





“Optimizing the utilization of government-owned tangible assets through managing institutional factors in Indonesia”

AUTHORS	Faridah  Abdul Rahman Lubis  Yossi Diantimala  Ridwan
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Faridah, Doctoral Student,
Management Department, Faculty of
Economics and Business, Universitas
Syiah Kuala [Syiah Kuala University],
Indonesia.

Abdul Rahman Lubis, Professor,
Management Department, Faculty of
Economics and Business, Universitas
Syiah Kuala [Syiah Kuala University],
Indonesia.

Yossi Diantimala, Professor, Accounting
Department, Faculty of Economics
and Business, Universitas Syiah Kuala
[Syiah Kuala University], Indonesia.
(Corresponding author)

Ridwan, Lecturer, Management
Department, Faculty of Economics
and Business, Universitas Syiah Kuala
[Syiah Kuala University], Indonesia.



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Faridah (Indonesia), Abdul Rahman Lubis (Indonesia),
Yossi Diantimala (Indonesia), Ridwan (Indonesia)

OPTIMIZING THE UTILIZATION OF GOVERNMENT-OWNED TANGIBLE ASSETS THROUGH MANAGING INSTITUTIONAL FACTORS IN INDONESIA

Abstract

This study aims to examine whether the institutional factors – governance, asset knowledge, internal control system, and competencies – optimize the utilization of provincial, regency, and municipal governments' tangible assets in supporting public services. In contrast to previous research, which employed Sharia ethics as exogenous variables, this study includes Sharia ethics as a moderating variable in the model. Sharia ethics is one specific factor in implementing Sharia principles by the government that applies Islamic law in Indonesia. The province of Aceh, with all its regencies and municipals, is the only province that applies Islamic principles in running its government. Primary data were collected using a questionnaire sent to 285 provincial and district government asset managers using a Google form; 229 questionnaires were returned. Structural equation modelling (SEM) was employed to analyze the complex relationships and the hypotheses. The results reveal that institutional factors are not strong enough to optimize the utilization of tangible assets without having deep Sharia ethics. It meant that Sharia ethics is necessary for strengthening the relationship between the institutional factors and the optimization of government asset management in provincial, regency, and municipal governments. The results provide recommendations for provincial, regency, and municipal governments to develop appropriate and reasonable regulations and standards for optimizing asset management within the Aceh government.

Keywords

utilization of government's tangible assets, governance,
asset knowledge, internal control systems, competence,
Sharia ethics

JEL Classification

H82, H83, M41, M48

INTRODUCTION

Managing tangible assets (i.e., property, plant, equipment, infrastructure) properly and optimally is crucial to supporting the government's services (McDonough & Yan, 2023) in the era of new public management in Indonesia (Ratmono & Darsono, 2022). Utilization and management of tangible assets appropriately and adequately increase the effectiveness and efficiency of the quality of government services to the public (Dharma et al., 2023; Gonzalez-Caceres et al., 2019). The existing regulations regarding the proper and transparent use of assets should serve as guidelines and directions for provincial, regency, and municipal governments in managing assets so that these assets can be used optimally to provide public services. However, based on the audit report by the Audit Board of the Republic of Indonesia in 2017–2020, provincial, regency, and municipal governments encountered many problems in managing government-owned tangible assets. Unfortunately, the various subsisting legal instruments are inadequate to solve these problems, reflecting poor tangible asset management.

For study cases in one province in Indonesia, Aceh Province in 2017, from 23 regencies/municipals and 1 provincial government, there were 19 districts/cities with indications of various problems in managing their intangible assets, and only 4 districts/cities and 1 province governments whose management was better. Therefore, this study is crucial to investigate whether the institutional factors – governance, asset knowledge, internal control system, and competencies – optimize the utilization of provincial, regency, and municipal governments' tangible assets in supporting public services.

