-use, and utilization cooperation mechanisms to enhance Regional Original Revenue (PAD); however, this practice also potentially increases the risk of non-compliance with the asset management regulatory framework. This article aims to synthesize academic literature and regulatory documents to analyze the effectiveness of these three utilization mechanisms, measure their contribution to PAD, and map compliance risks alongside public sector accounting implications. This study employs a critical narrative review method with a systematic thematic synthesis approach. Reference tracing was conducted through parallel and nested searches across accredited university repositories, primary regulations (Minister of Home Affairs Regulation No. 47 of 2021, Government Regulation No. 27 of 2014 as amended by No. 28 of 2020), accrual-based Government Accounting Standards, and Audit Reports issued by the Supreme Audit Agency (BPK). The synthesis reveals that the lease mechanism provides a stable contribution to PAD with moderate control complexity, borrow-to-use supports public service efficiency without direct fiscal impact, while utilization cooperation offers high economic value potential but entails compliance risks and complex contractual risk allocation. Audit findings consistently identify critical gaps in the absence of written approvals, weak physical-administrative reconciliation, non-market-based tariff settings, and partial audit trail documentation. Key accounting challenges encompass the consistency of accrual-based revenue recognition and the depth of disclosure in the Notes to the Financial Statements (CaLK). Optimizing PAD through BMD requires strict integration between fiscal targets, procedural compliance, and internal controls grounded in audit readiness. This article proposes a four-tier accountable governance model and provides strategic recommendations for local governments, regulators, and external auditors to strengthen transparency, prioritize economic substance over legal form, and ensure the sustainability of regional asset management.

Keywords: *Regional Government Assets; Regional Original Revenue; Regulatory Compliance; Public Sector Accounting; Utilization Cooperation; Internal Controls*

INTRODUCTION

Background and Strategic Urgency of BMD Optimization

The limited fiscal capacity of local governments to address demands for improved public service quality, accelerated infrastructure development, and post-crisis economic recovery has created a strategic urgency to optimize existing resources independently. In the evolving fiscal decentralization ecosystem, Regionally Owned Assets (BMD) can no longer be viewed solely as administrative record-keeping objects or static assets subject to book value depreciation.

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Instead, BMD has evolved into a strategic fiscal instrument that can be converted into operational cash flow or indirect economic value through productive utilization mechanisms. The trend of BMD utilization through leasing, lending, and utilization cooperation (KSP/KSPI) has increased significantly in various districts/cities, driven by pressure to achieve increasingly high Regional Original Revenue (PAD) targets and national policy directives to promote regional financial independence (Biantong, 2018) . However, this optimization dynamic does not operate in a normative vacuum. It faces a sharp structural tension between fiscal aggressiveness to maximize revenue and strict obligations to comply with the asset management regulatory framework that emphasizes the principles of prudence, transparency, accountability, and public responsibility (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for Implementing Bookkeeping, Inventory, and Reporting of Regional Assets, 2021) .

Main Problem Formulation

The main focus of this literature review is how lease, lending, and utilization cooperation mechanisms empirically and theoretically contribute to optimizing local revenue (PAD), and how the accompanying regulatory compliance risk map reflects the practice of BMD management in Indonesia. The gap between the potential economic value of assets and actual revenue realization, coupled with the frequency of BPK audit findings related to violations of utilization procedures, indicates an implementation gap that requires critical examination. The purpose of this review is to conduct an analytical synthesis of academic literature, primary regulatory documents, and official audit reports to map the operational effectiveness of each utilization mechanism, objectively measure their fiscal contributions, identify recurring compliance gaps that become material findings, and formulate an internal control framework that balances revenue optimization with the principles of stewardship and audit readiness. Specifically, this study aims to answer the questions of how accrual-based accounting treatment should be applied to utilization transactions, how reconciliation mechanisms can prevent physical-administrative deviations, and how contract standards can minimize legal risks.

Significance of the Research

The significance of this research is multidimensional and relevant to various stakeholders. Theoretically, this study contributes to the enrichment of public sector accounting literature by integrating perspectives on regional asset governance, agency theory and stewardship, and the readiness audit paradigm within the unique context of Indonesia's fiscal decentralization. Existing literature tends to separate discussions of PAD optimization from compliance risk analysis and accounting implications; this review bridges these three dimensions into a coherent analytical framework. Practically, the results of this synthesis are expected to serve as a normative-operational reference for regional governments in developing comprehensive Standard Operating Procedures (SOPs) for BMD utilization, for regulators in refining technical guidelines and standard contract formats, and for external and internal auditors in designing risk-based audit programs that focus on the validity of source documents, the accuracy of revenue recognition, and compliance with utilization procedures mandated by regulations (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Bookkeeping, Inventory, and Reporting of Regional Assets, 2021) .

