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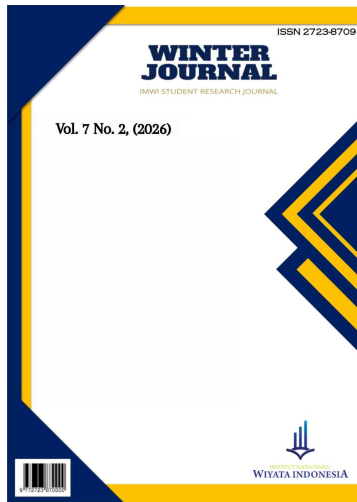
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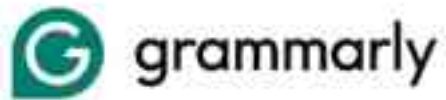
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Human Resource Competence as a Moderator of the Influence of State Property Administration on the Quality of Government Agencies' Financial Statements

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Keywords:

BMN administration; human resource competence; moderation variables; quality of financial statements; PLS-SEM

Abstract

Reliable government financial statements are essential for promoting transparency and accountability; however, weaknesses in state property administration and variations in employee competence may compromise financial reporting quality. This study examined the association between state property administration and financial statement quality and assessed human resource competence as both a direct predictor and a moderator within the Audit Board of the Republic of Indonesia. A quantitative survey design with purposive sampling was used to recruit 70 employees involved in state property management. Questionnaire data were analyzed using partial least squares structural equation modeling (PLS-SEM) with a two-stage higher-order construct approach and bootstrapping with 5,000 subsamples. State property administration, encompassing bookkeeping, inventory, and reporting, was positively and significantly associated with financial statement quality ($\beta = 0.824$, $p < 0.001$). Human resource competence showed neither a significant direct association with financial statement quality ($\beta = 0.027$, $p = 0.716$) nor a significant moderating effect on the relationship between state property administration and financial statement quality ($\beta = 0.072$, $p = 0.315$). The model explained 73.1% of the variance in financial statement quality. These findings highlighted the importance of consistent state property administration; however, potential construct overlap, as indicated by a heterotrait-monotrait ratio (HTMT) of 0.917, warrants cautious interpretation. The study concluded that systematic state property administration was associated with higher financial reporting quality, whereas the role of human resource competence requires further investigation across different institutional settings using refined measurement instruments.



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INTRODUCTION

Government financial statements constitute a form of accountability for state financial management and are prepared to promote transparency and public accountability. The quality of financial statements is an important indicator of the government's ability to present reliable, relevant, and understandable financial information in accordance with Government Accounting Standards (SAP) (Government of the Republic of Indonesia, 2010; Mahmudi, 2019). In practice, the preparation of high-quality financial statements continues to face various challenges, including limited human

resource competence in accounting, weaknesses in internal control, and suboptimal data reconciliation processes (Halim, 2016; Mardiasmo, 2018; Nordiawan & Hertianti, 2016).

As a state institution with a constitutional mandate to audit state financial management, the Audit Board of the Republic of Indonesia (BPK RI) is required to implement sound financial governance, including ensuring that its internal financial statements are prepared accurately and accountably. One component that materially contributes to government financial statements is State Property (BMN), which includes fixed assets presented on the balance sheet (Government of the Republic of Indonesia, 2014, 2020). According to Regulation of the Minister of Finance Number 181/PMK.06/2016, BMN administration comprises bookkeeping, inventory, and reporting and plays an important role in producing accurate asset information and supporting the preparation of reliable financial statements (Ministry of Finance of the Republic of Indonesia, 2016).

Previous research has shown that BMN administration has a significant effect on the quality of government financial statements (Amaliah et al., 2019; Andiani et al., 2017; Santosa et al., 2023). However, several studies have reported inconsistent findings for specific dimensions. For example, Amaliah et al. (2019) found that BMN bookkeeping did not have a significant effect, whereas Fitriana et al. (2022) found that fixed asset reporting did not have a significant partial effect and suggested that other factors, such as human resource competence, may influence the strength of these relationships. These inconsistencies indicate the need for a research model that incorporates human resource competence (Spencer & Spencer, 1993) as a potential boundary condition in the relationship between BMN administration and financial statement quality.