1. LITERATURE REVIEW

There are some factors causing problems in tangible assets management in provincial, regency, and municipal governments. First, there is poor compliance by local government employees to the existing regulations and poor governance (Hia et al., 2020; Almansour et al., 2016; Hanis et al., 2011). This occurs due to the lack of proper management of provincial, regency, and municipal governments' finances, such as accrual-based financial reports that have not been implemented. There are still disciplinary actions by state staff under applicable laws and the inability of the internal control system in various government agencies. Second is a poor understanding of the asset managers' responsibilities, limited knowledge and resources to manage assets, and a lack of monitoring and supervision. Third, there is inadequate knowledge regarding regional assets with high variation and complexity (Wang, 2017; Abdelhamid et al., 2015; Zuashkiani et al., 2011). According to Lonnqvist et al. (2014), knowledge is essential to optimize asset management. This knowledge refers to the ability of provincial regency and municipal officials to use a structured system in assets management (Laihonen & Mäntylä, 2018). For the future economy, provincial, regency, and municipal governments depend highly on the capacity to attract, produce, develop, and foster creativity, knowledge, and innovation. Whereas competence has positive implications and can help the local government manage assets better (Laihonen & Mäntylä, 2018).

Optimizing asset management is challenging because of misusing assets. Misappropriation of assets is a fraud (Le & Tran, 2018; Abiola & Oyewhole, 2013). Moreover, fraud often occurs in non-profit organizations and the government sector because of weak oversight, low trust, difficulties in verifying certain income, and unclear policies in the procedures for procuring public goods and services (Yusrianti et al., 2020; Majid et al., 2014). This

shows that internal audit has benefits in adding value to the organization (Le & Tran, 2018; Coram et al., 2008). Therefore, it is necessary to have a good internal control system with sustainable performance in the optimal management of local government assets.

Good governance is crucial in ensuring regional welfare by increasing full accountability, consistency, and preparing strategic decisions well at the government and corporate level at the private level as well as other public organizations (Hia et al., 2020). Biondi and Lapsley (2014) reveal that an institution with good public governance has a good role in accounting that can encourage or enhance transparency. This implies that accounting plays a central role in managing regional financial reporting, especially regional assets, so it is more optimal (Arnaboldi & Lapsley, 2010).

A comprehensive asset management system is essential for optimizing public sector assets. This system includes asset planning, acquisition, maintenance, and management (Pocock et al., 2014). According to Hia et al. (2020), based on a positive relationship between governance and optimization of regional asset management by applying collaborative techniques involving various public officials, effective synergy will be achieved in achieving the same goals, including government agencies, private sector partners, and civil society organizations.

Asset knowledge is essential to identify government staff knowledge in each region regarding asset management to explain that each region has unique knowledge that acts as the basis for value creation (Lonnqvist et al., 2014). Lonnqvist et al. (2014) and Schiuma and Lerro (2011) examined asset knowledge as the basis for value creation, but how to apply specific knowledge related to asset management has not been formulated and practiced optimally so that asset management can be

further optimized. Furthermore, the concept of asset knowledge becomes an essential requirement as a basic concept in the implementation of asset management activities. It becomes an indicator in measuring the performance of government officials in all fields of work, especially in the area of complex and complete assets (Laihonen & Mäntylä, 2018). However, the concept of asset knowledge is general, and no specifications can be applied to managing public assets effectively and efficiently to optimize regional assets.

Hanis et al. (2011) show that in the context of asset management, there is a link between asset knowledge and the way to highlight the problems of implementing legal and institutional regulations that are difficult to enforce, the large size of the public asset portfolio, and political interests. However, previous studies emphasize two important things related to public asset management. First, the need for reactive management is related to the government's lack of understanding of the role of assets in the property sector and the minimal contribution of knowledge to organizations. The second is related to biased data issues regarding public assets and human resources (Abdelhamid et al., 2015; Bond & Dent, 1998).