Scope and Limitations of the Study

The scope of this review is strictly limited to literature published within the last ten years, with a primary jurisdictional focus on Indonesia and limited comparative references to countries with similar fiscal decentralization systems that implement accrual-based public accounting principles. The review specifically highlights three productive utilization mechanisms: commercial/operational leases, public service lending, and utilization cooperation (KSP/KSPI) involving third-party investment. Excluded literature includes discussions on the elimination/destruction of Regional Government-Owned Assets (BMD), intergovernmental grants without economic reciprocity, and assets dedicated to national defense or security that have separate regulatory regimes. These limitations are applied to maintain a sharp analysis, focus on the economic substance of transactions, and relevance to the context of optimizing regional assets that generate direct fiscal and non-fiscal value.

Writing system

This article is structured into six logically and methodologically interrelated chapters. The first chapter comprehensively outlines the background, problem formulation, research significance, scope, and flow of the paper. The

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second chapter presents the theoretical foundation and conceptual framework linking agency theory, stewardship, value for money, and the Indonesian regulatory framework with the BMD utilization mechanism and its accounting implications. The third chapter presents the literature review methodology, including parallel and nested search strategies, inclusion-exclusion criteria, data extraction techniques, synthesis matrices, academic quality assurance protocols, and audit trails. The fourth chapter, the core of the review, presents a thematic synthesis of four main pillars: implementation dynamics, PAD contributions, compliance risk mapping, and accounting and internal control aspects, complemented by a critical analysis of policy trade-offs and empirical inconsistencies. The fifth chapter outlines theoretical and managerial implications, structured policy recommendations for various stakeholders, and a proposed model for accountable and audit-ready BMD utilization governance. The sixth chapter concludes the study with a comprehensive conclusion that answers the problem formulation, acknowledges the limitations of the review, provides a targeted future research agenda, and provides an academic conclusion that emphasizes the principles of transparency, economic substance over legal form, and fiduciary accountability as the foundation for regional fiscal sustainability.

THEORETICAL BASIS AND CONCEPTUAL FRAMEWORK

Agency Theory (Agency Theory) & Stewardship Theory

The management of Regional Assets (BMD) cannot be separated from the theoretical framework underlying the fiduciary relationship between the party managing public assets and the community as the ultimate beneficial owner and supervisory authority. From an Agency Theory perspective, there is a fundamental assumption regarding the potential for divergence of interests between the regional government as an agent granted discretionary authority in managing assets, and the community and supervisory institutions as principals demanding full accountability. When regional governments are given the freedom to utilize assets through lease, loan, or utilization cooperation mechanisms, the risk of moral hazard arises in the form of abuse of authority, setting rates below market prices for certain interests, or concealing information regarding the physical condition and legal status of assets. This theory emphasizes the need for strict monitoring mechanisms, incentives aligned with the public interest, and sanctions that have a deterrent effect to minimize information asymmetry (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for Implementing Accounting, Inventory, and Reporting of Regional Assets, 2021). On the other hand, Stewardship Theory offers a complementary perspective, assuming that public managers are intrinsically motivated, professional, and long-term oriented to act as stewards of the public interest. In this context, trust, responsible autonomy, and an ethical organizational culture are the primary drivers of asset optimization. The integration of these two theories is highly relevant because effective BMD utilization policies require a governance design that encourages stewardship behavior while simultaneously establishing a control architecture that systematically mitigates agency risk.

Value for Money (VfM) Concept

The concept of Value for Money (VfM) complements this theoretical framework by emphasizing three inseparable dimensions in public asset management: economy (using resources at the lowest feasible cost), efficiency (achieving maximum output from a given input), and effectiveness (achieving policy outcomes that impact public welfare). In the context of BMD utilization, these three dimensions must be met simultaneously. A lease agreement should not only be assessed based on the nominal amount of revenue, but must also consider the transferred maintenance costs, the unimpaired useful life of the asset, and the socio-economic impact on the surrounding community. Leasing agreements should be evaluated based on their contribution to accelerating public services and capital expenditure efficiency, not simply as an administrative formality. Utilization cooperation must undergo a rigorous feasibility analysis to ensure that the sharing of risks and benefits does not harm the long-term interests of the region (Runiawati, 2017).

Classification and Economic Substance of Utilization Mechanism

Operationally and legally, the utilization of BMD is clearly distinguished based on its economic substance, time period, and accounting implications. A lease is a commercial contractual relationship in which a third party pays a certain fee for the right to use an asset for a specific period, with legal ownership remaining with the region and maintenance costs usually remaining the responsibility of the region unless otherwise agreed. Borrowing is non-commercial, does not generate direct cash receipts, and aims to support government functions, public services, or other strategic interests of the region, so its accounting implications focus more on maintaining the book value of the asset, disclosing use in the

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CaLK, and monitoring physical conditions. Utilization Cooperation (KSP) or Utilization Cooperation with Third Parties (KSPI) has the highest complexity because it involves capital investment by partners, dynamic risk allocation, sharing of business results or benefits, and often changes in the functionality of the asset. From the perspective of Accrual-Based Government Accounting Standards (SAP), this mechanism affects the recognition of rental income (which must be recognized on a straight-line basis over the benefit period according to the accrual principle), capitalization or operational expenses for improvements made by partners, as well as the obligation to conduct an impairment test if there is an indication of a decrease in the value of assets (Republic of Indonesia Government Regulation Number 71 of 2010 concerning Government Accounting Standards, 2010). Inaccuracy in classifying the substance of this transaction has the potential to cause material misstatements in the Regional Government Financial Report (LKPD).

