

Analysis of Capital Expenditure Financing Through the Issuance of Local Debt Securities (Bond)

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ABSTRACT

Law Number 23 of 2014 on Regional Government mandates that regional governments play a very important role in determining the success of creating independence, but in practice, regional governments encounter limitations in funding sources. Most regencies and cities are highly dependent on transfer funds provided by the central government to the regions. Other sources of income, namely Regional Original Revenue (PAD), are very limited, as this revenue has been authorized by the central government to implement regional autonomy. By delegating this authority, the government hopes that the West Java provincial government will be able to explore the potential of its region to finance its development, thereby reducing its dependence on the central government.

This study aims to analyze the feasibility of the West Java Provincial Government issuing regional debt securities (bonds) to finance infrastructure development through capital expenditure that can boost the welfare of the people in West Java Province.

This study uses a descriptive qualitative research design with an analytical approach. The results indicate that the West Java Provincial Government is highly eligible to issue regional debt securities (bonds) to finance its infrastructure development through capital expenditure.

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INTRODUCTION

Since 1998, during the reform era, our system of government and state administration has been assessed by various parties as having undergone fundamental changes. This can be seen from the emergence of regional autonomy policies, which were realized through the enactment of [Law of the Republic of Indonesia Number 23 of 2014](#) concerning Regional Government. Therefore, regional autonomy policies are very much needed. The community needs a government organization that provides public services as a manifestation of the government's general duties to achieve community welfare.

Regional autonomy policies based on the independence of each region are expected to bring about community welfare. 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 governmental affairs and the interests of the local community within the system of the Unitary State of the Republic of Indonesia. The regional government plays a very important role in determining the success of creating the independence that the Regional Government always desires.

In implementing regional autonomy, local governments have the obligation and right to regulate and manage their own affairs, but they face limitations in terms of funding



sources. Most regencies and cities are highly dependent on transfer funds provided by the central government, including Revenue Sharing Funds (DBH), General Allocation Funds (DAU), and Special Allocation Funds (DAK). Another source of income is limited local revenue (PAD). This is because these three sources of funding are mostly used for routine expenditures. With these financial conditions, it is certainly difficult for local governments to implement various development projects due to budget constraints. Therefore, local governments must innovate in their efforts to find sources of development funding for the successful implementation of regional autonomy. As explained by [Djaenuri \(2012\)](#) 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.

President Prabowo Subianto, during his speech at the Apkasi Otonomi Expo 2025, reminded regional leaders that clean and fair governance is the key to achieving people's welfare and successful national development. "There can be no happy and prosperous people without a clean and fair government ([Saputra, 2025](#)) and research conducted by [Bao et al., \(2024\)](#) shows that local governments have adjusted their debt issuance (bond) strategies by taking into account private sector activity ([Bao et al., 2024](#)), while research conducted by ([Cahyono & Kumalasari, 2021](#)) and ([Hardiningsih & Oktaviani, 2013](#)) show that capital expenditure used for infrastructure development has a positive effect on increasing per capita income.

The construction of physical infrastructure is the method chosen by the government to strengthen the regions, with the hope that it will become a fundamental factor in promoting equitable economic growth and distribution. In this regard, we can see that almost all Regional Governments in Indonesia are intensively building infrastructure, but not all regions are able to realize this development because the transfer funds provided by the central government, whether in the form of General Allocation Funds (DAU), Special Allocation Funds (DAK) or Revenue Sharing Funds (DBH) which from year to year have begun to decrease and even the central government will cut central transfer funds to regions starting in the 2026 budget year. This can be seen in the 2026 draft national revenue and expenditure budget (RAPBN), the central to regional transfer budget or TKD is set at IDR 650 trillion. This figure is down 24.8% from the 2025 budget outlook of IDR 864.1 trillion. (Source: <https://ugm.ac.id>)

Regarding the reduction in central government transfer funds to the regions, West Java Governor Dedi Mulyadi responded that this policy would be a problem for local governments. This is because local governments are burdened by general allocation funds (DAU) and wages for Government Employees with Work Agreements (PPPK) ([Bustomi, 2025](#))

The limited funding sources owned by the Regional Government are still a dilemma because the development of infrastructure as its main fixed asset is hampered and this will have an impact on improving the welfare of the people in the region.

