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FINANCING REPORTS ANALYSIS THROUGH REGIONAL BONDS: CASE STUDY OF INDRAMAYU, INDONESIA

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ABSTRACT

This study aims to analyze the feasibility of the Indramayu Regency Government in issuing regional debt securities (bonds) as an alternative development financing. Based on Law Number 23 of 2014 concerning Regional Government, regional governments are required to achieve fiscal independence, but still face limited funding sources. The majority of regional revenues still depend on central government transfer funds, such as Revenue Sharing Funds (DBH), General Allocation Funds (DAU), and Special Allocation Funds (DAK), while Regional Original Income (PAD) is relatively limited. This condition encourages the need to optimize regional financing potential. Indramayu Regency was chosen as the research object because, based on data from the Central Statistics Agency (BPS) of West Java for 2023–2024, it is the regency with the highest poverty rate in West Java. This study uses a descriptive qualitative method with an analytical approach to three aspects: legal, organizational, and financial. The results show that the Indramayu Regency Government obtained a feasibility score of 75%, indicating that this region is eligible to issue regional debt securities (bonds) as a source of development financing, especially infrastructure, to encourage economic growth and support poverty alleviation efforts.

ABSTRAK

Penelitian ini bertujuan menganalisis kelayakan Pemerintah Kabupaten Indramayu dalam menerbitkan surat utang (obligasi) daerah sebagai alternatif pembiayaan pembangunan. Berdasarkan Undang-Undang Nomor 23 Tahun 2014 tentang Pemerintahan Daerah, pemerintah daerah dituntut mewujudkan kemandirian fiskal, namun masih menghadapi keterbatasan sumber pendanaan. Sebagian besar pendapatan daerah masih bergantung pada dana transfer pemerintah pusat, seperti Dana Bagi Hasil (DBH), Dana Alokasi Umum (DAU), dan Dana Alokasi Khusus (DAK), sementara Pendapatan Asli Daerah (PAD) relatif terbatas. Kondisi ini mendorong perlunya optimalisasi potensi pembiayaan daerah. Kabupaten Indramayu dipilih sebagai objek penelitian karena berdasarkan data BPS Jawa Barat tahun 2023–2024 merupakan kabupaten dengan tingkat kemiskinan tertinggi di Jawa Barat. Penelitian ini menggunakan metode kualitatif deskriptif dengan pendekatan analisis terhadap tiga aspek, yaitu hukum, organisasi, dan keuangan. Hasil penelitian menunjukkan bahwa Pemerintah Kabupaten Indramayu memperoleh skor kelayakan sebesar 75%, yang menunjukkan bahwa daerah ini layak menerbitkan surat utang (obligasi) daerah sebagai sumber pembiayaan pembangunan, khususnya infrastruktur, guna mendorong pertumbuhan ekonomi dan mendukung upaya pengentasan kemiskinan.

INTRODUCTION

Since the reform era in 1998, our governance and state administration system has been assessed by various parties as having undergone many fundamental changes. This can be seen from the birth of regional autonomy policies realized with the establishment of Law of the Republic of Indonesia Number 22 of 1999 which was later revised by Law of the Republic of Indonesia Number 32 of 2004 and revised again by Law of the Republic of Indonesia Number 23 of 2014 concerning Regional Government. Therefore, regional autonomy policies are very necessary. The community needs a government organization, which has one of the functions of organizing public services as a manifestation of the general duties of the government in order to realize public welfare.

Regional autonomy policies based on the independence of each region are expected to be able to realize community welfare. As explained by Aries Djaenuri (2012:10) that the implementation of regional autonomy must always be oriented towards community welfare by always paying attention to the interests and aspirations that grow in the community. In Law Number 23 of 2014 concerning Regional Government, Article 1 paragraph (6), it is stated that Regional Autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own government affairs and local community interests in the Unitary State of the Republic of Indonesia system, regional governments play a very important role in determining the success or failure of creating the independence that is always desired by the Regional Government.

In the implementation of regional autonomy, local governments have the obligation and right to regulate and manage their government affairs, but encounter limitations in funding sources. Most districts and cities are highly dependent on transfer funds provided by the Central Government to the regions, be it Revenue Sharing Funds (DBH), General Allocation Funds (DAU) and Special Allocation Funds (DAK). Other sources of income come from limited Regional Original Income (PAD).

This is because the three sources of funding are widely used for routine spending. With these financial conditions, it is certainly difficult for local governments to carry out various development projects due to budget constraints. Therefore, various innovations must be carried out by local governments in an effort to find sources of development funding for the success of the implementation of regional autonomy.