Indonesian Regulatory Framework

Indonesia's regulatory framework provides a rigorous and hierarchical normative foundation. Government Regulation No. 27 of 2014 in conjunction with Government Regulation No. 28 of 2020 concerning Management of State/Regional Assets establishes the principle that utilization must be based on a feasibility study, clear determination of utilization status, and approval from authorized officials in accordance with their authority. Minister of Home Affairs Regulation No. 47 of 2021 concerning Procedures for Implementing Bookkeeping, Inventory, and Reporting of Regional Assets strengthens accounting and control aspects with explicit emphasis on Article 12 (the obligation to periodically record asset mutations and changes in status), Article 18 (a strict prohibition on asset utilization without written approval and a feasibility study), Articles 44-45 (the obligation to conduct physical and administrative reconciliations at least once a year and resolve discrepancies), and Articles 79-80 (the reporting mechanism for the accountability of Asset Users and disclosure in financial statements). This regulation implicitly demands a complete and unbroken audit trail: starting from the feasibility study report, fair value appraisal documents, official approval letters, contracts reviewed by the legal department, proof of cash receipts or benefits, to annual physical reconciliations signed by the authorities and systematically documented (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Bookkeeping, Inventory, and Reporting of Regional Assets, 2021).

Conceptual Framework of the Research

The conceptual relationship formed from this framework can be mapped as a series of interrelated causal relationships: BMD Utilization → Potential for Increasing PAD and Budget Efficiency → Exposure to Regulatory Compliance Risk → Need for Structured Internal Control → Audit Opinion Quality and Public Accountability Level. Each link in this relationship has a critical dependency. Weak controls at the source document validation stage or periodic reconciliation will increase compliance risk exposure, which in turn has the potential to trigger audit findings categorized as non-compliance or state losses, reduce the credibility of the LKPD, and erode public trust in regional financial governance. The conceptual framework of this study is built on the integration of input variables (fiscal pressure, human resource capacity, information system maturity), processes (utilization mechanisms, approval procedures, accrual recording, reconciliation), outputs (PAD realization, procedural compliance, CaLK disclosure quality), and outcomes (fiscal accountability, unqualified audit opinions, sustainability of public services). This framework firmly emphasizes that PAD optimization cannot be separated from regulatory compliance and audit readiness; Any deviation from the procedural path, no matter how small, has the potential to accumulate material risks that have a systemic impact on the integrity of financial reports and the legitimacy of regional policies.

LITERATURE REVIEW METHODOLOGY

Design Review

The review design applied in this study is a critical narrative review with a systematic thematic synthesis approach, which is widely recognized in the Master's and doctoral methodological literature as the most appropriate method for integrating empirical findings, regulatory framework analysis, and theoretical perspectives in a coherent yet critical manner. Unlike descriptive reviews, which tend to summarize the literature in a linear manner without analytical depth, a critical approach requires identifying convergences in findings, divergences in research results, the evolution of asset management paradigms, and sharpening research gaps that have not been adequately addressed. This design allows researchers to map not only "what is known," but also "why these findings emerge in certain contexts," "how regulatory

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dynamics moderate the effectiveness of implementation in the field," and "where methodological weaknesses or contextual biases lie that need to be addressed in future studies." This approach is fully aligned with the publication standards of reputable public sector accounting journals, which emphasize analytical depth, sharp policy criticism, and practical relevance for fiscal decision-making (Sanjaya et al., 2024) .

Reference Search Strategy

The reference search strategy was designed using parallel and nested search protocols to ensure comprehensive source coverage and depth of data extraction. Parallel searches were conducted simultaneously across four independent but complementary lines of investigation. The first line focused on primary and secondary regulations through searches of the official databases of the Ministry of Home Affairs' JDIH, the Supreme Audit Agency's JDIH, and the Ministry of Finance's legal portal, with keywords targeting the full text and official explanations of Permendagri 47/2021 and its derivatives PP 27/2014 in conjunction with PP 28/2020 (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Bookkeeping, Inventory, and Reporting of Regional Assets, 2021) . The second line targeted SINTA-accredited academic journals, state university repositories, and the Garuda portal, using Boolean operators such as ("regional property" OR "regional assets") AND ("rent" OR "utilization cooperation") AND ("PAD" OR "public sector accounting") to capture recent empirical and conceptual studies. The third track focuses on official government reports, specifically the Audit Result Reports (LHP) of the BPK Representatives of Provinces/Districts/Cities for the 2018–2024 period, which specifically discuss compliance with BMD management, accessed through the official BPK portal and public information request channels. The fourth track seeks technical documents and implementation guidelines for accrual-based SAP, including socialization materials, technical interpretations, and asset reporting case studies from the Ministry of Finance and the public accounting standards body (Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards, 2010) . The publication timeframe is limited to the period 2015–2025 to capture the dynamics following the full implementation of accrual SAP and the fundamental revision of regional asset management regulations. This process creates a hierarchical traceability trail, ensuring that every claim in the review is not only based on the surface of the regulations, but has been verified through practical implementation, audit findings, and academic analysis (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for Implementing Bookkeeping, Inventory, and Reporting of Regional Assets, 2021) .