[Law Number 1 of 2022](#) concerning Financial Relations between the Central Government and Regional Governments, in Article 154 paragraph (1) that regional governments can carry out regional financing, which includes: regional loans, regional bonds, and regional sukuk. Furthermore, Article 157 paragraph (1) states that the issuance of regional bonds and regional sukuk is carried out, among other things, for financing infrastructure development. As a follow-up to this law, the government issued Government Regulation No. 1 of 2024 concerning the Harmonization of National Fiscal Policy, and Law No. 23 of 2014, articles 300-302, which provide space for regions to take out 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, thereby obligating the region to repay the loan. Regional loans can come from the central government, other regional governments, banking institutions, non-banking financial institutions, and the community. The MPR-RI supports regional governments issuing regional bonds as an alternative source of capital expenditure financing for infrastructure development, as realized in the

National Seminar on November 19, 2025, organized by the Golkar MPR -RI together with the OJK in Manado, discussed the opportunities for Municipal Bonds as an alternative financing option amid the central government's cuts to Regional Transfers (TKD). The Chairman of the Golkar Faction of the MPR, Melchias Markus Mekeng, highlighted that regional bonds, which are common globally, can keep money circulating within the country and require transparent financial management by local governments ([detik.news, 2025](#)). In addition, with the limited capacity of the regional budget (APBD) for capital expenditure, the Central Government is encouraging local governments to seek other funding alternatives through loans from the Central Government as stipulated in Government Regulation No. 38 of 2025 concerning Loans from the Central Government. The purpose of issuing this Government Regulation is to help local governments (Pemda) that are short of funds, mainly to cover short-term funding needs at the beginning or end of the fiscal year. Finance Minister Purbaya Yudhi Sadewa stated that long-term loans could also be considered for clearly defined projects. This regulation also governs loans to state-owned enterprises (BUMN) and regional-owned enterprises (BUMD).

The Minister of Finance has also issued Minister of Finance Regulation No. 87 of 2024 concerning Procedures for Issuing and Repurchasing Regional Bonds and Regional Sukuk by Regional Governments, so that Regional Governments can easily issue regional bonds. The issuance of regional bonds can only be used to finance infrastructure and/or facility investment activities 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 the 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 such investments may not use funds from the issuance of local bonds. Regional bonds as a source of funds have long been a topic of discussion, both at the regional and central levels, as well as in 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 revenue and can certainly also be a source of financial support for regional governments. This is reinforced by the results of joint research in the United Nations Joint Programme 'Accelerating SDGs Investment in Indonesia (ASSIST)', specifically for the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF), which states that with limited fiscal resources, local governments need to consider alternative sources of funding and financing to implement priority development programs in the regions. This enables local governments to increase their financing capacity for other functions, which ultimately contributes to regional development targets. One alternative source of financing is the issuance of regional bonds and regional sukuk. Law Number 1 of 2022 concerning Central and Regional Financial Relations states that the proceeds from the issuance of regional bonds and regional sukuk are used to finance public sector investments that generate revenue and/or provide benefits to the community. The issuance of regional bonds and regional sukuk is also carried out in the context of financing regional infrastructure development (facilities and infrastructure), managing regional debt portfolios, and/or managed as loan/capital participation to Regional Owned Enterprises ([Kemenkeu, 2024](#)).

The Financial Services Authority (OJK) has supported regional bond offerings by issuing several Financial Services Authority Regulations (POJK) to support and encourage government programs, particularly in the field of regional infrastructure development through regulations on regional bonds, sustainable finance (green bonds), and business process acceleration (e-registration) that has been initiated since the end of 2017 with the issuance of OJK Regulation Number 61/OJK.04/2017 concerning Registration Statement Documents in the Context of Public Offering of Regional Bonds and replaced by OJK Regulation Number 10/OJK. 10/2024 concerning the Issuance and Reporting of Regional Bonds and Regional Sukuk.

As stipulated in Financial Services Authority (OJK) Regulation Number 58/POJK.04/2017 concerning the Electronic Submission of Corporate Action Registrations or Applications. The Financial Services Authority (OJK) has developed an electronic system to facilitate regions in issuing Regional Bonds, known as the Integrated Licensing and Registration System (SPRINT).