One of the Nawacita ideals launched by the 7th President of the Republic of Indonesia, Joko Widodo, is to build Indonesia from the periphery by strengthening regions and villages within the framework of a unitary state. The construction of physical infrastructure is the method chosen by the Jokowi-JK Government to strengthen the regions, with the hope that it can be a fundamental factor in encouraging equitable and equitable economic growth. All Regional Governments in Indonesia are currently intensively building infrastructure. To meet the financing of infrastructure development, not all regions with transfer funds provided by the central government either in the form of General Allocation Funds (DAU), Special Allocation Funds (DAK) or Revenue Sharing Funds (DBH) or from the Regional Original Income (PAD) generated are able to cover the financing of infrastructure development. The limited sources of funds owned by the regional government are still a dilemma due to the limited sources of funds owned by the region, while fixed assets, especially infrastructure, are very much needed.

Law Number 33 of 2004, articles 51 and 52 allow the government to use several financial instruments in seeking loans that can be used as a source of regional financing (infrastructure development). As a follow-up to the law, the government issued Government Regulation Number 1 of 2024 concerning Harmonization of National Fiscal Policy which replaces Government Regulation Number 56 of 2018 and Law Number 23 of 2014, articles 300-302, providing space for regions to make regional loans.. Regional loans are all transactions that result in a region receiving a sum of money or receiving benefits of monetary value from another party so that the region is burdened with the obligation to repay.

Regional loans can come from the Government, other regional governments, banking financial institutions, non-banking financial institutions, and the community.Law Number 33 of 2004 in Article 57 which more details regulate regional bonds as one of the sources of regional financing. The Minister of Finance has also issued Regulation of the Minister of Finance Number 87 of 2024 as a replacement for Regulation of the Minister of Finance Number 111/PMK.07/2012 concerning Procedures for Issuance and Repurchase of Regional Bonds and Regional tribes by Regional Governments so that regional governments can easily issue regional bonds.The issuance of regional bonds can only be used to finance investment activities in infrastructure and/or facilities in the context of providing public services that generate revenue for the Regional Revenue and Expenditure Budget (APBD). Revenue is obtained from levies on the use of infrastructure and/or facilities that are built. This means that if the investment activities carried out do not generate direct revenue from the use of facilities and infrastructure, then the investment may not use funds from the issuance of regional bonds.Regional bonds as a source of funds have long been a discourse and topic of discussion, both in the regions or centers and formal forums. If the issuance of regional bonds can be realized, then in the structure of the Regional Revenue and Expenditure Budget (APBD) regional bonds are one alternative source of financing and of course can also be financial support for local governments.

The Financial Services Authority (OJK) has supported the offering of Regional Bonds by issuing several Financial Services Authority Regulations (POJK) to support and encourage government programs, especially in the field of infrastructure development in the regions through regulations regarding regional bonds, sustainable finance (green bonds), and acceleration of business processes (e-registration) which have been planned since the end of 2017, namely by issuing OJK Regulation Number 61/OJK.04/2017 concerning Registration Statement Documents in the Framework of Public Offering of Regional Bonds and replaced by OJK Regulation Number 10/OJK.10/2024 concerning Issuance and Reporting of Regional Bonds and Regional Tribes.

As regulated in the Financial Services Authority (OJK) Regulation Number 58/POJK.04/2017 concerning Electronic Submission of Registration or Submission of Corporate Action. The Financial Services Authority Regulation (POJK) has prepared an electronic system to facilitate regions to issue Regional Bonds called the Integrated Licensing and Registration System (SPRINT). From the description above, it can be concluded that the Ministry of Finance and the Financial Services Authority (OJK) have encouraged and fully supported regions to issue Regional Bonds to finance infrastructure development.

The Indramayu Regency Government is a regency government that has been given authority by the center to implement its regional autonomy. By handing over this authority, of course, the government hopes that Indramayu Regency can explore its regional potential so that it can reduce dependence on the central government.

Results of the Audit Board of the Republic of Indonesia (BPK) Audit of the Government's financial reports Indramayu Regency has received an Unqualified Opinion/Predicate (WTP) for five consecutive times on the Regional Government Financial Report (LKPD) for the 2019 to 2023 fiscal years, although the results of the BPK audit of the LKPD for the 2022 and 2023 fiscal years contain notes of emphasis on a matter (PSH), but overall the financial report is in accordance with government accounting standards and is not a misstatement, but there are only a few things that need to be considered.

In order to carry out the functions and authorities of the regional government, it is expected to be able to explore financial sources, especially to meet the needs of the government and regional development through Regional Original Income (PAD). The greater the contribution of PAD to the APBD structure, the less dependent the regional government is on asking for assistance from the central government (Ekasuryana, 2018).