This study extends previous research on the relationship between BMN administration and financial statement quality within BPK RI by incorporating human resource competence as a moderating variable. Using primary data from 70 employees involved in BMN management, the study examined the direct relationships between BMN administration, human resource competence, and financial statement quality, as well as the interaction between BMN administration and human resource competence. Accordingly, this study aimed to (1) examine the relationship between BMN administration, as reflected in bookkeeping, inventory, and reporting, and financial statement quality; (2) examine the direct relationship between human resource competence and financial statement quality; and (3) assess the moderating role of human resource competence in the relationship between BMN administration and financial statement quality using partial least squares structural equation modeling (PLS-SEM).

METHOD

Research Design

This study employed a quantitative survey approach using a questionnaire (Sugiyono, 2021). Partial least squares structural equation modeling (PLS-SEM) was used to examine the direction, strength, and statistical significance of the relationships among State Property (BMN) administration, human resource competence, and financial

statement quality. Several questionnaire items were reverse-coded to reduce acquiescence bias (Weijters & Baumgartner, 2012).

Population and Sample

The research population is employees at the head office, BPK representatives, and the Goods User Power of Attorney (KPB) within BPK RI who are involved in BMN management. The sampling technique uses purposive sampling with the following criteria: having duties and responsibilities in BMN management, having at least one year of work experience in related fields, and being involved in the process of bookkeeping, inventory, or reporting BMN. The research sample totaled 70 respondents, and all answers to BMN administration variables (X1, X2, X3), human resource competence (M), and financial statement quality (Y) were primary data obtained through the distribution of questionnaires to the same respondents.

Variable Operations

This study involves three main variables: BMN administration (X) as an independent variable measured through three dimensions (bookkeeping, inventory, reporting), human resource competence (M) as a moderator variable as well as a direct predictor of the quality of financial statements, and the quality of financial statements (Y) as a dependent variable. The research instrument is in the form of a questionnaire with a Likert scale of 1–5 (strongly disagree–strongly agree). A summary of the operationalization of the variables is presented in Table 1.

Table 1. Operational Research Variables

Yes	Variable	Indicator	Scale
1	Bookkeeping (X1)	Accuracy of BMN recording in the application; completeness of BMN identity; conformity of data with source documents; compliance with administrative provisions	Likert 1-5
2	Inventory (X2)	Physical and administrative suitability; implementation of periodic inventory; accuracy of inventory results; follow-up of inventory results	Likert 1-5
3	Reporting (X3)	Timeliness of report submission; completeness of information; consistency of report format; conformity of reporting standards	Likert 1-5
4	HR Competencies (M)	Understanding of regulations; ability to operate asset information systems; accuracy of recording and verification; experience/training in BMN management	Likert 1-5
5	Quality of Financial Statements (Y)	Relevance of information; reliability of data; comparability of reports; ease of understanding	Likert 1-5

Data Analysis Techniques

Structural model testing (H1–H3) was conducted using Partial Least Squares Structural Equation Modeling (PLS-SEM) through the SmartPLS application (Ringle et

al., 2015), with a two-stage higher-order construct (HOC) approach (Sarstedt et al., 2019) to accommodate BMN(X) administration as a combined construct of three dimensions (bookkeeping, inventory, reporting).

In the first stage, the latent variable scores X1, X2, X3, M, and Y were obtained from the initial measurement model. In the second stage, the latent scores X1, X2, and X3 were used as indicators of the formation of the BMN (X) administrative construct, while the moderation effect was formed through a two-stage approach (Chin et al., 2003; Henseler & Chin, 2010), which is to multiply the standardized latent scores of the X and M constructs to produce a single interaction term (X×M). The analysis included evaluation of measurement models (convergent validity, discriminant validity, composite reliability), evaluation of structural models (inner VIF, R², Q²), and hypothesis testing through a bootstrapping procedure with 5,000 subsamples (Hair et al., 2019)

RESULTS AND DISCUSSION

Respondent Description

Of the 70 respondents, 57 respondents (81.4%) were male and 13 respondents (18.6%) were female. The majority of respondents were in the age range of 36–45 years with the last level of education dominated by Diploma IV/S1. This composition shows that respondents have a level of work maturity that is relevant to the object of the study.