Asset management is the task of accounting technicians. It is also one of the parts of the competence contained in the Indonesian National Work Competency Standards. The competency elements start from the stages and procedures for managing assets, from inventory to the stage of destroying assets (PP No. 27 of 2014). Several studies have shown that human resources competence is related to optimal asset management's success. Noble et al. (2017) emphasize the importance of competency collaboration to drive the national innovation agenda through research collaboration between universities and industry to increase public value. The same thing is supported by the findings of Maletič et al. (2021) that the framework of asset management competency impacts the structure and governance of asset management. The capabilities needed at the organizational and individual levels applied within the asset management framework include organizational strategy, organizational culture, leadership and people, knowledge management, strategic asset management and planning, and decision-making.

Giglio et al. (2018) explain that the management of regional property is influenced by the capabilities and skills of human resources in terms of competence. Arnaboldi and Lapsley (2010) explicitly state that asset management must involve a central accounting role. However, this finding is disputed by Molland and Clift (2008), where the role of human resources competencies in the accounting division in asset management in Australia is smaller than that of engineers directly involved in regional asset management.

Greenlee et al. (2007) find a fact about the importance of internal control and annual financial report audits in public sector organizations. This is intended as one of the efforts and actions to prevent cheating and fraud. The facts show that fraud often occurs in non-profit organizations and the government sector due to weak supervision, low trust, difficulties in verifying certain income, and unclear policies in the procedures for procuring public goods and services (Majid et al., 2014). This reinforces the assumption that weak oversight indicates that the internal control system is still experiencing difficulties in implementing it, so it does not conform to the expected provisions. Thus, it is necessary to have a good and sustainable internal control system because internal control is integral to the internal control system.

The role of the internal control system greatly determines the optimal quality of regional asset management. Le and Tran (2018) find evidence that the internal control system impacts the management of assets owned by local governments. On the same note, Le and Tran (2018) detail the linkages of the high importance of internal audits in every private and public sector organization to prevent and reduce the tendency for fraud to occur. This supports prior studies that stated the government must carry out good supervision on managing regional property assets through various existing approaches to optimize regional assets.

Furthermore, it is challenging to prevent asset fraud in the government sector due to the lack of evidence (Yusrianti et al., 2020; Norziaton et al., 2018). Local governments try to maintain their good image; therefore, the existence of a strong ethical environment contributes to reducing corrupt behavior in the government sector, and near-

ly 96% of survey results suggest that fraud is a significant problem for local orders (Yusrianti et al., 2020; Norziaton et al., 2018). Sharia ethics is a good and commendable behavior based on Islamic law. Besides, ethics and moral values such as justice, kindness, empathy, patience, compassion, tolerance, and honesty are key components of Islamic leadership to prevent corrupt behavior (El Kaleh & Samier, 2013). Thus, a proper and correct understanding of Islamic sharia by government stakeholders prevents corrupt behavior in asset management. Understanding Islamic law is a strengthening factor for individuals and institutions in optimizing the use of tangible assets belonging to local governments. Haque and Ahmad (2016), Salem and Agil (2012), El Kaleh and Samier (2013), and Awan and Akram (2012) show a direct effect of Sharia ethics on optimizing regional assets.

Based on these reasons, this study examines the role of Sharia ethics on the effect of institutional factors in optimizing provincial regency and municipal governments' asset management. The underlying reasons why Sharia ethics can moderate the relationship are that good regulations, good governance, high knowledge and competence, and appropriate internal control systems will not have a positive impact in optimizing local government asset management if the apparatus that has the authority to manage assets have bad attitudes, behave in an untrustworthy manner, and do not follow Islamic norms.