As a general overview of the social and economic conditions of the population of regencies/cities throughout the West Java Province in 2023 and 2024, this can be seen in the following table:

Table 1. Poor Population in Provinces, Regencies and Cities in West Java 2023 and 2024

	Percentage of Poor Population by Regency/City (Percent)	
West Java Region	**2023**	**2024**
West Java Province	7.62	7.46
Bogor	7.27	7.05
Sukabumi	7.01	6.87
Cianjur	10.22	10.14
Bandung	6.4	6.19
Garut	9.77	9.68
Tasikmalaya	10.28	10.23
Ciamis	7.42	7.39
Brass	12.12	11.88
Cirebon	11.2	11
The Great Plains	11.21	10.82
Sumedang	9.36	9.1
Indramayu	**12.13**	**11.93**
Subang	9.52	9.49
Purwakarta	8.46	8.41
Karawang	7.87	7.86
Bekasi	4.93	4.8
West Bandung	10.52	10.49
The Place	8.98	8.75
Bogor City	6.67	6.53
City of Sukabumi	7.5	7.2
Bandung	3.96	3.87
Cirebon City	9.16	9.02
City of Bekasi	4.1	4.01
City of Depok	2.38	2.34
City of Cimahi	4.66	4.39
City of Tasikmalaya	11.53	11.1
City of Banjar	6.14	5.85

Source: BPS West Java Province

Table 2. Realization of Local Revenue, Transfer Funds and Capital Expenditure of Indramayu Regency Government 2021-2023 (Audited)

Sources of Income, Capital Expenditures	Year (Rp)		
	2021	2022	2023
PAD	529,952,075,274	563,304,792,987	629,731,481,470
Fund Transfer	2,613,548,220,220	2,709,430,895,611	2,876,348,623,611
Capital Expenditure	306,790,805,662	251,931,634,188	579,951,562,450
Total Revenue	3,362,950,782,907	3,293,006,392,610	3,536,349,758,981
Total Shopping	3,257,416,537,572	3,197,438,933,819	3,585,050,751,111

Source :https://diskominfo.kab.indramayu.go.id/

Table 3. Indramayu Regency Government Financing Receipts 2021-2023 (Audited)

Source of Financing Revenue	Year (Rp)		
	2021	2022	2023
Use of SilPa	143,485,581,598	240,025,731,053	321,093,190,929
Domestic Loans	-	-	-
Receipt of Regional Loan Provision	-	-	-
Receiving of Regional Receivables	-	-	-

Source:https://diskominfo.kab.indramayu.go.id/

Based on table 1 above, it shows that in 2023 and 2024, Indramayu Regency's population is among the poorest in West Java. Furthermore, the picture of the realization (audited) of PAD, transfer fund income and capital expenditure of the Indramayu Regency government in 2021-2023 is as follows:

Based on table 2 above, the income of the Indramayu Regency government is still dominated by income from transfer funds from the central government (average above 77%) compared to PAD, meaning that the income of the Indramayu Regency government is still very dependent on the flow of transfer funds from the Central Government and on the one hand, the realized capital expenditure is very small and fluctuates (average still below 16%) it can be concluded that the portion of capital expenditure is still very minimal and to increase it certainly depends on the ability of the Indramayu Regency government to collect coffers of original regional income sources. The description of the Indramayu Regency government's efforts to cover the budget deficit during 2021-2023 is as follows:

Based on table 3 above, basically the financing receipts of the Indramayu Regency government to cover its 2021-2023 budget deficit (audited) were carried out only through the use of last year's SilPa and there were no sources of financing receipts from domestic loans, re-receipts of regional loans and re-receipts of regional receivables and even no sources of financing receipts from the issuance of regional debt securities (bonds), this can be interpreted that the efforts of the Indramayu Regency government to increase capital expenditure through financing schemes are still very lacking.

Nawacita which was launched by the 7th term president, Jokowi Widodo regarding infrastructure development is none other than to improve the welfare of the people in the regions, but in reality it makes some regions including the Indramayu Regency government have limitations and difficulties in funding to build the infrastructure which is part of the capital expenditure component. In line with Nawacita according to Rodrigo Chaves, former World Bank Representative for the 2017-2019 period for Indonesia on the official website of the Ministry of Finance of the Republic of Indonesia also has the same opinion as the former 7th term president who said that sustainable infrastructure development for the provision of public transportation in areas that are not yet connected, clean water for community needs, affordable community housing, and sanitation facilities can accelerate economic growth and lift millions of Indonesians out of poverty.

Identification of problems

From the background described above, the following problems can be identified; (1) The Indramayu Regency government's spending budget, especially for capital expenditure (infrastructure), is very minimal and is still not oriented towards development that can improve community welfare; (2) The financing scheme of the Indaramyu Regency government still relies on SiLPA and has not utilized other sources of financing, for example by issuing regional debt securities (bonds); (3) There are still doubts among the Indramayu Regency government in issuing regional debt securities (bonds), one of which is the guarantee of repayment to pay the bond obligations.

Formulation of the problem

Is the Indramayu Regency government eligible to issue regional debt securities (bonds) in order to finance its infrastructure development?

Research purposes

To analyze whether or not it is feasible for the Indramayu Regency government to issue regional debt securities (bonds) in order to finance its infrastructure development.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Theoritical review

Bonds are long-term contracts in which the borrower agrees to make interest and loan payments on a certain date to the bondholder. Fahmi (2013:179) defines bonds as:

A security sold to the public, which contains various provisions explaining various things such as nominal value, interest rate, term, name of issuer and several other provisions explained in the laws passed by the relevant institutions.