Evaluation of Measurement Models (Outer Model)

The evaluation of the measurement model was carried out through a two-stage approach (Sarstedt et al., 2019). In the first stage, all first-order constructs of bookkeeping (X1), inventory (X2), reporting (X3), HR competence (M), and financial statement quality (Y) were evaluated using the original questionnaire indicators to obtain latent variable scores. The results in Table 2 show that the internal reliability and convergent validity of all the first stage constructs met the minimum criteria, as can be seen from Cronbach's Alpha, rho_A, and Composite Reliability values which all exceeded 0.70, as well as the AVE of each construct exceeded 0.50. Details of the outer loading of all 40 indicators are presented in Appendix 1. Most of the indicators had outer loading above 0.70; four indicators were below the threshold X1_2 (0.604) and X1_4 (0.684) in the bookkeeping construct, X2_5 (0.683) in the inventory construct, and Y_5 (0.555) in the financial statement quality construct but were retained because their original constructs remained AVE and composite reliability respectively, and the four indicators were considered to contribute to the scope of the validity of the contents of the construct. The decision to retain these four indicators needs to be supported by further analysis of the validity of the content against the original item sound and can be re-evaluated in future studies.

Table 2. Evaluation of the First Stage Measurement Model

Construct the first stage	Jml indicator	Outer loading range	Cronbach's Alpha	rho_A	CR (rho_c)	AVE	Verdict
Bookkeeping (X1)	8	0,604–0,794	0,880	0,886	0,905	0,546	Reliable and valid
Inventory (X2)	8	0,683–0,870	0,900	0,904	0,920	0,590	Reliable and valid
Reporting (X3)	8	0,807–0,907	0,947	0,948	0,956	0,731	Reliable and valid
HR Competencies (M)	8	0,795–0,880	0,936	0,938	0,947	0,691	Reliable and valid
Quality of Financial Statements (Y)	8	0,555–0,838	0,905	0,913	0,924	0,606	Reliable and valid

The latent variable score of the first stage is then used as a construct-forming indicator in the second stage model. BMN administration (X) is modeled as a reflective higher-order construct that is reflected through latent scores of bookkeeping, inventory, and reporting; the reflective specification was chosen because the three dimensions are seen as manifestations that are empirically correlated from the overall level of BMN administration order, as reflected by the outer loading values of X1, X2, and X3 against X which are all above 0.85 (Table 3). Although the three dimensions have different operational functions, this study positions them as reflective manifestations because the focus of the analysis is the level of regularity of BMN administration as a whole; The increase or decrease in regularity is theoretically expected to be reflected in the same direction in bookkeeping, inventory, and reporting. The M and Y constructs in the second stage use the latent score of the first stage as a single-indicator construct.

Table 3. Results of Outer Loading of Construct X (Second Stage)

Indicators/Proxies	Construct	Outer Loading	Remarks
X1 (first stage latent score)	X	0,894	Valid (>0.70)
X2 (first stage latent score)	X	0,905	Valid (>0.70)
X3 (first level latent score)	X	0,859	Valid (>0.70)

The convergent reliability and validity test of construct X in the second stage (Table 4) showed that Cronbach's Alpha, Composite Reliability (rho_a and rho_c), and Average Variance Extracted (AVE) values all exceeded the required threshold values

(>0.70 and >0.50, respectively), so that construct X was declared to be reliable and valid convergently.

Table 4. Construct Evaluation in the Second Stage

Second stage construct	Cronbach's Alpha	CR (rho_a)	CR (rho_c)	AVE
X	0,863	0,864	0,916	0,785
M*	1,000	1,000	1,000	1,000
Y*	1,000	1,000	1,000	1,000

The value of 1,000 in M and Y is a technical consequence of the use of the first stage latent score as a proxy for the single-indicator construct in the second stage, rather than a measure of the substantive reliability of the M and Y constructs themselves, both substantive reliability has been reported in Table 2A.