Sharia ethics is vital in optimizing asset management, especially in countries with a majority Muslim population (Sandwick et al., 2021). Sharia ethics involve moral principles and Islamic values that emphasize fairness, openness, and transparency in all aspects of life (Bedoui, 2012; Haque & Ahmad, 2016). Applying good governance practices and Sharia values can significantly increase the effectiveness and efficiency of regional wealth management, which in turn can positively impact regional economic and social development (Yunanda et al., 2016). Haque and Ahmad (2016) state that optimizing public assets is an essential aspect of Islamic principles and practices. Responsible governance and ethical behavior required by Islamic principles can help ensure that public assets are managed sustainably and equi-

tably for the benefit of society as a whole. Thus, if sustainable governance can be carried out with the existence of applied Sharia ethics, this can increase asset management optimization. The application of Sharia ethics in optimizing assets reinforces the relationship with governance and strengthens the implementation of asset knowledge in optimizing these assets. Kılınç and Warner (2015) explained that good knowledge assisted by religiosity can increase one's view of public assets. Thus, the application of Sharia ethics in the implementation of knowledge assets can increase the optimization of assets owned by the region.

Internal control in optimizing Sharia-based assets is critical to ensuring optimal and responsible management of regional-owned assets relevant to Islamic principles and values. This includes behavior in the actions of agencies and individuals in protecting assets, promoting ethical behavior, and managing risk in an accountable and transparent manner (Bekri et al., 2014; Hanefah et al., 2020; Muñoz-Villamizar et al., 2022). An important principle of internal control in optimizing Sharia assets is risk management. Hanefah et al. (2020) also explain that managing assets with Sharia principles recognizes the inherent risks involved in business activities and emphasizes the need to manage these risks effectively. An effective internal control system must identify potential risks and develop strategies to mitigate and manage them. Therefore, with Sharia ethics in optimizing asset management, it is believed that it will strengthen the influence of the internal control system (SPI) on optimizing asset management.

Furthermore, competence includes characteristics in work related to the ability to acquire knowledge and skills in management, as well as aspects of the right attitude in carrying out their duties and being responsible for their job and position. In its application in Aceh, optimizing asset management refers to Qanun regulations governing the management of Aceh property Number 14 of 2017. It gives a special notation in Article 17 (3) that explains that the delegation of power over the use rights of own assets requires management based on competence over the power of the user of the goods. This shows that management requires appropriate competence to optimize these assets' use.

2. AIMS AND HYPOTHESES

This study aims to examine whether institutional factors – governance, asset knowledge, internal control system, and competencies – optimize the utilization of provincial, regency, and municipal governments' tangible assets in supporting public services. In addition, this study investigates the role of Sharia ethics in strengthening these factors in optimizing asset usefulness in provincial, regency, and municipal governments in Indonesia.

Based on the literature review, this study proposed these hypotheses:

- H1: Governance positively affects the optimization of the utilization of provincial regency and municipal governments' tangible assets.*
- H2: Asset knowledge positively affects the optimization of the utilization of provincial regencies and municipal governments' tangible assets.*
- H3: Competence positively affects the optimization of the utilization of provincial regency and municipal governments' tangible assets.*
- H4: Internal control system positively affects the optimization of the utilization of provincial regency and municipal governments' tangible assets.*
- H5: Sharia ethics strengthens the influence of governance on optimizing the utilization of provincial regency and municipal governments' tangible assets.*
- H6: Sharia ethics strengthens the influence of asset knowledge on optimizing the utilization of provincial regency and municipal governments' tangible assets.*
- H7: Sharia ethics strengthens the influence of competence on optimizing the utilization of provincial regency and municipal governments' tangible assets.*
- H8: Sharia ethics strengthens the influence of the internal control system on optimizing the utilization of provincial regency and municipal governments' tangible assets.*

3. METHODS

This analysis was conducted in 23 regencies/municipalities and 1 provincial government in Aceh Province, Indonesia. The unit of analysis is the management of tangible assets owned by 23 regencies/municipalities and 1 provincial government in Aceh. There are 285 local government-owned asset managers throughout Aceh. Data were collected using a closed-type questionnaire. Questionnaires were sent to local government asset managers in a Google form. From 285 managers, 229 questionnaires were returned.