According to the official portal of the West Java Provincial Government, there are 27 regencies and cities in West Java, and based on data from the Central Statistics Agency (BPS), the population of the provinces on the island of Java in mid-2024 is as follows: West Java: 50.49 million people, East Java: 41.71 million people, Central Java: 38.28 million people, Jakarta: 11.14 million people, Banten: 12.63 million people. Based on the above data, West Java Province has the largest population on the island of Java and even in Indonesia. [\(BPS, 2024\)](#).

In order to carry out its functions and authority, the Regional Government is expected to explore financial resources, particularly to meet the needs of the government and regional development through Regional Own Source Revenue (PAD). The greater a region's ability to generate local revenue (PAD), the greater its discretion to use that PAD in accordance with regional aspirations, needs, and development priorities. Optimizing PAD sources is necessary to increase regional financial capacity to support the implementation of regional autonomy. Therefore, intensification and extension of regional revenue subjects and objects are required. [Bastian, \(2022\)](#)

Below is an overview of the realization of PAD, transfer fund revenue, and capital expenditure of the West Java Provincial Government for the years 2021-2024 (audited) as follows:

Table 1. Realization of Local Revenue, Transfer Funds, and Capital Expenditures of the West Java Provincial Government for 2021-2024 (Audited)

Revenue Sources, Capital Expenditures	Year			
	2021	2022	2023	2024
Local Own-Source Revenue (PAD)	20.333.679.966.126,39	23.249.522.253.957,00	24.375.389.630.532,00	25.311.062.568.010,00
Transfer Funds	16.606.086.315.554,00	9.505.116.424.368,00	10.282.464.762.570,00	11.352.536.350.459,00
Capital Expenditure	2.045.428.563.538,00	2.419.138.025.661,00	2.523.831.953.631,00	2.116.137.579.713,00
Total Revenue	36.991.873.224.931,39	33.236.110.512.395,00	34.772.844.052.840,00	36.686.793.694.469,00
Total Purchases	25.691.797.685.173,00	19.686.680.202.555,00	41.639.705.291.584,00	22.101.629.483.073,00
% Total PAD to Total Revenue	54,97	69,95	70,10	68,99
% Total Transfer Income to Total Income	44,89	28,60	29,57	30,94
% Total Expenditures Against Total Revenue	69,45	59,23	119,75	60,24
% Total Capital Expenditure to Total Revenue	5,53	7,28	7,26	5,77
% Total Capital Expenditure to Total PAD	10,06	10,41	10,35	8,36
% Total Capital Expenditure to Total Transfer Funds	12,31	25,45	24,55	18,64
% Total Capital Expenditure to Total Expenditure	7,96	12,29	6,06	9,57

Source: (PPID Jabar, 2024) and processed by researchers

Based on Table 1 above, it can be explained that West Java Province's PAD from 2021 to 2023 has increased, except for 2024, which has decreased compared to the total revenue. Conversely, the portion of central government transfer revenue has decreased in relation to West Java Province's revenue. Furthermore, the amount of West Java

Province's revenue spent from 2021 to 2024 has fluctuated, but there are indications of an increase. The portion of capital expenditure compared to total expenditure from 2021 to 2024 has averaged below 10% (8.97%), which should be at least 40% according to Law No. 1 of 2022 Article 147 (1) Regions are required to allocate public service infrastructure expenditure (capital expenditure) of at least 40% (forty percent) of the total APBD expenditure, excluding revenue sharing and/or transfers to regions and/or villages. Furthermore, capital expenditure is still predominantly financed by transfer revenues from the central government rather than from local revenues (PAD). From 2021 to 2024 has averaged below 20.24% rather than from local revenues (PAD) from 2021 to 2024 has averaged below 9.80%. This indicates that the financial condition of the West Java Provincial Government, particularly its local revenues, remains vulnerable and highly dependent on funding (transfers) from the central government.