Inclusion and Exclusion Criteria

Inclusion and exclusion criteria were strictly defined to maintain the focus and academic quality of the review. Included documents included: (a) Nationally accredited scientific journal articles or research results from accredited university repositories that discuss the management, utilization, or accounting of BMD, such as a study from Brawijaya University on SIMBADA-based regional asset management (Biantong, 2018) and a study from Padjadjaran University on BMD utilization methods (Runiawati, 2017) ; (b) BPK Audit Reports for the 2018–2024 period containing specific findings related to compliance with regional asset utilization; (c) Primary and secondary laws and regulations that are still in effect and explicitly regulate BMD bookkeeping, inventory, and reporting procedures; (d) Empirical or conceptual studies in the context of local government in Indonesia or countries with similar decentralized systems that have transferable findings. Excluded documents included: (a) Popular articles, mass media opinion pieces, or blogs without clear research methodology or academic/regulatory references; (b) Regulatory documents that have been revoked, replaced, or declared invalid by higher regulations; (c) Literature that does not explicitly discuss productive utilization mechanisms or their accounting and compliance implications; (d) Studies that focus exclusively on central government assets without analyzing their relevance for regional fiscal decentralization. The establishment of these criteria aims to ensure that the sources used meet authoritative standards, are up-to-date, and directly support the synthesis (Sanjaya et al., 2024) .

Extraction Techniques, Thematic Codification, and Data Triangulation

Data extraction and synthesis techniques were conducted through the development of a structured literature matrix containing the following variables: author/institution, year of publication, research method design, key empirical findings, limitations identified by the authors, and explicit relevance to Indonesian regulatory clauses. Data were

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systematically extracted and thematically coded based on four established analytical pillars: effectiveness of mechanism implementation, contribution to PAD, regulatory compliance risks, and accounting and internal control aspects. Source triangulation was rigorously applied to validate the findings; empirical claims from academic journals were cross-verified with BPK audit findings, and both were recontextualized with the normative mandates of applicable regulations. The synthesis process did not stop at parallel descriptions, but instead progressed to comparative analysis to identify methodological inconsistencies between studies, contextual biases that influence the generalizability of findings, and the apparent gap between ideal governance theory and the reality of bureaucratic implementation at the regional level.

Academic Quality Assurance and the Search Audit Trail

Academic quality assurance and the search audit trail are implemented through three structured bias mitigation strategies. First, selection bias is mitigated by transparently documenting the search protocol, including the exact queries used, databases accessed, access dates, and the rationale behind any document exclusions. Second, a critical assessment of the methodology of the reviewed studies is conducted by evaluating internal validity, adequacy of sample size, appropriateness of data analysis techniques, and caution in generalizing findings. Studies with a single cross-sectional design without control for macroeconomic confounding variables or fiscal capacity are given lower analytical weight than longitudinal or mixed-methods studies that are able to isolate policy impacts. Third, transparency of the review process is maintained by explicitly stating the limitations of database coverage, the potential for publication bias where studies with positive findings tend to be more accessible, and evolving regulatory dynamics that may affect the currency of certain references. This methodological protocol ensures that the resulting synthesis is academically sound, meets the principles of readiness audit, and is worthy of being a substantive reference for evidence-based policy-making in the public sector (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for Implementing Bookkeeping, Inventory, and Reporting of Regional Assets, 2021).

RESULTS AND DISCUSSION

Thematic Synthesis 1

Effectiveness and Dynamics of Utilization Mechanism Implementation Empirical literature identifies implementation patterns that vary widely across regions, with success rates strongly correlated with institutional capacity, information system maturity, and the complexity of the assets being managed. Lease mechanisms are most commonly applied to strategic commercial assets such as parking lots, traditional market buildings, and unused office space, primarily due to their relatively simple administration, predictable cash flow, and minimal ownership disputes. However, empirical studies consistently show that the effectiveness of leases is often hampered by the absence of a dynamic rental price assessment system based on current market data, resulting in stagnant contract rates that lag far behind fair value, indirectly indicating potential regional losses in the form of foregone revenue. Lease-to-use is predominantly used for public service support facilities such as schools, community health centers, or village offices allocated to vertical agencies or social institutions. Implementation dynamics tend to be stable and minimize fiscal conflict, but are highly susceptible to overlapping usage statuses, weak monitoring of physical conditions after handover, and the absence of clear clauses regarding long-term maintenance responsibilities. Utilization cooperation (KSP/KSPI) exhibits the highest operational and legal complexity, often involving significant capital investment from third parties for the revitalization of idle assets or the development of integrated areas. The literature notes that the success of KSPs is highly dependent on the clarity of business risk allocation, force majeure clauses, dispute resolution mechanisms, and transparency of the partner selection process. The main inhibiting factors that consistently emerge across various studies are the limited capacity of Asset Administrators in negotiating commercial contracts, the unpreparedness of e-asset information systems integrated with budget systems, and weak functional coordination between OPDs (OPDs) that own, use, and manage assets (Biantong, 2018).

