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The Influence of State Institution Status, Budget Capacity, and Rental Price Uncertainty on the Decision to Build Building at the Financial Services Authority (OJK)

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Abstract

This study aims to analyze the influence of state institution status, budgetary capacity, and rental price uncertainty on the Financial Services Authority (OJK)'s decision to construct its own building. As an independent institution, OJK has distinct institutional characteristics compared to other government agencies, particularly in financial management and strategic asset decision-making. The research method used is a quantitative approach with regression analysis to examine the relationship between independent variables and property investment decisions. Data were obtained from financial reports, policy documents, and internal stakeholder perceptions. The results show that institutional status significantly influences the flexibility of building construction decision-making. Budgetary capacity also proved to be a dominant factor driving the decision, while rental price uncertainty had a positive influence in increasing the preference for fixed asset ownership over long-term leases. This study implies that strategic asset planning in state institutions needs to consider fiscal stability and property market dynamics to achieve operational efficiency and sustainability.

1. Introduction

The Financial Services Authority (OJK) was established on November 22, 2011, following the ratification of Law Number 21 of 2011 concerning the Financial Services Authority by the House of Representatives. With the enactment of the OJK Law, the supervisory function of the Financial Services Industry (IJK), previously carried out by two separate institutions: Bank Indonesia, which oversees the banking sector, and the Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK), which oversees capital market activities and non-bank financial institutions, was unified into a single supervisory authority.

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The Financial Services Authority (OJK) exists as a state institution that plays a central role in maintaining the stability and integrity of the financial services sector in Indonesia, as mandated by Law Number 21 of 2011 (OJK, 2011). The establishment of the OJK is a strategic response to the complexity and dynamics of the rapidly evolving financial industry, which demands integrated and independent supervision (Hadad et al., 2015). Since its full operation, the OJK has not only expanded its scope of supervision but also strived to build a solid institutional identity and capabilities, one of which is reflected in the need for adequate physical infrastructure, including a representative office building (Triyono & Wibowo, 2017).

In the early stages of its operations, the OJK relied on various temporary solutions to meet its office space needs, such as utilizing loan facilities from Bank Indonesia (BI) and local governments, as well as renting office space from private parties (Internal Memo of the OJK Board of Commissioners, 2017). However, this reliance on temporary solutions has the potential to create various obstacles, including limitations in adapting space to the specific needs of supervisory operations, potential instability in long-term rental costs, and a lack of representation of the institution's independent and credible identity (Alexander, 1994; Rappaport, 1986).

An organization's decision to own strategic fixed assets such as office buildings is often driven by considerations of long-term efficiency, greater control over operational facilities, and the creation of a strong corporate image (Titman, 1985). For state institutions such as the Financial Services Authority (OJK), the need for its own office building can be seen as part of an effort to strengthen independence, increase operational effectiveness, and provide better service to stakeholders and the wider community (Boyne, 2003). A permanent and representative physical presence can increase the institution's visibility and legitimacy in the eyes of the public and the industry it oversees (Suchman, 1995).

Research on building decisions cannot be separated from research on fixed asset investment. Several previous studies have provided in-depth insights into fixed asset investment, highlighting its significance as a driver of economic growth (Izryadnova, 2013; Chistik et al., 2023) and the urgency of careful management to avoid liquidity and depreciation issues (Deng, 2008). Several studies have examined financial aspects, such as working capital efficiency analysis (Xiao-hong, 2006), the importance of internal audits for corporate sustainability (Yi-xing, 2008; Pu, 2006), and the application of predictive models such as ARIMA to forecast investment trends (Zhang, 2019). Furthermore, the complexity of fixed asset investment also encompasses intangible assets such as qualified human resources and market research, which can potentially lead to sunk costs and market entry barriers (Llorca-Vivero, 2019). A comprehensive financial modeling framework, covering needs determination to decision making, has been reviewed in order to improve the effectiveness of investment planning and control (Beniušytė & Zonienė, 2019).