Slightly different from the argument presented above, Siegel and Shim (1992) define: "Bonds as a written promise from a company, government, or other financial institution to pay the nominal value at maturity". The issuance of bonds has been carried out by companies and the state, where the bonds issued have legality in terms of law, and can be accounted for in terms of their ability to pay.

Shook (2002) describes bonds as: “long-term debt securities issued by a company or government, which have a fixed interest rate and maturity date”. He further stated that the explanation and rules of bonds must be very clear, because they relate to a number of funds invested in a number of securities, and bonds are included in the category of securities. Meanwhile, the Dictionary of Economics, Business and Finance describes bonds as follows; (a) Written agreement or contract that has been set by the government or otherwise. This agreement explains that the company must pay a certain amount of assets and interest and a specified date; (b) An agreement between two or more people aims to ensure that one party has an obligation to pay debts to the other party.

The issuance of regional bonds is one of the instruments for financing development. Purnomo (2009) defines regional bonds (Municipal Bonds) as: Debt securities issued by regional governments that are offered to the public through public offerings in the capital market as evidence that the regional government has made long-term loans/debts to the community, and will be paid based on a certain period of time with conditions that have been mutually agreed upon.

These bonds are not guaranteed by the central government so that all risks arising as a result of the issuance of regional bonds are the responsibility of the regional government. The regional government that issues regional bonds is obliged to pay interest periodically according to the specified time period. The regional government is obliged to return the principal loan at maturity. The issuance of regional bonds aims to finance a public sector investment activity that generates revenue and provides benefits to the community. Therefore, it should be noted that the issuance of bonds is not intended to cover regional cash shortages. Regional bonds will be traded on the national capital market in accordance with capital market laws and regulations.

Before regional bonds are issued and offered to the public or investors, several requirements are first required. Purnomo (2009) groups the requirements into three aspects, namely:

Legal Aspects. Every prospective publisher must have the status of a legal entity, in this case the regional government and agencies under it have legally fulfilled the requirements based on the Law on Regional Government.

Organizational Aspects. Each prospective issuer must obtain approval from the Regional People's Consultative Council (DPRD). This approval is required for payment of principal and interest on bonds and the use of regional bond funds will be part of the APBD which is accountable to the public through the DPRD.

Financial aspects. Each prospective issuer must show its financial data so that prospective investors (bond holders) can know the credibility and financial solvency of the issuer.

Bond ranking in relation to investment according to Singh (1998) can be described as follows:

In the concept of the prudential principle, it has been explained that no matter how prestigious an institution has issued and provided information about bond ratings, in reality it cannot guarantee with certainty the level of return for investors.

Table 4. Meaning and Rating of Bonds

Moody's	S & P	Meaning
Aaah	AAA	Best quality, with the least risk; the publisher is stable and reliable
A A	A A	High quality, with slightly higher long-term risk
A	A	High to medium quality, with many strong attributes, but somewhat vulnerable to economic conditions
Baa	BBB	Medium quality, adequate short term, but less reliable for the long term
Ba	BB	There is a speculative element, with a moderate level of security, but no guarantee of security.
B	B	Able to pay now, but with the risk of default in the future
How	CCC	Low quality, real danger of future failure
Ca	CC	High speculative quality, often fails
C	C	Lowest order, low repayment prospects although it may still be possible to get paid
K	K	Unable to pay interest

Source: Singh (1998:35)

Table 5. ***Bond Ratings***

Bond ratings	Very High Quality		High Quality		Speculative		Very Poor	
Standard & Poor's	AAA	A A	A	BBB	BB	B	CCCC	D
Moody;s	Aaah	A A	A	Baa	Ba	B	How	C

Source: Singh (1998:35)

From the description above, it can be said that a debt certificate (loan) to another party, a body or individual, which will be paid off within a certain period of time. Bonds sold to the public in the perspective of buyers, see them based on their ratings. The rating describes the credibility and prospects as if the bonds were purchased to be used as one of the company's current assets.

Normative Study

According to Government Regulation Number 56 of 2018 concerning Regional Loans Regional loans are all transactions that result in a region receiving a sum of money or receiving benefits of monetary value from another party so that the region is burdened with the obligation to repay.Furthermore, according to Government Regulation Number 1 of 2024 concerning Harmonization of National Fiscal Policy, which isalignment of financial relations between the Government and Regional Governmentsand Regulation of the Minister of Finance Number 87/PMK of 2024 concerning Procedures for Issuance and Repurchase of Regional Bonds and Regional Tribes by Regional Governments, where in Article 2 of the Minister of Finance Regulation, what is meant byRegional Bonds and/or Regional Tribes are part of Regional Debt Financing in the Regional Budget.The same thing is also stated in OJK Regulation Number 10/OJK.10/2024 concerning the Issuance and Reporting of Regional Bonds and Regional Tribes. What is meant by Regional Bonds are securities in the form of debt recognition issued by the Regional Government and Regional Tribes are securities based on sharia principles as evidence of a portion of the participation in Regional Tribes assets issued by the Regional Government.