Thematic Synthesis 2

The Contribution of Regionally-Owned Enterprises (BMD) Utilization to Optimizing Regional Original Revenue (PAD) and Budget Efficiency The fiscal contribution of BMD utilization is significant in nominal terms, but remains suboptimal when assessed through the lens of value for money and its potential market value. Quantitative analysis of several empirical studies in Java and Papua shows that realized revenue from rentals and profit-sharing of KSPs can

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contribute between 1.3% and 2% of total non-tax PAD in districts/cities with an adequate commercial asset base and relatively mature governance (Silaban et al., 2023). This figure, while positive, remains far below the maximum potential that can be achieved if pricing and asset allocation mechanisms are optimally managed. From a budget efficiency perspective, appropriate and planned utilization can significantly reduce the burden on local governments' capital expenditures for the provision of new facilities, while creating fiscal space that can be diverted to priority spending in the education, health, or basic infrastructure sectors. However, the literature also warns of the illusion of fiscal independence if the increase in PAD from BMD is not accompanied by an increase in the quality of public service outcomes, or is instead structurally diverted to cover unproductive routine spending deficits. Revenue predictability from leasing mechanisms tends to be high and stable, providing cash flow certainty for regional budget (APBD) preparation, while KSP has more volatile characteristics that are highly dependent on partner operational performance, regional macroeconomic conditions, and fluctuations in market demand. Studies emphasize that optimizing PAD through BMD should be viewed as an instrument supporting long-term fiscal sustainability and independent development financing, not a quick fix or patchwork solution to cover structural weaknesses in regional tax mobilization (Runiawati, 2017).

Thematic Synthesis 3

Mapping Regulatory Compliance Risk and BPK Audit Findings Compliance risk is the most critical dimension consistently and repeatedly highlighted in BPK audit reports and independent academic studies. Key audit findings include: the use of assets without written approval from authorized officials or exceeding regulated authority limits, the absence of legally valid handover minutes, physical and administrative reconciliations that are not conducted periodically as mandated, and cooperation contracts that do not contain clauses for protecting regional assets or mechanisms for third-party audits. Violations of Article 18 (prohibition of use without approval) and Articles 44-45 (reconciliation obligations) of Minister of Home Affairs Regulation 47/2021 were recorded as the most frequent findings in compliance audits across various provinces (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Accounting, Inventory, and Reporting of Regional Assets, 2021). The BPK report explicitly noted that internal control weaknesses at the initial approval and post-contract monitoring stages consistently created room for abuse of authority, conflicts of interest, and the imposition of conditions detrimental to regional finances. Legal loopholes often arise from ambiguous interpretations of the boundaries between "productive use" and "operational use," as well as weak administrative sanctions to deter negligent officials. Triangulation of literature and audit findings indicates that compliance risks are not solely technical-administrative or due to human resource shortages, but are rooted in an immature institutional compliance culture, short-term political pressures that override the principle of prudence, and fragmented information systems that complicate real-time data cross-verification.

Thematic Synthesis 4

Accounting and Internal Control Aspects From an accrual-based public sector accounting perspective, the most fundamental challenges lie in the consistency of revenue recognition, the accuracy of recording asset status changes, and the depth of disclosure in the Notes to the Financial Statements (CaLK). In accordance with the accrual principle, rental income must be recognized systematically (usually straight-line) throughout the contract's useful life, not solely when cash is received in the regional treasury. However, practice in the field still shows a tendency towards cash-based recognition due to limited regional accounting system features or a partial understanding of the standards (Government Regulation of the Republic of Indonesia Number 71 of 2010 concerning Government Accounting Standards, 2010). Leased or KSP assets must still be depreciated periodically according to their designated useful lives, and their book value must be tested for impairment if there is an indication that the market or physical condition of the asset has decreased significantly. Weak quarterly or annual reconciliations between physical inventory cards, accounting journals in SIMDA/e-asset systems, and budget realization reports create material discrepancies that are difficult to detect until the external audit examination stage, and have the potential to lead to a qualified opinion. Effective internal control requires a clear separation of functions between authorization, implementation, recording, and supervision; system-based authorization with a non-skippable approval workflow; complete and digitally archived audit trail documentation; and periodic reviews by an independent Regional Inspectorate. Audit readiness, in this context, is not merely about readiness for annual audits, but rather a culture of procedural documentation that is inherent and inseparable from every cycle of

asset utilization, from planning to contract termination (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Accounting, Inventory, and Reporting of Regional Assets, 2021) .