Furthermore, a literature review of property investment decisions by organizations shows that factors such as the cost of capital, growth expectations, and market risk play a significant role in decision-making (Lintner, 1956; Modigliani & Miller, 1958). In the public sector context, consideration of non-economic factors such as public service mandates, political pressure, and budget availability are often key considerations (Flyvbjerg et al., 2003; Hood, 1991).

While numerous empirical studies have evaluated the technical, cost, and social impact aspects of building construction, a research gap remains in understanding the strategic decision to build a house holistically from both organizational and individual perspectives. A study by Wahyudi et al. (2024) showed that building one's own house is more cost-effective than purchasing from a contractor, but risk factors, expertise requirements, and project duration are significant challenges that influence the decision (Wahyudi, Rum, & Adzim, 2024). Meanwhile, Abhar et al. (2012) highlighted government project execution factors based on project actors' perceptions, but did not address the initial planning dimensions or strategic motivations behind building decisions (Abhar, Farimani, & Maghareh, 2012). Other studies have focused on validating technical models and building energy performance, such as those conducted by Im et al. (2020)

and Strachan et al. (2016), to measure the accuracy of energy simulations under actual conditions (Im et al., 2020; Strachan et al., 2016). However, such studies rarely address human factors such as strategic objectives, personal preferences, or resource constraints in building decisions. On the other hand, research by Hong & Im (2021) demonstrated the positive economic impact of abandoned building refurbishment projects on surrounding property prices, but did not explore the owners' motivations for choosing to build over purchase (Hong & Im, 2021). These studies collectively emphasize that fixed asset investments require thorough analysis and effective governance to optimize resources.

The above arguments suggest a significant gap in understanding the specific factors influencing government agencies' decisions to build their own buildings versus alternatives such as leasing. Most of the research presented tends to focus on the private sector context or macroeconomic analysis, with an emphasis on firms, industries, or national economic growth (Jing-mei, 2010 on railways; Kozhoshev et al., 2021 on the agricultural sector; Yincai & Ha, 2011 on the secondary and tertiary sectors). While corporate governance models have been identified as influencing fixed asset overinvestment (Xue, 2006), governance aspects specific to public entities such as government agencies with unique mandates and budgetary structures remain underexplored.

Therefore, this study aims to fill this gap by examining the influence of state institution status, budgetary capacity, and rental price uncertainty on the decision to build a building independently. The status of state institutions as non-profit entities with public accountability and a strict budgetary regulatory framework likely differentiates the fixed asset investment decision-making process compared to the private sector. State institutions' budgetary capacity, which is sourced from public funds and subject to a transparent budgeting process, is a crucial variable determining the feasibility and prioritization of building construction projects. Furthermore, rental price uncertainty in the property market can be a strategic determinant, as the risk of future rental price increases may encourage state institutions to secure long-term assets through building ownership. By integrating these factors, this study provides a more comprehensive understanding of the rationale behind large-scale fixed asset investment decisions by state institutions, as well as their implications for fiscal efficiency and operational sustainability.

The motivation for this research is based on the assumption that these decisions are driven not only by pragmatic considerations related to space requirements, but also by deeper strategic considerations related to institutional status, public accountability, and long-term efficiency (Wildavsky, 1986). This study aims to elaborate in detail how the OJK's status as an independent state institution, budgetary capabilities sourced from the state and industry, and uncertainty of commercial property rental prices interact and influence the decision to build its own office building.

As a state institution established by law, the Financial Services Authority (OJK) has significant public responsibilities and is required to act independently and professionally. Owning its own office building can be seen as a physical manifestation of the institution's independence and stability (Scott, 2001). Unlike renting, asset ownership allows the OJK to have full control over the design, security, and maintenance of office facilities according to the specific needs of its supervisory operations and the desired image of the institution (Alexander, 1994). Furthermore, asset ownership can provide a sense of sustainability and long-term commitment to its duties and responsibilities to the state and society (North, 1990). Research on

organizational identity also shows that representative physical assets can strengthen an organization's identity and culture (Hatch & Schultz, 1997).