The information obtained from the first part of the questionnaire consisted of the characteristics of the respondents (gender, age, marital status, religion, and level of education). The second part contains statements related to research variables, including asset governance, asset knowledge, competency, internal control systems, sharia ethics, and optimizing the utilization of local and provincial governments' tangible assets. This second part was measured using a five-point Likert scale ranging from strongly disagree to strongly agree.

In this study, the endogenous variable is optimizing the utilization of provincial, regency, and municipal governments' tangible assets. The institutional factors used as exogenous variables are governance, asset management, competency, asset knowledge, and internal control systems. Sharia ethics is a moderating variable. Each variable measurements are shown in Table 1.

To examine the hypotheses, the study employed structural equation modelling (SEM) analysis as one of the simultaneous tests by looking at complex relationships. Mathematically, the determinants of the exogenous and endogenous variables are:

Optimizing the Utilization of Governments' Asset =

$$=f \left\{ \begin{array}{l} \text{Governance, Asset Knowledge,} \\ \text{Competence,} \\ \text{Internal Control System,} \\ \text{Sharia Ethics} \end{array} \right\}. \quad (1)$$

Table 1. Variables description and measurement

Variables	Measurement	Source
The optimization of the utilization of provincial, regency, and municipal governments' tangible assets (OUA)	Maximize asset availability, maximize asset utilization, and minimize cost of ownership	Davis (2007), Lima and Costa (2019), Majid et al. (2014)
Governance (AG)	Transparency, responsibility, accountability, participation, responsiveness, legal certainty openness, trust, and local wisdom	Almansour et al. (2016), Biondi and Lapsley (2014)
Asset knowledge (AK)	Specific knowledge (conceptual framework, intellectual capital development, and reactive approach), accounting knowledge (accounting sector role), local wisdom approach (local, social, and cultural knowledge), and understanding of regulations	Kozak (2011), Lima and Costa (2019), Yigitcanlar and Lönnqvist (2013)
Competence (AC)	Knowledge, skill, expertise, interest, experience, understanding, and attitude	Maletič et al. (2021), Noble et al. (2017)
Internal control system (ICS)	Knowledge, risk assessment, control activities, information and communication, and monitoring	Schandi and Foster (2019), Abiola and Oyewhole (2013)
Sharia ethics (SE)	Honesty, trust, fairness, loyalty, openness, respect, integrity and good communication	Abdallah (2010), Haque and Ahmad (2016)

4. RESULTS AND DISCUSSION

To explain the inherent characteristics of the respondents, the paper analyzes respondents' gender, religion, educational background, age, and occupation, as shown in Table 2.

Table 2. Respondent characteristics

Respondent characteristics	Frequency	(%)
Gender		
Male	140	61.1
Female	89	38.9
Religion		
Islam	210	91.7
Catholic	10	4.4
Protestant	9	3.9
Age		
21-30 years	53	23.1
31-40 years	81	35.4
41-50 years	78	34.1
Over 50 years	17	7.4
Most recent education		
Diploma	85	37.2
Undergraduate	115	50.2
Graduate (S2)	28	12.2
Doctor (S3)	1	0.4
Occupation		
Civil servant	205	89.5
Contract employee	24	10.5

Table 3 provides a descriptive analysis of respondent's perceptions of all statements outlined in the questionnaire. The average respondent's perception of all indicators related to all variables is 3.74-3.76, in the range of at least 1 to a maximum of 5. This value indicates the good category of all variables. Optimizing the provincial, regency, and

municipal governments' asset management of the Aceh government will be good if improvements in governance, asset knowledge, internal control systems, competence, and Sharia ethics support it.