The efforts of the West Java Provincial Government to cover the budget deficit during the 2021-2024 period are as follows:

Table 2. West Java Provincial Government Revenue 2021-2024 (Audited)

Sources of Financing Revenue	Year			
	2021	2022	2023	2024
Use of SiLPA	1.272.234.413.782,53	2.576.016.379.799,00	2.335.302.104.049,00	800.167.988.688,00
Disbursement of Reserve Funds	-	-	563.779.491.913,00	436.210.508.087,00
Regional Loans	1.881.560.755.969,00	60.529.903.522,00	-	-
Refund of Revolving Funds	258.422,180,00	63.172.606,00	758.649.657,00	680.614.442,00
Total Financing Revenue	3.154.053.591.931,53	2.636.609.455.927,00	2.899.940.245.619,00	1.237.059.111.217,00

Source: <https://file.jabarprov.go.id>

Based on Table 2 above, basically the financing revenue of the Provincial Government of West Java to cover its budget deficit for 2021-2024 (audited) is largely through the use of last year's SiLPA (2021-2024), a small portion from the release of reserve funds (only for 2023 and 2024), regional loans (for 2021 and 2022), and the return of revolving funds (2021).

The data above shows that the West Java Provincial Government does not have any source of financing revenue originating from regional debt securities (bonds) and this can be interpreted as the West Java Provincial Government's efforts to increase infrastructure development through capital expenditure with other financing schemes are still less varied or in other words there is no financing through the regional debt securities (bonds) issuance scheme.

The results of the Indonesian Audit Board (BPK) audit of the West Java Provincial Government's financial statements for four consecutive years (2021-2024) received an unqualified opinion on the Local Government Financial Statements (LKPD) for the 2021, 2022 and 2024 fiscal years, although the BPK audit of the LKPD for the 2023 fiscal year noted one matter of emphasis (PSH). It can be concluded that, overall, the financial statements of the West Java Provincial Government are in accordance with government accounting standards and there are no material misstatements, but there are several matters that need to be noted.

From the background described above, the following problems can be identified: The West Java Provincial Government allocates minimal funds for capital expenditure (infrastructure) and can be said to still lack a focus on development that can improve community welfare. The West Java Provincial Government's financing scheme still relies heavily on SiLPA and regional loans and has not yet utilized financing through the issuance of regional debt securities (bonds). There are still doubts within the West Java Provincial Government regarding the issuance of regional debt securities (bonds), one of which is the guarantee of repayment of these bond obligations.

Problem Statement is it feasible for the West Java Provincial Government to issue regional debt securities (bonds) to finance its development through capital expenditure?

Research Objective to analyze the feasibility of the West Java Provincial Government

issuing regional debt securities (bonds) to finance its development through capital expenditure.

METHODS

In conducting research, authors need methods and theories that are relevant to the research object. The science that studies and develops these methods is called methodology. Babbie, in Hamdi and Ismaryati, states *“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 emphasizes that methodology can be referred to as the science of discovery. 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 \(2013\)](#) 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 of the researcher, and the target or targets readers.*

This study uses a descriptive qualitative research design with an analytical approach. This is in line with Robert B. Burns' opinion 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 consciousness, 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 study begins with the conditions and various problems found in the field, which are analyzed by the author in relation to facts and data from various sources, after which the author concludes. The author uses an inductive approach by studying and observing problems that occur in the field, collecting real and pure data and facts from experience, which are then analyzed and interpreted appropriately to produce a description or writing about the problem.

From the above description, the researcher will conduct qualitative-descriptive research with the following stages:

1. Observe and study problems in the field (phenomena);
2. Record what happens;
3. Collect facts and data;
4. Analyze various documents found in the field related to the policies that regulate them; and
5. Report the results in detail.

The stages from the beginning to the research results can be described as follows:

Table 4. Research Schedule

No	Activity Name	The -th month			
		1	2	3	4
1.	Data collection to capture phenomena				
2.	Discussion to refine the phenomenon and determine the research title				
3.	Determination of research methods and drafting				
4.	Finalization of drafts and publication in journals				

Source: Data processed by researchers (2025)

RESULTS AND DISCUSSION

Analysis of regional bond issuance measured through three aspects with eight indicators. These aspects are:

1. Legal aspects, with indicators: legal entity status and completeness of the legal basis for issuance. Basically, the West Java provincial government has fulfilled the legal requirements.
2. Organizational Aspect, with indicators: approval from the central government, approval from the Regional Representative Council (DPRD), and investment management institutions are essentially administrative matters, and these will be realized if the financial aspect meets the requirements/is fulfilled.
3. Financial Aspect, with indicators:
 - 1) Ability to repay loans

The West Java Provincial Government's ability to repay loans is calculated using the Debt Service Coverage Ratio (DSCR). The DSCR is a ratio that measures a region's ability to repay the principal and interest on its debts.