Critical Analysis and Policy Trade-offs

A literature synthesis reveals a profound structural tension between aggressive local revenue (PAD) optimization targets and stringent regulatory compliance demands. On the one hand, fiscal pressures and budget performance targets encourage local governments to be expansive in utilizing idle assets; on the other, the complexity of administrative procedures, limited technical human resource capacity, and incompletely integrated information systems create high-risk compliance gaps. The most striking empirical inconsistency emerges in assessing the impact of KSP on long-term PAD: some studies report significant increases and regional transformation, while others document financial losses due to unbalanced contractual clauses, unanticipated force majeure, or partners' failure to meet investment commitments. The policy trade-offs are clear and cannot be ignored: a revenue-maximization-based approach without stringent controls and due diligence carries a high risk of material audit findings and long-term asset losses, while a bureaucratic, ultra-cautious approach tends to result in unproductive idle assets and burden maintenance budgets with no return. The gap between policies on paper and the reality of implementation on the ground stems from three systemic factors: regulations that are not yet operational enough at the granular technical level, a fragmented asset information system between OPDs, and a weak sustainable capacity building mechanism that is adaptive to market dynamics.

Comparative Risk Mapping Matrix

The following risk mapping matrix presents a comparative synthesis to strengthen critical analysis.

Utilization Mechanism	Potential Contribution	PAD	Key Compliance Risks	Regulatory Risks	Accounting Audit Implications	Impact and	Level of Control Complexity
Rent	Stable, predictable, regular cash flow		Tariffs are not based on fair valuation, contracts are not standard, physical reconciliation is weak		Accrual vs cash revenue recognition, ongoing depreciation, detailed mandatory CaLK disclosures		Currently
Borrow and Use	Non-commercial (zero direct PAD), capital expenditure efficiency		Unclear usage status, usage beyond initial function, absence of written MoU		No revenue recognized, fixed assets recorded and depreciated, disclosure of use required		Low-Medium
KSP / KSPI	Variable, long-term high potential, partner investment		Asymmetric risk allocation, weak asset protection clauses, overlapping authority		Classification of critical economic substance, capital improvement, periodic impairment test, joint arrangement disclosure		Tall

Critical discussions confirm that no utilization mechanism is inherently superior; success and sustainability are largely determined by the quality of institutional governance, clarity of contractual clauses, and adherence to the principle of an unbroken audit trail. Sustainable PAD optimization can only be achieved if procedural compliance, accurate accrual recognition, and transparency of disclosure are viewed as fundamental prerequisites and value enablers, rather than bureaucratic obstacles to be eliminated. Integration of fiscal objectives and the principle of public accountability must be the sole compass in every decision to utilize BMD.

IMPLICATIONS, CHALLENGES, AND POLICY/MANAGERIAL RECOMMENDATIONS
Theoretical Implications

This study makes a substantive contribution to enriching the theoretical framework of public sector accounting by empirically and conceptually demonstrating that agency theory and stewardship theory are not dichotomous or mutually exclusive, but rather can and should be integrated in the design of asset governance based on performance

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incentives, procedural transparency, and proportional control. Existing literature tends to treat PAD optimization and regulatory compliance as two separate domains of analysis; this review clearly demonstrates that both dimensions must be examined simultaneously and integrated through the lenses of value for money and audit readiness. Theoretically, the findings of the synthesis strengthen the proposition that the quality of regional financial reporting and the acceptability of audit opinions are not solely determined by the technical competence of accounting staff or the sophistication of reporting software, but are highly dependent on the maturity of the internal control system, a clear hierarchy of authority, and a deep-rooted institutional culture of compliance. The integration of audit and compliance perspectives into the initial asset utilization cycle offers a new, more comprehensive analytical framework, shifting the research focus from simply "how much revenue is generated" to "how is that revenue generated legally, documented with a clear, cross-verifiable, and sustainable trail without compromising asset integrity." This approach opens up space for the development of public sector behavioral accounting theory that is more relevant to the Indonesian bureaucratic context.

Managerial and Policy Implications

From a managerial perspective, the most pressing and operational implication is the need for standardization of SOPs for the utilization of BMD that are binding hierarchically for all OPDs, equipped with standard contract templates that have undergone a rigorous validation process by the Legal Department, the Asset Management unit, and a team of independent assessment experts. Strengthening the functional capacity of Asset Administrators, Asset Users, and Revenue Treasurers is critical and cannot be postponed, not only in the administrative aspects of recording, but especially in a deep understanding of the economic substance of transactions, market-based fair valuation principles, contract negotiation techniques that protect regional interests, and accrual accounting mechanisms for non-cash transactions. The integration of the regional e-asset system with the e-budgeting, e-procurement, and e-audit systems must be massively accelerated to ensure that every mutation in asset status, revenue realization, reconciliation schedule, and monitoring findings are recorded in real time, encrypted, and can be automatically cross-verified by internal and external supervisors. Furthermore, an asset revaluation mechanism is mandatory before setting rental rates or profit-sharing schemes for KSPs to prevent price distortions, avoid indications of bribery, and ensure the asset's economic value is accurately reflected in long-term strategic planning. Without comprehensive digital transformation and continuous strengthening of human resource capacity, compliance risks and fiscal inefficiencies will remain systemic burdens that are difficult to control structurally (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Accounting, Inventory, and Reporting of Regional Assets, 2021).