In testing the structural model, the goodness-of-fit index (GoFI) is shown in Table 4. Table 4 shows that the fit model parameters have met the moderate fit index criteria on the value of the Goodness of Fit Index according to the specified cut of value. The model can meet the goodness-of-fit criteria, so changes are made if necessary.

In the next stage, hypothesis testing is carried out. From the output of this calculation, an analysis of the structural model is formed in Table 5 and Figure 1.

The results of structural testing presented in Table 5 show that the effect of governance, asset knowledge, internal control system, and competencies on optimizing provincial regency and municipal governments' asset use is positively significant at a 1% level of significance. The value confirms the acceptance of all hypotheses (*H1-H8*). In the administration of good governance, the principles that must be upheld – transparency, participation, and accountability – are the main elements of governance that cannot be separated. Improving accountability, reliability, and appropriate policy-making is seen as an essential way to ensure regional prosperity. The Aceh financial management agency in the Aceh government environment, one of the technical institutions in managing provincial regency and municipal tangible assets, constantly

Table 3. Average respondents' perceptions of all variables

Variables	Average perception of respondents	Category	Mean difference
Asset Governance (AG)	3.76	Good	3.76***
Asset Knowledge (AK)	3.74	Good	3.74***
Internal Control System (ICS)	3.75	Good	3.75***
Competence (AC)	3.76	Good	3.76***
Sharia Ethic (SE)	3.75	Good	3.75***
Optimization of the Utilization of Local Government Tangible Assets (OUA)	3.76	Good	3.76***

Note: The interval of average respondents' answers 1.00-1.80 is awful; 1.81-2.60 is poor; 2.62-3.40 is fair; 3.41-4.20 is good; 4.21-5.00 is very good. *** means a significance level of 1%.

Table 4. Goodness-of-fit index with full model

Model fit	Value	Cut of value	Conclusion
Chi-Square (df = 289)	512.446	512.488	Fit
CMIN/DF	1.109	≤ 2.00	Fit
RMSEA	0.022	≤ 0.08	Fit
GFI	0.900	≥ 0.90	Fit
CFI	0.989	≥ 0.90	Fit
TLI	0.987	≥ 0.90	Fit
Modification indices (Covariances)			
Indicator error	M.I.	Par change	
e1↔e38	4.141	0.013	

Table 5. Structural model test

Variables	Estimate	S.E.	C.R.	P
Governance → OUA	.397	.043	9.189	***
Asset Knowledge → OUA	.113	.020	5.630	***
Internal Control System → OUA	.322	.041	7.787	***
Competences → OUA	.388	.046	8.403	***

Note: *** denotes a significance level of 1%. OUA is the optimization of the utilization of local and provincial government tangible assets.

strives to implement good governance in managing regional assets. To achieve this goal, asset managers must disclose asset data and other relevant information. For this reason, good governance is considered an essential element in achieving this goal. The active presence of various community elements is important in supporting government institutions to run the asset management system optimally within the Aceh government. To achieve this, it is necessary to have the importance and scientific basis related to provincial regency and municipal governments' asset management so that critical behavior can be created regarding policy-making in every section of society. The results support Ehalaiye et al. (2021), Biondi and Lapsley (2014), and Almansour et al. (2016).

The influence of asset knowledge on optimizing provincial regency and municipal governments' asset use shows that asset knowledge is significant

for optimizing government asset management. The results support Laihonon and Mäntylä (2018), Fernandes et al. (2017), Wang (2017), Zeb (2017), Abdelhamid et al. (2015), and Lonnqvist et al. (2014). This theory states that regional asset management requires in-depth knowledge of complex and diverse regional assets. Knowing about specific assets can include specific personal skills, interactions between parties with related interests, and standard rules that apply in the government system needed to update the scientific fields needed to achieve optimal asset management.