Table 4. DSCR of the West Java Provincial Government 2020-2024

No.	Calculation Components	Year (IDR)				
		2020	2021	2022	2023	2024
1.	Local Own-Source Revenue (PAD)	18.521.882.178.042,37	20.333.679.966.126.39	23.249.622.253.957,00	24.375.389.630.532,00	25.311.062.568.010,00
2.	General Allocation Fund (DAU)	2.964.612.155.000,00	3.077.926.119.000,00	2.981.692.750.817,00	3.298.949.402.645,00	3.664.312.930.238,00
3.	Revenue Sharing Fund (DBH)	2.063.105.718.266,00	2.594.482.992.137,00	2.107.890.742.700,00	1.987.047.229.841,00	2.551.545.408.500,00
4.	Reforestation Revenue Sharing Fund (DBHDR)	-	-	-	-	-
5.	DBH-DBHDR/(3-4)	2.063.105.718.266,00	2.594.482.992.137,00	2.107.890.742.700,00	1.987.047.229.841,00	2.551.545.408.500,00
6.	PAD+DAU+(DBH-DBHDR)/(1+2+5)	23.549.600.051.308,37	26.006.089.077.263,39	24.123.424.262.074,00	29.661.386.263.018,00	31.526.920.906.748,00
7.	Mandatory Expenditures (6-7)	21.066.529.850.169,00	23.385.024.872.111,00	17.173.841.212.703,00	19.092.270.596.143,00	19.984.707.792.554,00
8.	Principal	2.483.070.201.139,37	2.621.064.205.152,39	6.949.583.019.371,00	10.569.115.666.875,00	11.542.213.114.194,00
9.	Interest	-	-	-	-	-
10.	Other Costs	-	-	-	-	-
11.	(9+10+11)	-	-	-	-	-
12.	DSCR	$\geq 2,5$	$\geq 2,5$	$\geq 2,5$	$\geq 2,5$	$\geq 2,5$

Source: (PPID Jabar, 2024) and processed by Researchers

From Table 4 above, it can be explained that the DSCR of the West Java Provincial Government from 2020 to 2024 has no loans, which shows that the DSCR is infinite (∞), meaning it is certain to be greater than 2.5X as stipulated in the regulations. This reflects the certainty of the West Java Provincial Government's ability to bear the entire burden incurred by all long-term loans (regional bonds) in a single period.

2) Cumulative Local Government Loan Limits

The second indicator in the financial aspect is the determination of cumulative local government loan limits, which are regulated in Government Regulation No. 56 of 2018. It states that local government revenue consists of: Local Own-Source Revenue (PAD), General Allocation Funds (DAU), and Revenue Sharing Funds (DBH). In addition, there are cumulative limits on central and regional loans and budget deficits calculated based on Gross Domestic Product (GDP).

The maximum loan limit is calculated based on the remaining regional loan amount plus the amount of loans to be drawn, which shall not exceed 75% (seventy-five percent)

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of the previous year's APBD general revenue.

The formula for calculating the amount of the remaining Regional Loan plus the amount of the loan to be drawn (R) is as follows:

$$R = \frac{\text{Remaining Loan} + \text{Loan to be withdrawn}}{\text{Revenue from the Regional Budget (APBD) and Special Allocation Funds (DAK)}}$$

The calculation of R appears as follows:

Table 5. Calculation of the Remaining Regional Loan Amount Plus the Amount of Loans to be Withdrawn (R) by the West Java Provincial Government for 2020-2024

No.	Calculation Components	Year (IDR)				
		2020	2021	2022	2023	2024
1.	Remaining Loan	0	0	0		0
2.	Loan to be Withdrawn (Relevant Year)	0	0	0		0
3.	(1+2)	0	0	0	0	0
4.	Previous Year's Regional Budget Revenue	36.037.894.762.460,66	34.504.275.705.318,37	36.991.873.224.931,39	33.236.110.512.395,00	34.772.844.052.840,00
5.	Previous Year's Special Allocation Fund (DAK)	10.018.939.410.784,00	10.853.697.316.005,00	10.886.719.042.417,00	4.731.465.673.851,00	4.957.076.641.184,00
6.	(4-5)	26.018.955.351.676,66	23.650.578.389.313,37	26.105.154.182.514,39	28.504.644.838.544,00	29.815.767.411.656,00
7.	75% x (3/6)	0	0	0	0	0
8.	R (%)	0	0	0	0	0
9.	Cumulative Loan Limit	Qualified	Qualified	Qualified	Qualified	Qualified