Discriminatory Validity

Evaluation of discriminant validity through the Heterotrait-Monotrait ratio (HTMT) (Henseler et al., 2015) is presented in Table 5. HTMT values between M and X (0.578) and between M and Y (0.482) were below the 0.90 threshold, indicating adequate discriminant validity. HTMT values between X and Y (0.917) went beyond just approaching the conservative threshold of 0.85 or the looser threshold of 0.90. This value shows a high empirical proximity between the BMN administration construct and the quality of the financial statements, so the validity of the discrimination between the two constructs has not been fully confirmed and the magnitude of the X→Y line coefficient in section 4.5 needs to be interpreted carefully.

Table 5. Validity of Discriminative Substantive Constructs (HTMT)

	M	X	Y
M	-	-	-
X	0,578	-	-
Y	0,482	0,917	-

The term X×M interaction is used specifically to test for the effect of moderation (H3) and is not evaluated as a substantive construct in HTMT testing; the HTMT values of this term with respect to M, X, and Y are 0.198, 0.247, and 0.257, respectively.

Evaluation of Structural Models (Inner Model)

The predictor model accounts for 73.1% variation in the quality of financial statements ($R^2=0.731$), which shows substantial clarity in the study sample; however, the interpretation of this value needs to consider the empirical proximity between BMN administration and the quality of financial statements reflected in the HTMT of 0.917 (Table 4). The results of PLSpredict yield a Q^2 predict value of 0.705 for the financial report quality construct, which indicates the predictive relevance of the out-of-sample. Comparative evaluation via CVPAT (Table 8) shows that the PLS-SEM model has

significantly lower prediction errors than the average indicators, but does not differ significantly from the linear model; thus, the model shows better predictive capabilities than naïve predictions, but does not provide a convincing predictive advantage over the simple linear model. The Inner VIF test showed that all values were well below the threshold of 5, so that no problem of multicollinearity between predictor constructs was found (Table 6).

Table 6. Coefficient of Determination, Predictive Relevance, and Multicollinearity

Criteria	Construct	Value	Interpretation
R ²	Y	0,731	Substantial clear power in the sample
Q ² predict	Y	0,705	Predictive relevance of out-of-sample
Inner VIF	X → Y	1,438	No critical collinearity
Inner VIF	M → Y	1,418	No critical collinearity
Inner VIF	X×M → Y	1,064	No critical collinearity

Hypothesis Testing (H1–H3)

Hypothesis testing was carried out through a bootstrapping procedure with 5,000 subsamples. The results of the structural path testing are presented in Table 7.

Table 7. Hypothesis Testing Results (Path Coefficients, Bootstrapping)

Pathway	Coefficient (β)	T-statistics	P-value	CI 95% (corrected bias)	Remarks
X → Y (H1)	0,824	15,464	<0.001	[0,697 ; 0,912]	Significant
M → Y (H2)	0,027	0,364	0,716	[-0,113 ; 0,173]	Insignificant
X×M → Y (H3)	0,072	1,005	0,315	[-0,068 ; 0,206]	Insignificant

The test results showed that BMN administration had a positive and statistically significant effect on the quality of financial statements ($\beta=0.824$; $t=15.464$; $p<0.001$; 95% CI did not include zero), so H1 was accepted. Human resource competence was not proven to have a direct significant effect on the quality of financial statements ($\beta=0.027$; $t=0.364$; $p=0.716$; 95% CI included zero), so H2 was rejected. Human resource competence was also not proven to moderate the influence of BMN administration on the quality of financial statements ($\beta=0.072$; $t=1.005$; $p=0.315$; CI 95% included zero), so H3 was rejected. Based on the f^2 value (Table 7), the clear power of the model mainly comes from the influence of BMN administration ($f^2=1.758$), while the contribution of HR competence ($f^2=0.002$) and interaction effect ($f^2=0.014$) is very small.

Table 8. presents the effect size (f^2) to assess the relative contribution of each predictor.

Table 8. Effect Size (f^2)

Pathway	f^2	Categories (Cohen, 1988)
$X \rightarrow Y$	1,758	Large (>0.35)
$M \rightarrow Y$	0,002	Negligible
$X \times M \rightarrow Y$	0,014	Negligible

The value of f^2 confirms that BMN (X) administration has a very dominant contribution to the R^2 construct Y, while the contribution of human resource competence and its moderation effect is negligible.