The OJK's budgetary capacity, derived from the state budget (APBN) and contributions from the financial services industry it oversees (OJK Regulation No. 1 of 2013), is a crucial factor when considering major investments such as office building construction. The pecking order theory in finance states that organizations tend to prioritize internal funding before seeking external sources (Myers & Majluf, 1984). If the OJK has adequate budgetary capacity, investment in fixed assets can be seen as a strategic use of resources to improve operational efficiency and long-term asset value (Brigham & Ehrhardt, 2020). However, this decision must also be weighed against the principles of accountability and efficient use of public funds (Public Finance Management Act, 2003). Research on public budgeting highlights the importance of transparency and accountability in budget allocation for infrastructure projects (Rubin, 2019).

Uncertainty about commercial property rental prices, particularly in business centers like Jakarta, can be a driving factor for organizations to consider asset ownership options (Dixit & Pindyck, 1994). High rental price fluctuations can increase long-term operational cost risk and create uncertainty in financial planning (Grenadier, 1996). Real options theory suggests that under conditions of uncertainty, investing in fixed assets can provide greater flexibility and long-term value than continuing to lease (Trigeorgis, 1996). By owning its own building, the OJK can avoid the risk of future rent increases and own an asset with the potential to increase in value over time (Titman, 1985). Data on commercial property rental price trends in Jakarta from institutions like Colliers International (Colliers International, 2023) can provide empirical context regarding this level of uncertainty.

This research offers novelty by specifically examining the interaction between institutional factors (status of state institutions), resources (budgetary capacity), and market conditions (rental price uncertainty) in the context of strategic fixed asset development decisions at financial sector supervisory institutions. This multidisciplinary approach, which combines perspectives from organizational theory, public finance, and property economics, is expected to provide a more comprehensive understanding of this phenomenon. The case study of the Financial Services Authority (OJK), the sole regulator of the financial services industry in Indonesia, offers a unique and relevant context for analyzing the dynamics of fixed asset decision-making at a state institution with broad supervisory responsibilities. It is hoped that the results of this research will make a significant contribution to the public sector asset management literature and provide practical guidance for the OJK and other state institutions in planning and making strategic investment decisions related to physical infrastructure.

The selection of the Financial Services Authority (OJK) as the focus of this research is based on the institution's significant role in maintaining national economic stability and growth through financial sector oversight (Law No. 21 of 2011; Mishkin, 2007). Strategic decisions regarding asset management, including office building construction, reflect the institution's long-term priorities and vision (Andrews, 1980). Understanding the factors underlying these needs will provide important insights into how a state institution with a critical oversight function makes decisions regarding fixed assets to support operational effectiveness, strengthen independence, and enhance public accountability (Bozeman, 1987).

2. Methods

This research will adopt a quantitative approach with an explanatory research method. The main objective of this research is to test and explain the influence of several independent variables, namely the Status of State Institutions (X1), Budget Capacity (X2), and Rental Price Uncertainty (X3), on the dependent variable, namely the Decision to Build Own Building (Y).

Moreover, the research is designed causally, meaning it will analyze the cause-and-effect relationships between several variables. Thus, the study seeks to understand how changes in the

independent variables influence the Financial Services Authority's (OJK) decision to construct its own office building.In this study, the population is defined as all employees of the Financial Services Authority (OJK) who are involved or potentially involved in the decision-making process for building construction. Based on available information, this population is 50 employees. Given the relatively small population size (50 employees) and the research goal of obtaining a representative and reliable picture of the population, this study will use a census approach (population study). Therefore, the entire population will be sampled, resulting in a sample size of 50 respondents.