Source: primary data processed by researchers (2026)

Table 5 above shows that from 2020 to 2024, the West Java Provincial Government has not taken out any loans, so the total regional loans plus the total loans to be withdrawn in the current year (R) cannot be calculated or = 0. However, since no loans have been taken out, it can be confirmed that the West Java Provincial Government is still below the safety limit (75%) or, in other words, meets the requirements.

3) Gross Regional Domestic Product (GRDP) and Budget Deficit

The GRDP of a regional government (province/district/city) basically describes the ability of a region to create output (added value) at a certain point in time. The GRDP of the West Java Provincial Government from 2020 to 2024 is as follows:

Table 6. West Java Provincial Government GRDP 2020-2024

Description	Year				
	2020	2021	2022	2023	2024
PDRB	-2,52	3,74	5,45	5,00	4,95

Source: West Java Provincial Statistics Agency

Table 6 above shows that the gross regional domestic product (GRDP) of West Java Province from 2020 to 2023 experienced an increase, but in 2024 it experienced a decline (contraction), although not significantly by 0.05 compared to 2023. The main causes of this slowdown are a combination of global and domestic factors, including weakening export demand, especially in the manufacturing sector, contraction in the agricultural sector, and competition from imported products, especially the easing of restrictions on the entry of imported products, particularly textiles and other products from China.

4) Total Regional Budget Deficit

Furthermore, the budget deficit of the West Java Provincial Government from 2020 to 2024 is as follows:

Table 7. West Java Provincial Government Budget Deficit for 2020-2024

Calculation Components	Year (IDR)				
	2020	2021	2022	2023	2024
Total Revenue	34.504.275.705.318,37	36.991.873.224.931,39	33.236.110.512.395,00	34.772.844.052.840,00	36.686.793.694.469,00
Total Expenditures and Transfers	38.127.531.749.249,00	37.470.910.437.064,00	32.774.222.386.723,00	35.513.040.224.353,00	35.548.799.933.035,00
Surplus/(Deficit)	(3.623.256.043.930,63)	(479.037.212.132,61)	461.888.125.672,00	(740.196.171.513,00)	1.137.993.761.434,00

Source: (PPID Jabar, 2024) and processed by Researchers

Table 7 above shows that since 2020 and 2021, the West Java Provincial Government's APBD has experienced a deficit, even though a moderate deficit was planned in the APBD, while 2022 experienced a surplus (1.41% of total expenditure). Although a deficit was planned in the budget, 2023 experienced a deficit, and 2024 experienced a budget surplus, although not as large as budgeted in the APBD for the relevant year. When the deficits that occurred in 2020, 2021, and 2023 are compared with the GRDP, which, according to the provisions, must not be less than 3% of the GRDP, the results are as follows:

Table 8. Regional Budget Deficit and Comparison with West Java Provincial Government GRDP 2020-2024

Description	Year (IDR)				
	2020	2021	2022	2023	2024
Deficit	3.623.256.043.930,63	479.037.212.132,61	0	740.196.171.513,00	0
Deficit-PDRB	9,50%	1,28%	0	2,08%	0
PDRB	>3%	<3%	<3%	<3%	<3%
	Not Qualified	Qualified	Qualified	Qualified	Qualified

Table 8 above shows that although 2020 experienced a fairly high deficit of more than 3% of the Regional Domestic Product (PDRB), from 2021 to 2024, there has been a decrease in the deficit in 2021 and 2023, and even in 2022 and 2024, the West Java Provincial Government's Regional Budget (APBD) realization experienced a surplus. Thus, overall, during the four years (2021 to 2024), the budget realization compared to the GRDP is still less than 3% (<3%). This indicates that the West Java Provincial Government is still eligible or meets the requirements.