Regional bonds and/or regional tribes aim to finance investments that generate regional revenues, so it is necessary to regulate strategies and policies for managing regional bonds and/or regional tribes, including policies for the governance of issuing and reporting regional bonds and/or regional tribes in a more transparent and accountable manner, as well as to provide protection to investors in regional bonds and/or regional tribes;

Issuance of Regional Bonds can be an alternative for infrastructure financing, while still prioritizing the principle of prudence to minimize existing risks.

The process of issuing Regional Bonds includes several stages, namely:

Preparation

Preparation for issuing regional bonds includes at least; (1) Identification of projects to be financed by regional bonds may only be issued to finance revenue-generating projects; (2) Monitoring the cumulative loan limit and cumulative loan position, namely calculating the regional capacity to obtain loans and the regional financial ability to repay loans; (3) Calculation of the loan repayment ratio. The financial ability of a region to repay a loan is measured by the Debt Service Coverage Ratio (DSCR) set by the government at a minimum of 2.5 X. This ratio reflects the ability of a region to bear all the burdens caused by all long-term loans in one period.

The DSCR calculation formula is:

$$\text{DSCR: } \geq X \frac{(\text{PAD}+\text{DAU}+(\text{DBH}-\text{DBHDR}))-\text{BW Principal}}{Loan+Interest+Other\ Cost}$$

(1)The cumulative amount of the APBD deficit and the APBN deficit does not exceed 3% (three percent) of Estimated gross domestic product for the relevant fiscal year; (2) The remaining amount of Regional Debt Financing plus the amount of Regional Debt Financing which will be withdrawn does not exceed 75% (seventy five percent) of the total income The previous year's APBD whose use has not been determined; (3) Submission of application for approval in principle from the DPRD. Every regional debt including bonds will be the responsibility of the region. Therefore, the fourth step that must be taken by the regional government to be able to issue bonds is to obtain approval from the DPRD; (4) Submission of application for approval in principle to the government. Regional plans to issue regional bonds must be approved by the central government. The central government, in addition to aiming to assess the feasibility of regional governments that will issue regional bonds, also wants to ensure that the region does not have outstanding loans to the Central Government and/or foreign loans.

Assessment by OJK

After calculating the capacity and capability of the region to obtain loans, obtaining permits from both the DPRD and the central government, the Regional Government must prepare registration documents to be assessed by the OJK in order to obtain an effective statement. Some of the OJK provisions that must be met by the regional government as an issuer include; (1) Approval of the Minister who handles government affairs in the financial sector related to the issuance of Regional Bonds and/or Regional Tribes; (2) Regional Regulations regarding the issuance of Regional Bonds and/or Regional Tribes; (3) Other requirements related to the Issuance of Regional Bonds and/or Regional Tribes; (4) Public Offering Schedule; (5) Example of a securities letter; (6) Regional Government Financial Report (LKPD) which has been audited by the Republic of Indonesia Audit Board; (Examination report and legal opinion related to the legal aspects of the Public Offering of Regional Bonds and/or Regional Tribes including the Activities to be financed; (7) Trusteeship Contract; (8) Securities underwriting agreement, if there is a securities underwriting agreement; (9) Ratings issued by securities rating companies for Regional Bonds and/or Regional Tribes; (10) Guarantee agreement, if there is a guarantee agreement for the issuance of Regional Bonds and/or Regional Tribes; (11) Statement of Sharia compliance with Regional Tribes from the Sharia Expert Team; (12) Documents containing other information in accordance with the request of the Financial Services Authority (OJK) which are deemed necessary in the review of the Registration Statement, as long as they can be announced to the public without harming the interests of the Issuer.

Initial Market Offering

In this stage, the issuer makes an offering of securities to the public. The offering of securities (Regional Bonds) to the public after obtaining permission from the OJK until the time of listing on the stock exchange is called the primary market which includes several stages, namely; (1) Announcement and distribution of prospectus (official statements); (2) Offer period; (3) Rationing period; (4) Refund period; (5) Delivery of effects; and (6) Listing of securities on the stock exchange.