3. Results and Discussion

Requirements Analysis Testing

The use of regression analysis must meet several requirements for classical assumption testing. Some of the analysis requirements used in this study are:

Data Normality Test

Data normality testing was performed using the Kolmogorov-Smirnov One Sample test. This test was conducted to determine whether the data was normally distributed. The results of the Kolmogorov-Smirnov calculations were consulted withα= 0.05. Data is said to be normally distributed if Asymp. Sig. (2-tailed) > 0.05. As an aid in analysis in this study, SPSS Ver. 26 computer software was used. The calculation of the normality of the research data was carried out for each research variable.

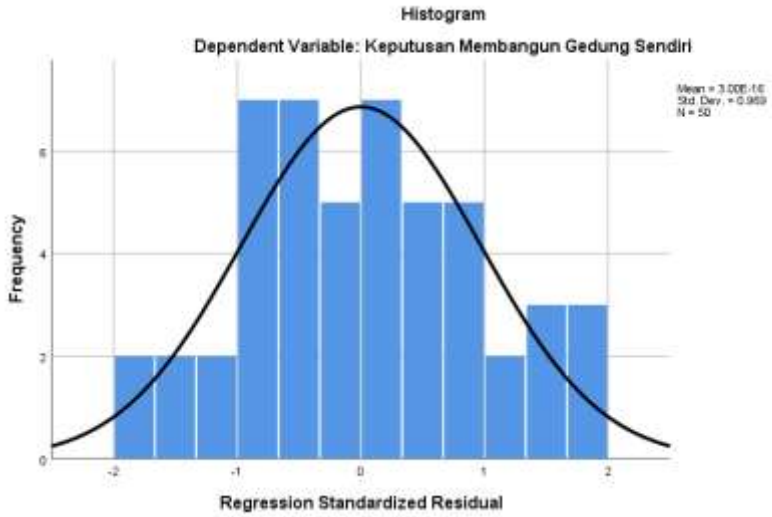
Table 1.
One-Sample Kolmogorov-Smirnov Test

Variables	Asymp. Sig. (2-tailed)	Information
Residual	0.200	Normally distributed

Source: Data from Processed Research Questionnaires

Based on Table 1, the Kolmogorov-Smirnov significance value is 0.200 which is greater than 0.05, so it can be concluded that the residual data is normally distributed.

Figure 1.



This histogram shows the distribution of residual values. If its shape is close to a bell-shaped one (like a normal curve overlaid on the graph), then the assumption of normality is met.

Multicollinearity Test

The multicollinearity test aims to test whether the regression model finds a correlation between independent variables.

Table 2.
Multicollinearity Test Results

Variables	Tolerance	VIF	Information
X1	0.856	1,169	There is no multicollinearity
X2	0.874	1,144	There is no multicollinearity
X3	0.977	1,023	There is no multicollinearity

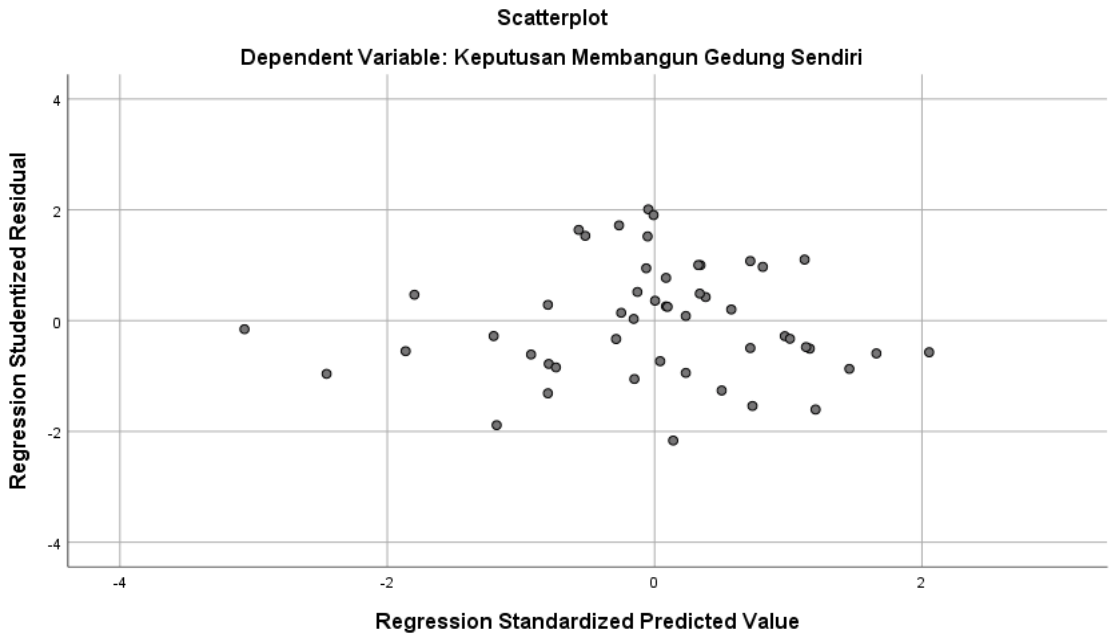
Source: Data from Processed Research Questionnaires