Predictive Validity Test (CVPAT)

In addition to the Q^2 predict evaluation, the predictive validity of the model was further tested through the Cross-Validated Predictive Ability Test (CVPAT) (Lienggaard et al., 2021), which compared the predictive errors of the out-of-sample PLS-SEM model against two comparison models: the indicator average (IA) and the linear model (LM). The results in Table 8 show that the PLS-SEM model produced significantly lower prediction errors than the average indicator (difference in average prediction loss = -0.719; $t=4.428$; $p<0.001$), which confirms that the proposed structural model provides predictive added value compared to the naïve approach. Compared to the linear classical model, the PLS-SEM model did not show a significant difference in prediction error (difference in average prediction loss = -0.019; $t=0.985$; $p=0.328$), which means that the predictive power of PLS-SEM in the context of this study was comparable to that of a simple linear model.

Table 9. CVPAT RESULTS (PLS-SEM vs. Comparative Model)

Comparison	Pls loss	Loss comparator	Average difference	T-statistics	P-value
PLS-SEM vs. Indicator Average (IA)	0,307	1,026	-0,719	4,428	<0.001
PLS-SEM vs. Linear Model (LM)	0,307	0,326	-0,019	0,985	0,328

Source: SmartPLS (PLSpredict/CVPAT) processing results, construct Y. The average difference is calculated as the loss of PLS-SEM minus the loss of the comparison model; a negative value indicates that PLS-SEM produces a lower prediction loss (better accuracy) than the comparison model.

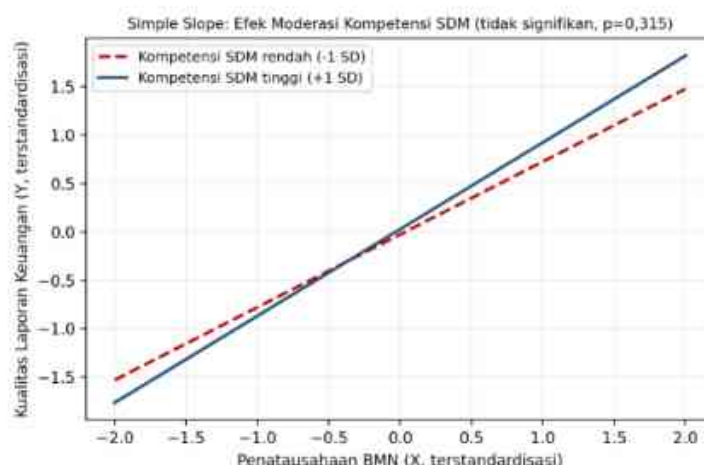


Figure 1. Simple Slope The Effect of Moderation of Human Resource Competency on the Effect of BMN Administration on the Quality of Financial Statements

Figure 1 shows that the skew of the relationship between BMN administration and the quality of financial statements appears slightly higher at a high level of HR competence than at a low level of human resource competence. However, as reported in Table 6, the bootstrapping results show that the skew difference is not statistically significant ($\beta=0.072$; $t=1.005$; $p=0.315$). This figure is presented for the transparency of the relationship direction pattern, not to imply that the moderation effect is proven to be significant.

The finding that BMN administration has a strong effect on the quality of financial statements (H1) is consistent with previous research: Andiani et al. (2017) found that the bookkeeping dimension had a positive and significant effect, while Santosa et al. (2023) found that the three dimensions — bookkeeping, inventory, and reporting — had a positive and significant effect. These findings strengthen the justification that the order of the BMN administration process is the dominant predictor of the quality of government financial statements in this research model, in line with the perspective of Stewardship Theory that underlies this research framework (Donaldson & Davis, 1991; Hernandez, 2012). However, given that the HTMT value between X and Y exceeds the threshold of 0.90 (Table 4), the magnitude of the X→Y path coefficient needs to be interpreted with caution: the empirical proximity between the two constructs may reflect a high substantive linkage between the asset management process and the quality of financial information, but may also indicate content overlap in some measurement items of the two constructs that need to be refined in subsequent studies.