The above Regional Bond Issuance Mechanism can be described as follows:

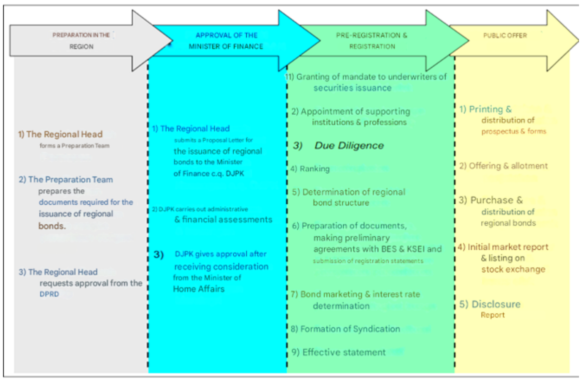

Image 1. Regional Bond Issuance Preparation Process Flow

RESEARCH METHOD

In conducting research, the author needs methods and theories that are relevant to the research object to be carried out. The science that studies and develops this method is called methodology. Babbie in Hamdi and Ismaryati stated "whereas epistemology is the science of knowing, methodology (a subfield of epistemology) might be called the science of finding out". With this statement, Babbie in Hamdi and Ismaryati emphasized that methodology can be called the science of discovering something. Determining a design in the research method used is one of the important things to ensure that research can be carried out easily and in a focused manner.

Cresswell(2013:3) states that: The design of the study (research design) is a plan and procedures covering the research; assumptions widely to methods detailed in the collection and analysis of data, the design involves a number of decisions related to the philosophical assumptions underlying the research, the procedures used in this study and specific methods to be used in the collection, analysis and interpretation of the data. The selection of a design or research design also needs to be based on problems/issues to be observed, personal experience if the researcher, and the target or targeted readers. This study uses a descriptive qualitative research design with an analytical approach. This is in line with the opinion of Robert B. Burns in Silalahi that: "The naturalistic approach to research emphasizes the importance of the subjective experience of individuals, with a focus on qualitative analysis. Social reality is regarded as a creation of individual conclusiousness, with meaning and the valuation of events seen as a personal and subjective construction. Such a focus on the individual case rather than general law-making is termed an ideographic approach"

Descriptive research means that this research begins with the conditions and various problems in the field that are analyzed by the author related to facts and data from various sources and then the author draws a conclusion. The inductive approach is carried out by the author by studying and observing problems that occur in the field by collecting real and pure data and facts from experience to then be analyzed and interpreted appropriately, so that it can produce a picture or writing about the problem.

From the description above, the qualitative-descriptive research that will be carried out by the researcher has the following stages; (1) Observing and studying problems in the field (phenomena); (2) Record what happens; (3) Collecting facts and data; (4) Analyzing various documents found in the field in relation to the policies that regulate them; and (5) Report the results in detail.

RESULT AND DISCUSSIONS

Analysis of regional bond issuance measured through three aspects with eight indicators. These aspects are; (1) Legal Aspect, with the following indicators: status as a legal entity and completeness of the legal

basis for publication, basically the Indramayu Regency government has fulfilled the requirements from the legal aspect; (2) Organizational aspects, with indicators: central government approval, DPRD approval and investment management institutions are basically only administrative matters and this will be realized if the financial aspects meet the requirements/are fulfilled; (3) Financial Aspects, with indicators:
Ability to repay loans. The ability of the Indramayu Regency government to pay loans is calculated through the Debt Service Coverage Ratio (DSCR) calculation. DSCR is the ratio of the region's ability to pay the principal and interest of debt.

From table 6 above it can be explainedThe DSCR of the Indramayu Regency government from 2019 to 2023 which has no loans, this shows that the DCSR can be confirmed to be greater than 2.5 as per existing provisions. reflects the certainty of the Indramayu Regency government's ability to bear all the burdens caused by all long-term loans (regional bonds) in one period.

Cumulative limit of regional loans

The second indicator in the financial aspect is the determination of the cumulative limit of regional loans that have been regulated in Government Regulation Number 56 of 2018. It is stated that regional general revenues consist of: Regional Original Income (PAD), General Allocation Fund (DAU), and Revenue Sharing Fund (DBH). In addition, there are still cumulative limits on central and regional loans and budget deficits. Which is calculated based on Gross Domestic Product (GDP).

The analysis of the maximum loan limit is calculated based on the remaining amount of regional loans plus the amount of loans to be withdrawn not exceeding 75% (seventy five percent) of the total general revenues of the previous year's APBD.

Formula for calculating the remaining amount of Regional Loans plus the loan amount to be drawn (R) is as follows:

$$R = \frac{Remaining\ Loan + Loan\ to\ be\ withdrawn}{APBD - DAK\ Revenue}$$

The calculation of R looks as follows:

Table 6. DSCR of Indramayu Regency Government 2019-2023

Calculation Components	Year (Rp.)				
	2019	2020	2021	2022	2023
Local Original Income (PAD)	450,063,256,102	504,685,453,570	529,952,075,274	563,304,792,987	629,731,481,470
General Allocation Fund (DAU)	1,418,027,397,000	1,297,006,125,000	1,282,966,828,000	1,273,698,409,731	1,352,970,193,107
Revenue Sharing Fund (DBH)	188,125,853,117	179,747,909,708	251,415,279,830	218,652,466,597	207,350,392,700
Reforestation Fund Revenue Sharing Fund (DBHDR)	0	0	0	0	0
(DBH-DBHDR)	188,125,853,117	179,747,909,708	251,415,279,830	218,652,466,597	207,350,392,700
Mandatory Shopping	1,297,129,051,223	1,297,600,385,420	1,367,220,617,879	1,418,753,150,038	1,379,795,537,759
Loan Principal	0	0	0	0	0
Flower	0	0	0	0	0
Other Costs	0	0	0	0	0
DSCR	**759,087,454,996 (<2.5)**	**683,839,103,858 (<2.5)**	**948,528,845,055 (<2.5)**	**636,902,519,277 (<2.5)**	**810,256,529,518 (<2.5)**