Based on Table 2, all independent variables have a Tolerance value > 0.10 and a VIF value < 10, so it can be concluded that there is no multicollinearity in the regression model.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is inequality in the variance of the residuals from one observation to another.

Figure 2.



Scatterplot Heteroscedasticity Test

Source: Data from Processed Research Questionnaires

Based on Figure 2, the points on the scatterplot are randomly distributed and do not form a specific pattern. This indicates that there is no heteroscedasticity in the regression model.

Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine the influence of the independent variables of State Institution Status (X1), Budget Capacity (X2), and Rental Price Uncertainty (X3) on the dependent variable of the Decision to Build Own Building (Y).

a) Coefficient of Determination

Table 3.
Results of the Determination Coefficient Test

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.769	0.592	0.565	1,973

Source: Data from Processed Research Questionnaires

Based on Table 3, the Adjusted R Square value is 0.565, which means that 56.5% of the dependent variable, the Decision to Build Own Building, can be explained by variations in the three independent variables, namely State Institution Status, Budget Capacity, and Rental Price

Uncertainty. The remaining 43.5% is explained by other factors not included in the research model.

Simultaneous Significance Test (F Test)

Table 4.
F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	259,421	3	86,474	22,213	0.000
Residual	179,079	46	3,893		
Total	438,500	49			

Source: Data from Processed Research Questionnaires

Based on Table 4, the calculated F value is 22.213 with a significance of 0.000. Since the significance is <0.05, it can be concluded that the Status of State Institutions (X1), Budget Capacity (X2), and Rental Price Uncertainty (X3) simultaneously have a significant effect on the Decision to Build Own Building (Y).

Partial Significance Test (t-Test)

Table 5.
t-Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-4,412	5,532		-0.797	0.429		
	X1	0.215	0.102	0.215	2.107	0.041	0.856	1,169
	X2	0.744	0.132	0.570	5,659	0.000	0.874	1,144
	X3	0.341	0.103	0.315	3,306	0.002	0.977	1,023

Source: Data from Processed Research Questionnaires

Based on Table 5, the following regression equation can be made: Y = -4.412 + 0.215 X1 + 0.744 X2 + 0.341 X3

The interpretation of the regression equation is as follows. The regression model yields a constant (intercept) value of –4.412. From a strict econometric perspective, the intercept represents the expected value of the dependent variable when all independent variables are equal to zero. However, in this study, the variables are operationalized using a Likert-type measurement scale, which inherently does not accommodate a true zero point in a substantive sense. Consequently, the constant does not carry direct practical interpretability. Instead, its negative magnitude should be understood as an indication that, in the absence of the explanatory variables—namely institutional status, budget capacity, and rental price uncertainty—the

predicted value of the decision to construct an office building would fall outside the meaningful range of observation. This reinforces the notion that the independent variables collectively provide essential explanatory power in shaping a rational and positive decision-making outcome within the model.