Finally, the effect of competency on the optimizing provincial regency and municipal governments' tangible assets is positively significant at a 1% level of significance. The results are consistent with Lima and Costa (2019) and Noble et al. (2017). Therefore, the state civil apparatus must have specific competence regarding varied and complicat-

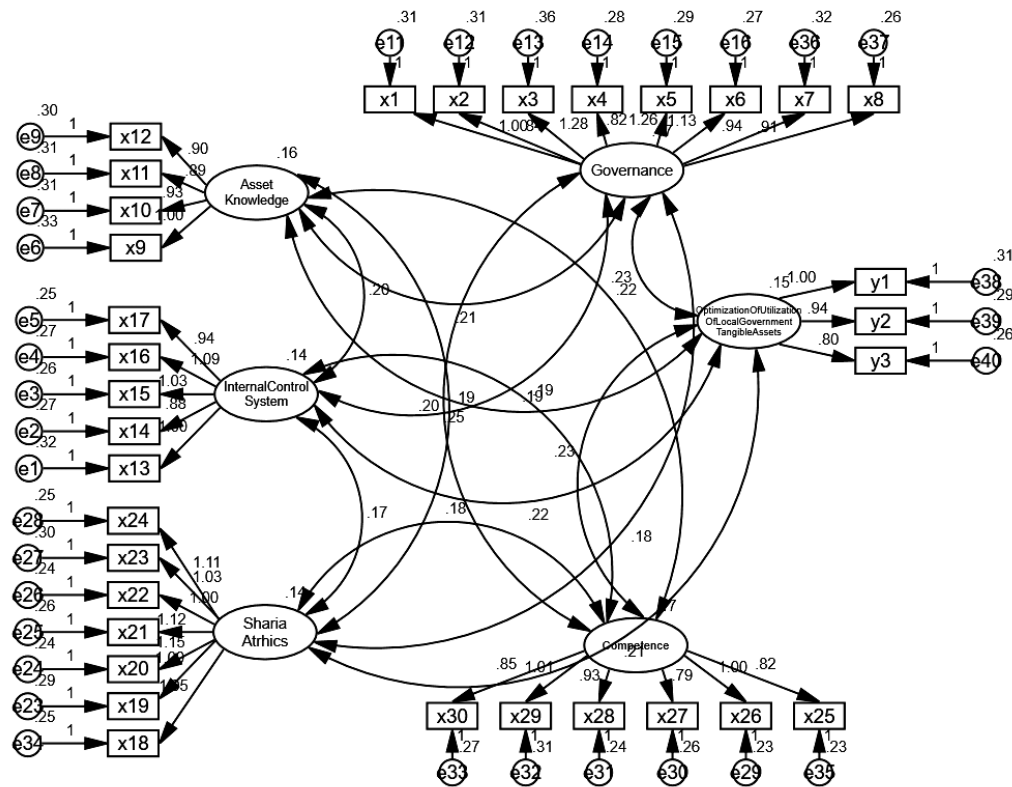


Figure 1. SEM analysis

ed provincial regency and municipal governments' tangible assets in managing asset management within the government environment. The competency of the state civil apparatus in the asset sector must be based on the skills that must be possessed by the state civil apparatus in the asset sector to be able to carry out asset management work optimally.

The internal control system positively and significantly optimizes provincial regency and municipal governments' asset use at a 1% level of significance. It indicates that the internal control system optimizes tangible assets in the provincial and district/city Aceh government. There is an essential function in the internal control system that can improve the optimization of regional asset management within the Aceh government at the provincial and district/city levels (Haque & Ahmad, 2016). With a legal stipulation through Government Regulation Number 60 of 2008 concerning the internal control system, the stages of managing assets with shared interests will lead to actions carried out continuously to safeguard regional assets. When viewed further, an internal control system is the basis for managerial activi-

ties in an asset. Thus, if the government of Aceh can apply positive behavior in its work environment, asset management toward optimization can be fulfilled.