Source:https://diskominfo kab indramayu.go.id processed by researchers

Table 7. Calculation of the Remaining Amount of Regional Loans Plus the Amount of Loans To be Withdrawn (R) by Indramayu Regency Government in 2019-2023

No.	Calculation Components	Year (Rp.)				
		2019	2020	2021	2022	2023
1	Remaining Loan	0	0	0		0
2	Loans to be Withdrawn (Year in Question)	0	0	0		0
3	Previous Year's APBD Revenue	3,338,765,616,639	3,875,800,291,089	3,313,122,114,932	3,362,950,782,907	3,293,006,392,610
4	DAK Previous Year	429,382,722,396	509.076.175.005	414.909.927.121	376,971,838,595	493,838,165,279
5	(1+2)	0	0	0	0	0
6	(3-4)	2,909,382,894,243	3,366,724,116,084	2,898,212,187,811	2,985,978,944,312	2,799,168,227,331
7	75% x (3+4)	2,182,037,170,682	2,525,043,087,063	2,173,659,140,858	2,239,484,208,234	2,099,376,170,498
8	R (%)	**0**	**0**	**0**	**0**	**0**
9	Cumulative Loan Limit	Qualify	Qualify	Qualify		Qualify

Source: primary data

Table 8. GRDP of Indramayu Regency Government 2019-2023

Description	**Year**				
	2019	**2020**	**2021**	**2022**	**2023**
GRDP	1.05	- 1.58	0.58	2.88	9.76

Source: BPS Indramayu Regency

From table 7 above, it shows that since 2019 to 2023, the Indramayu Regency government has never made a loan, so the amount of regional loans plus the amount of loans to be withdrawn in the current year (R) cannot be calculated or = 0, but by never having made a loan, it can be ascertained that Indramayu Regency is still below the safe limit (75%) or in other words meets the requirements.

Gross Regional Domestic Product (GRDP) and Budget Deficit

GRDP in a Regency/City is basically to describe the ability of a region to create output (added value) at a certain time. The GRDP of the Indramayu Regency government from 2019 to 2023 appears as follows:

From table 8 above, it shows that the 2019 GRDP of 1.05 increased compared to 2018, which was 0.53, but the 2020 GRDP decreased even minus 1.58. This is mainly caused by the Covid-19 pandemic which has an impact not only on the health sector but also on the economic sector, especially the increasing inflation rate. The GRDP in 2021 to 2023 starting in 2021 of 0.58 began to increase although not optimally as the Covid-19 pandemic has begun to subside and can be overcome by the government and the GRDP in 2022 of 2.88 began to increase as the Covid-19 pandemic has subsided and is strengthened by a stable economy in 2023 to 9.76 and the contributors to the increase in GRDP are generally in other service sectors, provision of accommodation and food and corporate services.

Amount of APBD Deficit

Furthermore, the budget deficit of the Indramayu Regency government from 2019 to 2023 appears as follows:

Table 9. The Amount of the Indramayu Regency Government's Regional Budget Deficit for 2019-2023

Calculation Components	**Year (Rp.)**				
	2019	**2020**	**2021**	**2022**	**2023**
Total Income	3,875,800,291,089	3,313,122,114,932	3,362,950,782,907	3,293,006,392,610	3,536,349,758,981
Amount of Shopping and Transfer	560,682,184,861	551,805,652,895	593,127,550,156	570,778,355,858	528,757,589,534
Surplus/ (Deficit)	**124,370,802,378**	**921,703,230**	**105,534,245,335**	**95,567,458,791**	**(48,700,992,130) (0.09%)**

Source:https://diskominfo kab indramayu.go.id/ processed by researchers

Table 10. APBD Deficit and Comparison with GRDP Indramayu Regency Government 2019-2023

Description	**Year (Rp.)**				
	2019	**2020**	**2021**	**2022**	**2023**
Deficit	0	0	0	0	48,700,992,130
Deficit-	0	0	0	0	0.09%
GRDP	< 3%	<3%	<3%	<3%	<3%
	Qualify	Fulfil Condition	Qualify	Qualify	Qualify

From table 9 above, it shows that since 2019 to 2022, the realization of the Indramayu Regency government's APBD has experienced a surplus even though the APBD planned a deficit, while in 2023 there was a deficit (0.09% of total spending) although not as large as planned. If the deficit is compared with the GRDP, which according to the provisions the deficit must not be less than 3% of the GRDP, it appears as follows:

From table 10 above, it shows that from 2019 to 2022, the realization of the Indramayu Regency government's APBD did not experience a deficit, even a surplus, so that when compared to the GRDP it was still smaller than 3%, but in 2023 the realization of the Indramayu Regency government's APBD experienced a deficit of 0.09% compared to the realization of its spending, but this deficit can be covered by the receipt of financing through the 2022 SiLPA which is quite large, this shows that the Indramayu Regency government is still feasible or meets the requirements.