Stakeholder-Based Strategic Recommendations

An explicit risk-based approach should be implemented in determining utilization mechanisms. Assets with high book value, large transaction complexity, or long contract durations must undergo an in-depth due diligence process, independent business feasibility studies, and legal due diligence before being approved by the Regional Head or designated official. Strengthening the internal reconciliation team, as mandated by Articles 79-80 of Home Affairs Ministerial Regulation 47/2021, must be implemented in a scheduled and documented manner, not merely as a seasonal activity prior to audits by the Supreme Audit Agency (BPK) or the Inspectorate. Ongoing training programs for asset managers should include modules on commercial contract law, accrual-based government accounting, basic forensic audit techniques, and asset risk management. Disclosure of details on BMD utilization in the Notes to the Financial Statements (CaLK) should be significantly enhanced, encompassing the number of assets utilized, contract value, current period, partner identity, partner obligation fulfillment performance, and the current physical condition of the assets. For Regulators (Ministry of Home Affairs/Ministry of Finance): Improve technical guidelines for fair valuation of regional assets by providing and maintaining a standardized, open, and publicly accessible regional market price database for all regional governments to minimize valuation disparities. Standardization of long-term lease contract formats and KSP agreements needs to be issued as mandatory attachments to ministerial regulations to minimize clause ambiguity and protect regions from legal disputes. A national, real-time data-based monitoring mechanism through an integrated dashboard between the Ministry of Home Affairs, the Financial and Development Supervisory Agency (BPKP), the Ministry of Home Affairs, and regional governments needs to be tested and scaled up to detect compliance anomalies, tariff disparities, or chronic idle assets early and preventatively. For Auditors (BPK/Regional Inspectorate): Direct the focus and allocation of audit resources proportionally to compliance with utilization procedures, validity of source documents for price calculations, clarity of tiered approvals, accuracy of revenue recognition according to the accrual

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principle, and the effectiveness of the design and operation of internal controls in the handover cycle to final reconciliation. A risk-based audit approach should prioritize complex KSP transactions, assets with material book values, and areas with a history of repeated compliance findings, with a strong emphasis on substance over form and independent verification of partner performance claims.

Accountable BMD Utilization Governance Model

Based on the analytical synthesis and strategic recommendations above, an integrated operational governance model is proposed that explicitly balances three fundamental pillars: sustainable PAD optimization, strict regulatory compliance, and assured audit readiness. This model consists of four interrelated layers with validation checkpoints at each phase transition. The first layer, Strategic, encompasses the establishment of utilization policies based on fiscal feasibility studies, market risk analysis, and alignment with the RPJMD. The second layer, Operational, implements tiered approval procedures, standardized template-based contract negotiations, documented handovers, and real-time recording of status changes in an integrated system. The third layer, Control, implements periodic physical-administrative reconciliations, independent reviews by the Inspectorate, the application of the principle of separation of functions (segregation of duties), and automated monitoring through a system dashboard. The fourth layer, Reporting and Accountability, ensures timely recognition of accrued revenue, the preparation of informative and comprehensive CaLK (Regional Revenue Reports), the publication of utilization performance summaries for public transparency, and structured follow-up on each audit finding. Each layer is equipped with key performance indicators (KPIs), risk tolerance limits, and escalation protocols for indications of deviation, ensuring that the audit trail is formed naturally, unbroken, and traceable throughout the asset's lifecycle. This model is designed to be modular and adaptable to various regional levels according to asset scale and institutional capacity, while absolutely upholding the non-negotiable fundamental principles of transparency, fiduciary prudence, and public accountability (Minister of Home Affairs Regulation Number 47 of 2021 concerning Procedures for the Implementation of Accounting, Inventory, and Reporting of Regional Assets, 2021).