Table 6 shows the results of the analysis to determine the magnitude of the influence of the moderating variable. Based on Table 6, Islamic ethics has a better role as a moderator between governance and optimizing provincial regency and municipal governments' asset use in the Aceh government (Haque & Ahmad, 2016; Awan & Akram, 2012; Biondi & Lapsley, 2014; Almansour et al., 2016). The results are consistent with Haque and Ahmad (2016), Almansour et al. (2016), Biondi and Lapsley (2014), and Awan and Akram (2012). The results of testing the model using SEM analysis in Table 6 show that Sharia ethics has a better role as a moderator between asset knowledge at a certain level, which influences optimizing regional asset management in the Aceh government at the provincial, regency, and municipal government levels. This finding indicates that Sharia ethics strengthen the relationship between asset knowledge and optimizing regional asset management in the provincial, regency, and municipal governments of Aceh.

In supporting hypothesis 8, the results show that the role of the moderating variable of Sharia ethics is full moderation of the internal control system and optimization of regional asset management (Bowman & Knox, 2008). Therefore, Sharia ethics emphasizes the influence of system variables on internal control to increase the optimization of regional asset management.

Table 6. Estimation of moderation of Sharia ethics on the effect of governance on optimizing regional asset management.

Variables	Prob. of the moderating effect of Sharia ethics	Standardized Sharia ethic
Governance	.011	.060
Asset Knowledge	.014	.047
Internal Control System	.013	.046
Competences	.015	.048

The results of testing the initial model of moderation of Sharia ethics on the effect of competence

on optimizing regional asset management, as shown in Table 6, explain that Sharia ethics has a better role as a moderator between competencies toward optimizing regional asset management in the Aceh government at the provincial, regency, and municipal government levels. This shows that Sharia ethics strengthen the influence of competency variables on optimizing provincial regency and municipal governments' asset use. Furthermore, based on the results, Sharia ethics has a better role as a moderator between the internal control system in optimizing regional asset management in the Aceh government at the provincial, regency, and municipal government levels. It can be stated that Sharia ethics strengthens the influence of the internal control system on optimizing the utilization of provincial regency and municipal governments' tangible assets. Thus, Sharia ethics refer to a value system that can determine right or wrong in optimizing asset management within the Aceh government (Haque & Ahmad, 2016; Awan & Akram, 2012).

CONCLUSION

The study sought to investigate how provincial, regency, and municipal governments, especially the government of Aceh in Indonesia, optimize their state civil apparatus in managing tangible assets in supporting public services. Based on the results, institutional factors – governance, asset knowledge, internal control systems, and competence – positively and significantly influence optimizing governments' asset management. These results show that optimizing the management of provincial and regional government tangible assets is accomplished by increasing asset managers' knowledge about how to use government tangible assets appropriately, increasing the competency of asset managers, improving internal control systems, and implementing good governance. Furthermore, Sharia ethics significantly affects the relationship between institutional factors and optimizing asset management. These results show that Sharia ethics strengthens the relationship between institutional factors and optimizes regional asset management. The results of this study confirm the acceptance of all hypotheses (*H1-H8*).

AUTHOR CONTRIBUTIONS

Conceptualization: Faridah, Abdul Rahman Lubis, Yossi Diantimala, Ridwan.

Data curation: Faridah.

Formal analysis: Faridah, Abdul Rahman Lubis, Yossi Diantimala.

Funding acquisition: Faridah.

Investigation: Faridah.

Methodology: Faridah, Abdul Rahman Lubis, Yossi Diantimala, Ridwan.

Project administration: Faridah.

Resources: Faridah.

Software: Faridah.

Supervision: Abdul Rahman Lubis, Yossi Diantimala, Ridwan.

Validation: Abdul Rahman Lubis, Yossi Diantimala, Ridwan.

Visualization: Yossi Diantimala, Ridwan.

Writing – original draft: Faridah, Yossi Diantimala.

Writing – review & editing: Faridah, Abdul Rahman Lubis, Yossi Diantimala, Ridwan.

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