BPK Opinion

The BPK-RI audit opinion on an entity's Financial Report is a statement or professional opinion of the BPK which is the auditor's conclusion regarding the level of fairness of the information presented in the financial report. The BPK-RI audit opinion on the Financial Report of the Indramayu Regency government for 2019-2023 appears as follows:

Table 11. BPK Opinion on the Financial Report of the Indramayu Regency Government 2019-2023

Description	Opinion				
	2019	2020	2021	2022	2023
Financial statements	WTP	WTP	WTP	WTP PSH	WTP PSH

Source: IHPS BPK-RI

Table 12. Recapitulation of Financial Aspect Analysis of Indramayu Regency Government 2019-2023

Description	Opinion				
	2019	2020	2021	2022	2023
DSCR	Qualify	Qualify	Qualify	Qualify	Qualify
Calculation of the Remaining Amount of Regional Loans Plus the Amount of Loans to be Withdrawn (R)	Qualify	Qualify	Qualify	Qualify	Qualify
GRDP	Go on	Decrease	Go on	Go on	Significant Increase
Regional Budget Deficit	-	-		-	48,700,992,130
APBD Deficit and Comparison with GRDP	Qualify	Qualify	Qualify	Qualify	Qualify
BPK-RI Audit Result Opinion	WTP	WTP	WTP	WTP PSH	WTP PSH

Table 13. Results of Measurement of the Feasibility Level of Regional Bond Issuance

No	Aspect	Indicator	Score
1	Law	Status as a legal entity	1
		Completeness of the legal basis for publication	1
2	Organization	Central government approval	0
		DPRD approval	0
		Investment management institution	1
3	Finance	Ability to repay loans	1
		Cumulative limit of regional loans	1
		The amount of the APBD deficit	1
Total			**6**

$$\text{Eligibility Level} = \frac{\text{indicators achieved}}{\text{Amount of indicators}} \text{x } 100\%$$
$$= \frac{6}{8} \text{x } 100\% = 75\%$$

From table 11 above, it shows that from 2019 to 2021, the results of the BPK-RI audit of the Indramayu Regency government's financial report obtained an Unqualified Opinion (WTP) report, meaning that the BPK auditor did not doubt the information presented in the Indramayu Regency government's financial report, even though the BPK-RI audit opinion on the Indramayu Regency government's financial report for 2022 and 2023 still had additional information.Emphasis of a Matter (PSH) note, but overall the financial report is in accordance with government accounting standards and is not a misstatement, but there are only a few things that need to be noted.
Furthermore, the financial aspects as described above can be seen in the following table in summary:

From table 12 above, it shows that from 2019 to 2023, the results of the analysis of the financial aspects generally meet the requirements. It can be concluded that in general the Indramayu Regency government meets the requirements, in other words, it is eligible to issue regional debt securities (bonds).
Next, to measure the level of eligibility for publicationregional debt securities (bonds)conducted based on the assessment list for the three aspects above. Each indicator of each aspect that has been implemented or achieved is given a score of 1 and each indicator that has not been implemented or achieved is given a score of 0. The assessment results are assumed to be in an interval class that reflects the level of feasibility of issuing regional bonds. The interval classes used are:
0-20 : very unworthy
>20-40 : less worthy
>40-60 : quite decent
>60-80 : decent
>80-100 : very decent

The following are the results of scoring for each indicator included in the three aspects measured, namely (1) law, (2) organization, and (3) finance.

From table 13 above, it can be seen that of the eight indicators, there are six or equivalent to 75% of indicators that have been implemented or achieved by the Indramayu Regency government (internal factors) in the planning of regional bond issuance, while the remaining 25% is more influenced by external factors outside the Indramayu Regency government. The level of feasibility of regional bond issuance with the assumption of interval class > 60-80% indicates that the Indramayu Regency government is "Feasible" to issue regional bonds.

CONCLUSION

The issuance of regional debt securities (bonds) is one way to finance regional development, especially in the infrastructure sector, in addition to financing through loans between government agencies (central and regional) or through financial/banking services.

From the financing analysis through the issuance of regional debt securities (bonds) which covers 3 (three) aspects, namely law, organization and finance, the Indramayu Regency government (internal factor) has a score of 75%, meaning Indramayu Regency Government feasible to issue regional debt securities (bonds) to finance development, especially in the infrastructure sector, while the remaining 25% is an external factor, namely approval from the central government and the Indramayu Regency DPRD, which is only a legality if internal factors are met.

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