The regression coefficient for the institutional status variable (X1), representing the status of the Financial Services Authority (OJK) as an independent state institution, is 0.215. This coefficient implies that, ceteris paribus, a one-unit increase in institutional status is associated with a 0.215 increase in the propensity to decide in favor of constructing an independent office building. The statistical significance of this coefficient (Sig < 0.05) confirms that institutional status exerts a meaningful partial effect on managerial decision-making. From a theoretical standpoint, this finding aligns with institutional theory, which posits that legitimacy, formal authority, and regulatory positioning significantly influence organizational behavior. Institutions with stronger legitimacy and autonomy tend to pursue strategies that reinforce their permanence and symbolic presence, such as investing in fixed assets like office buildings.

The financial budget capability variable (X2) exhibits a regression coefficient of 0.744, which is the largest among all predictors in the model. This indicates that a one-unit increase in budget capacity leads to a 0.744 increase in the likelihood of deciding to construct an independent office building, holding other variables constant. The statistical significance (Sig < 0.05) further confirms the robustness of this relationship. The magnitude of this coefficient suggests that financial capacity is the most dominant determinant in the model. Substantively, this reflects a fundamental principle in organizational decision-making: long-term capital investments require substantial and stable financial resources. This finding is consistent not only with institutional theory but also with resource-based perspectives, which emphasize that internal resource availability critically shapes strategic choices. Organizations with greater fiscal strength are more capable of absorbing risks and committing to long-term infrastructure investments.

The regression coefficient for rental price uncertainty (X3) is 0.341, indicating that an increase in perceived uncertainty regarding future rental costs is associated with a 0.341 increase in the decision to construct a privately owned office building. The statistical significance of this variable (Sig < 0.05) demonstrates that it also has a meaningful partial effect. Conceptually, this finding can be interpreted through a risk management lens. Higher uncertainty in rental markets introduces volatility and unpredictability in operational expenditures, thereby incentivizing organizations to internalize these costs through asset ownership. By constructing their own buildings, organizations effectively hedge against future price fluctuations, ensuring cost stability and long-term operational control. This behavior reflects rational economic decision-making under conditions of uncertainty.

Based on the significance (p-value) criteria, all independent variables demonstrate statistically significant effects on the dependent variable. Specifically, institutional status (X1) has a significance value of 0.041, budget capability (X2) has a significance value of 0.000, and rental price uncertainty (X3) has a significance value of 0.002. All values are below the conventional threshold of 0.05, indicating that each variable significantly contributes to explaining variations in the decision to construct an office building.

Furthermore, the t-test results corroborate these findings. In hypothesis testing, a variable is considered statistically significant if the calculated t-value exceeds the critical t-table value (2.012 at the specified level of significance). The results show that all independent variables meet this criterion, indicating that each predictor has a statistically significant partial effect on the

dependent variable. This convergence of evidence from both p-values and t-statistics strengthens the overall validity and reliability of the regression model.

In summary, the empirical results demonstrate that institutional status, financial capability, and rental price uncertainty jointly and individually influence organizational decisions regarding office building construction. Among these, financial capability emerges as the most influential factor, highlighting the central role of economic resources in strategic investment decisions, while institutional legitimacy and environmental uncertainty function as complementary drivers within the decision-making framework.

The Influence of State Institution Status on the Decision to Build Own Building

The results of the study indicate that the Status of State Institutions (X1) has a positive and significant effect on the Decision to Build One's Own Building (Y) with a regression coefficient value of 0.215 and a significance of 0.041 < 0.05. This is in accordance with descriptive findings where respondents highly value the importance of the OJK's legal status as an independent state institution and has the authority to build its own buildings. The status of a state institution provides legitimacy and a strong bargaining position in strategic decision-making such as building construction.

Theoretically, these results reinforce Institutional Theory (DiMaggio & Powell, 1983), which states that legal legitimacy, authority, and institutional status are determining factors in strategic decision-making in public organizations. As an institution established under Law No. 21 of 2011, the Financial Services Authority (OJK) has the authority and independence that provide legitimacy to make long-term strategic decisions, including ownership of fixed assets such as office buildings.