The unproven H2 is an empirical finding that needs to be interpreted carefully. The insignificance of the direct influence of human resource competencies can show that within the BPK RI environment, the BMN management process has been directed by standardized regulations (PMK 181/PMK.06/2016), asset management applications, and relatively clear division of administrative roles; in such conditions, the quality of financial statements can be influenced more by the consistency of the implementation of

bookkeeping, inventory, and reporting itself than by the variation in individual competencies felt by respondents. This explanation is interpretive, because the level of standardization of procedures and the use of information systems was not explicitly measured in this study. Some previous studies, such as Amaliah et al. (2019) and Fitriana et al. (2022), found indications that factors such as human resource competence and internal control systems also affect the strength of the relationship between BMN administration and the quality of financial statements. These differences in results indicate that the role of human resource competence as a predictor of the quality of financial statements is likely contextual, so further testing on different samples and agencies is needed before these findings can be generalized.

The unproven H3 shows that human resource competence has not been proven to moderate the influence of BMN administration on the quality of financial statements in the respondents of this study. The value of $f^2=0.014$ for the moderation effect (Table 7) shows a small additional contribution of interaction, and the 95% confidence interval of the $X \times M \rightarrow Y$ pathway also includes zero (Table 6). Although the direction of the coefficient is positive and in line with the direction of the hypothesis, the empirical evidence in this study is not enough to conclude that there is a strengthening of the relationship.

As a methodological note, the HTMT value between X and Y of 0.917 exceeds the threshold of 0.90. These findings indicate the need to re-examine the measurement items of the two constructs in future studies, to ensure that there are no unwanted conceptual overlaps.

CONCLUSION

This study concluded that State Property (BMN) administration, encompassing bookkeeping, inventory, and reporting, was positively and significantly associated with financial statement quality within the Audit Board of the Republic of Indonesia (BPK RI). Based on survey data from 70 employees analyzed using partial least squares structural equation modeling (PLS-SEM), BMN administration was the strongest predictor of financial statement quality ($\beta = 0.824$, $p < 0.001$), whereas human resource competence demonstrated neither a significant direct association with financial statement quality ($\beta = 0.027$, $p = 0.716$) nor a significant moderating effect on the relationship between BMN administration and financial statement quality ($\beta = 0.072$, $p = 0.315$). The model explained 73.1% of the variance in financial statement quality. These findings supported prioritizing accurate bookkeeping, systematic inventory management, and consistent reporting. Nevertheless, the high heterotrait-monotrait ratio (HTMT) of 0.917 between BMN administration and financial statement quality indicated a potential discriminant validity concern, warranting caution when interpreting the strength of their relationship. The nonsignificant findings regarding human resource competence should therefore be interpreted as evidence specific to the sample and research context rather than as evidence that competence is unimportant.

Future research should involve larger and more diverse samples across government agencies to assess the generalizability of these findings and increase statistical power for detecting interaction effects. Measurement instruments should be refined to more clearly distinguish BMN administration from financial statement quality and to reassess indicators with low outer loadings. Longitudinal research designs and multiple data sources, including administrative records and independently assessed financial reporting outcomes, could strengthen temporal interpretation and reduce reliance on respondents' perceptions. Further studies should also examine internal control, information system effectiveness, and procedural standardization as potential explanatory or moderating variables. Incorporating objective measures of employee competence could further clarify the conditions under which human resource capabilities contribute to financial statement quality.

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CONFLICT OF INTEREST

The author states that there are no conflicts of interest, whether personal, commercial, or financial, that can affect the implementation and results of this study.

AUTHOR'S CONTRIBUTION

Ivan Kanel, Elsa Imelda, Rousilita Suhendah, Nirwana, Rahmawati HS, contributed to research design, data collection and processing, system development, result analysis, and article manuscript preparation.

GENERATIVE ARTIFICIAL INTELLIGENCE USAGE STATEMENT

In the process of compiling this article, the author uses generative artificial intelligence (AI) as a tool in language refinement, writing structure, and grammar improvement. The use of AI is carried out on a limited basis and remains under the supervision of the author. All data, analysis, interpretation, and scientific substance in this article have been checked and verified by the author. The author is solely responsible for the accuracy, authenticity, and final content of the manuscript. (Rivai, 2016)

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