5) BPK Opinion

The opinion of the BPK-RI audit on the entity's Financial Statements is a statement or professional opinion of the BPK, which is the auditor's conclusion regarding the fairness of the information presented in the financial statements. The opinion of the BPK-RI audit on the 2020-2024 Financial Statements of the West Java Provincial Government is as follows:

Table 9. BPK Opinion on the Financial Statements of the West Java Provincial Government for 2020-2024

Description	Opinion				
	2020	2021	2022	2023	2024
Financial Statement	WTP	WTP	WTP	WTP PSH	WTP

Source: (BPK RI, 2024)

Table 9 above shows that from 2020 to 2022 and 2024, the results of the BPK-RI audit of the West Java Provincial Government's financial statements received an unqualified opinion. This means that the BPK auditors have no doubts about the information presented in the West Java Provincial Government's financial statements, although the BPK-RI's audit opinion on the West Java Provincial Government's financial statements for 2023 still includes an additional emphasis of matter (PSH). However, overall, the financial statements are in accordance with government accounting standards and are not contain any misstatements, but several matters need to be noted.

Furthermore, the financial aspects as described above can be summarized in the following table:

Table 10. Recapitulation of the Financial Analysis of the West Java Provincial Government for 2020-2024

Description	2020	2021	Opinion		
			2022	2023	2024
DSCR	Qualified	Qualified	Qualified	Qualified	Qualified
Calculation of the Remaining Local Loan Amount Plus the Amount of Loans to be Withdrawn (R)	Qualified	Qualified	Qualified	Qualified	Qualified
PDRB	Down	Up	Up	Up	Not a Significant Decrease
Deficit APBD	3.623.256.043.930,63	479.037.212.132,61	0	740.196.171.513,00	0
Deficit APBD and Comparison with PDRB	>3% Not Qualified	<3% Qualified	<3% Qualified	<3% Qualified	<3% Qualified
Opinion on the Results of the BPK-RI Audit	WTP	WTP	WTP	WTP PSH	WTP

Table 10 above shows that from 2020 to 2024, the results of the analysis of the financial aspects in general are eligible. It can be concluded that the West Java Provincial Government is eligible, in other words, it is feasible to issue regional debt securities (bonds).

Furthermore, to measure the feasibility of issuing regional debt securities (bonds), an assessment list based on the three aspects above is used. Each indicator from 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 feasibility of issuing regional bonds. The interval classes used are:

- 0-20 : highly unfeasible
- >20-40 : less feasible
- >40-60 : reasonably feasible
- >60-80 : feasible
- >80-100 : highly feasible

The following are the scores for each indicator covered in the three aspects measured, namely (1) legal, (2) organizational, and (3) financial.

Table 11. Results of Measuring the Feasibility of Issuing Local Bonds

No	Aspect	Indicator	Score
1.	Law	Legal entity status	1
		Completeness of the legal basis for issuance	1
2.	Organization	Approval from the central government	0
		DPRD Approval	1
		Investment management institution	1
3.	Finance	Ability to repay loans	1
		Cumulative limit on regional loans	1
		Total deficit APBD	1
Total			7

$$\text{Feasibility Level} = \frac{\text{indicators achieved}}{\text{total indicators}} \times 100\%$$

$$= \frac{7}{8} \times 100\% = 87.5\%$$

From Table 11 above, it can be seen that out of eight indicators, there are 7 (seven) or 87.5% of indicators that have been implemented or achieved by the West Java Provincial

Government (internal factor) in planning the issuance of regional bonds with the assumption that the West Java Provincial DPRD (legislative) will definitely support the West Java Provincial Government's policy (executive) because the West Java Provincial government is a unified entity between the executive and legislative branches of the West Java Provincial government, while the remaining 12.5% is more influenced by external factors outside the West Java Provincial government, and this has not yet been done by the West Java Provincial government. The feasibility level of regional bond issuance, assuming an interval class of > 80-100%, indicates that the West Java Provincial Government is "Highly Feasible" in issuing regional bonds.

CONCLUSION

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

From the analysis of capital expenditure financing through the issuance of regional debt securities (bonds) covering three aspects, namely legal, organizational, and financial, the West Java Provincial Government (internal factor) has a score of 87.5%, meaning that the West Java Provincial Government is highly eligible to issue regional debt securities (bonds) to finance capital expenditure for development, particularly in the infrastructure sector. The remaining 12.5% is an external factor, namely approval from the central government, which is essentially coordination with the Ministry of Finance and serves only as a formality if the internal factors are met.

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