Table 3 shows that 100% of respondents agreed that the OJK is legally recognized as a state institution, and 98% agreed that the OJK has the authority to construct its own building. This confirms that institutional status is viewed not merely as a legal formality but also as a strategic enabler that strengthens the OJK's bargaining position, independence, and decision-making capacity.

The practical implication is that this institutional legitimacy can be utilized by the OJK in implementing the licensing and development administration process, improving its bargaining position in negotiations with stakeholders, and building an image as an independent, stable, and long-term committed institution.

The Influence of Budget Capacity on the Decision to Build Own Building

Budgetary Capacity (X_2) has been shown to have a positive and significant effect on the Decision to Build Own Building (Y), with a regression coefficient value of 0.744 and a significance level of 0.000. This indicates that the greater the OJK's budgetary capacity, the stronger the tendency to choose the option of building building.

These results align with the Resource-Based View (RBV) theory (Barney, 1991), which emphasizes that an organization's strategic decisions are largely determined by the availability and management of internal resources, particularly financial resources. In this context, the budget is not merely a financing tool but also a strategic resource that enables the OJK to make long-term, strategic investments.

Table 4 shows that 96% of respondents agreed that the Financial Services Authority (OJK) allocates a regular and sufficient budget for building construction projects, and 94% believed that OJK's budget policies support budget flexibility in building construction. This indicates that building construction budget adequacy can be met with a more flexible, well-planned, and well-managed budget mechanism.

The managerial implications that can be taken are the need for in-depth financial studies regarding cost-benefit analysis and funding strategies, optimization of multi-year budget mechanisms, and the possibility of alternative funding, for example through the APBN, cooperation in the form of public-private partnerships.

The Influence of Rental Price Uncertainty on the Decision to Build The Own Building

The rental price uncertainty variable (X_3) also has a positive and significant effect on the decision to Build Own Building (Y), with a coefficient value of 0.341 and a significance level of 0.002. This means that the higher the uncertainty and fluctuation in the market price of building rentals, the stronger the incentive for the OJK to build their own buildings.

These findings support Real Options Theory (Myers, 1977), which states that under conditions of high uncertainty, organizations tend to pursue real investment options that can reduce risk and provide long-term certainty. Building own building is one form of real option that can eliminate the risk of future rent increases.Table 5 shows that 96% of respondents agreed that national economic conditions significantly impact rental prices, and 100% agreed that owning their own building is more economical in the long run. This indicates that market uncertainty is perceived not only as a threat but also as an alternative to shifting to an asset ownership model. The strategic implication is that the OJK needs to develop planning scenarios that take into account property market uncertainty and needs to conduct regular market sensing of building rental price trends and macroeconomic conditions.

5. Conclusion

Based on the results of multiple linear regression analysis and hypothesis testing that have been conducted, it can be concluded that the Financial Services Authority (OJK) management decision in building its own office building is significantly influenced by institutional status, financial budget capacity, and uncertainty of office building rental prices. The results of the partial test (t-test) show that the three independent variables have a positive and significant influence on the decision to build an office building, which means that an increase in each variable will increase the tendency of organizations to choose to build their own building rather than rent.

This study demonstrates that financial budgeting capacity is the most dominant variable influencing these decisions. This suggests that financial resource strength is a key factor in supporting long-term investment decisions in state institutions. Meanwhile, institutional status provides legitimacy and a strong legal basis for institutions to own fixed assets as part of strengthening their institutional identity. On the other hand, uncertainty about office building rental prices encourages organizations to reduce dependence on external parties through asset ownership as a form of long-term cost risk mitigation. Based on calculations in this study, it was concluded that the decision to build a building itself was influenced by a combination of these three factors, amounting to 56.5%, while the remaining 43.5% was influenced by factors outside the research model.

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