CLOSING

Main Conclusions

Based on a comprehensive critical synthesis of academic literature, primary regulatory documents, and official audit reports, this study concludes that optimizing the utilization of Regionally Assets through lease, loan-to-use, and utilization cooperation mechanisms has real and measurable potential to increase Regional Original Income, support capital expenditure efficiency, and strengthen regional fiscal independence. However, this economic potential will not be realized in a sustainable, measurable, and accountable manner without systematic strengthening of internal control systems and strict procedural compliance at every stage of the transaction. The lease mechanism offers revenue stability with manageable control complexity, loan-to-use supports the acceleration of public service functions with relatively low to moderate compliance risks, while utilization cooperation (KSP/KSPI) has the potential to generate high long-term economic value but carries significant contractual complexity, risk allocation, and compliance exposure. Literature findings consistently and empirically reveal that the most critical and recurring compliance gaps lie in the utilization of assets without valid written approval, the absence of documented physical-administrative reconciliation, tariff setting that does not go through an independent fair valuation process, and fatal weaknesses in audit trail documentation. From a government accounting perspective, the most fundamental challenges include the consistent application of accrual-based revenue recognition, the accuracy of recording status changes and depreciation of assets still in use, and the quality and depth of disclosures in the Notes to the Financial Statements (CaLK). Therefore, optimizing PAD and regulatory compliance are not dichotomies that must be chosen exclusively, but rather two sides of the same coin that can only be balanced harmoniously through governance based on the principle of economic substance, adequate and continuously developed institutional capacity, and a culture of audit readiness that is firmly embedded in every decision and action regarding the use of regional assets.

Limitations of Review

This study recognizes and transparently acknowledges several methodological and contextual limitations that need to be considered in interpreting the findings. First, although the parallel and nested search strategies were

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systematically designed, the database coverage and keyword filters cannot capture all literature published in closed regional repositories, internal government reports that are not widely published, or technical documents that are only physically available in specific regional government agencies (OPD) offices. Second, publication bias may have influenced the synthesis results, as studies with significant, positive, or innovative findings tend to be more widely published and indexed than studies reporting implementation failures, persistent structural constraints, or stagnant utilization practices. Third, the limited availability of publicly published, granular regional-level data means that comparative analysis across districts/cities remains macro-based, without the ability to fully control for micro-contextual variables such as local political dynamics, region-specific fiscal capacity, or fluctuations in regional property markets that affect asset fair values. Fourth, the ever-evolving dynamics of regional asset management regulations, including potential revisions to government regulations, issuance of new technical regulations, or adjustments to accounting standards, necessitate regular updates to the presented references and recommendations to maintain their relevance and accuracy. These limitations do not reduce the validity of the main conclusions built on the basis of source triangulation, but are important methodological notes in generalizing the review results to broader contexts or very specific policy applications.

Future Research Agenda

Based on the research gaps explicitly identified through critical synthesis, several strategic and targeted future research directions are recommended to deepen academic understanding while addressing practical public sector needs. First, a longitudinal study measuring the long-term impact of BMD utilization on the structure of PAD composition, the quality of public service outcomes, and regional fiscal sustainability, using panel data covering multiple districts/cities over a minimum five-year period to isolate policy effects from macroeconomic variables. Second, a quantitative study empirically examining the determinants of regulatory compliance in asset management, such as the influence of the capacity and certification of managing human resources, the maturity level of e-asset information systems, the intensity of external oversight, and bureaucratic performance incentives on the frequency and materiality of BMD audit findings. Third, an in-depth comparative case study between regions that have successfully implemented KSP in an accountable, transparent, and profitable manner versus regions that have experienced asset losses or long-term contract disputes, to identify critical success and failure factors at the operational, negotiation, and monitoring levels. Fourth, exploring the application of disruptive technologies such as blockchain for tracking immutable asset status mutations (immutable ledger), smart contracts for the automatic execution of payment clauses and late penalties, and artificial intelligence and machine learning for early detection of compliance anomalies, management risk prediction, and dynamic tariff optimization. Fifth, research integrating behavioral accounting and organizational psychology perspectives to understand how cognitive bias, budget performance pressures, and bureaucratic hierarchical culture influence ethical decision-making and procedural compliance by Property Managers in the context of public asset utilization.

Closing

Managing regional assets is not merely a matter of administrative record-keeping, fulfilling routine reporting obligations, or pursuing fiscal revenue targets. In essence, it is a concrete manifestation of the government's fiduciary responsibility to the public, a test of bureaucratic integrity, and a reflection of the maturity of public governance in the era of decentralization. Every square meter of strategic land, every regionally owned building, and every asset allocated for use must be treated with the principles of professional prudence, unbridled information transparency, and full accountability that cannot be bargained or compromised for short-term interests. This literature review firmly confirms that optimizing Regional Original Revenue through the utilization of Regionally-Owned Enterprises (BMD) will only have fiscal significance and political legitimacy if it is built on a solid foundation of regulatory compliance, disciplined and verified internal controls, and financial reporting that is accurate, relevant, and credible to all stakeholders. In an increasingly complex, interconnected, and highly public-scrutinized regional financial governance ecosystem, a superior and sustainable regional government is one capable of transforming idle assets into instruments for inclusive public value creation, without ever sacrificing administrative integrity, substantive compliance, and moral accountability to the people. Hopefully, this academic study can serve as a reflective foundation, substantive reference, and trigger for policy innovation for academics, asset management practitioners, central regulators, and independent supervisors to continue

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refining the BMD governance architecture towards higher accountability standards, relevant to the dynamics of the times, and sustainable for the advancement of the welfare of the Indonesian people.

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