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Local Government Financial Ability in Doing Regional Loans in The Covid-19 Pandemic Era

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ABSTRACT

The purpose of this study was to determine the financial capacity of local governments in making regional loans in the era of the COVID-19 pandemic. The results of the study stated that regional revenue is a source of capital, which is collected and used to finance various regional development implementation activities. The method used is Structural Equation Modeling PLS, the population of this research is carried out on local government organizations, namely related sub-units in the section of the Regional Secretariat, DPRD Secretariat, Inspectorate, Service and Agency in Musi Banyuasin Regency totaling 37 people. The results show that the financing of regional autonomy requires the ability of local governments to explore sources of revenue that are not dependent on the central government.

Keywords : Regional Finance; Regional Loans; Regional Revenue; Regional Development; Local Government

ABSTRAK

Tujuan penelitian ini untuk mengetahui kemampuan keuangan pemerintah daerah di dalam melakukan pinjaman daerah era pandemi covid-19. Hasil penelitian menyatakan bahwa penerimaan daerah merupakan sumber modal, yang dihimpun dan dimanfaatkan untuk membiayai berbagai kegiatan pelaksanaan pembangunan daerah. Metode yang digunakan yaitu Structural Equation Modeling PLS, populasi penelitian ini dilakukan pada Organisasi Pemerintah Daerah yaitu sub-sub unit terkait pada bagian dari Sekretariat Daerah, Sekretariat DPRD, Inspektorat, Dinas dan Badan di Kabupaten Musi banyuasin berjumlah 37 orang. Hasil penelitian menunjukan bahwa pembiayaan otonomi daerah menuntut adanya kemampuan pemerintah daerah untuk menggali sumber-sumber penerimaan yang tidak tergantung kepada pemerintah pusat.

Kata Kunci : Keuangan Daerah; Pinjaman Daerah; Pendapatan Daerah; Pembangunan Daerah; Pemerintah Daerah

INTRODUCTION

The Covid-19 pandemic has given many meanings to life where many lives have fallen even as the people's economic level has fallen. The lower middle-class people are under pressure from difficulties in making ends meet because the government issued a regulation that they must lock down so that the Covid-19 pandemic does not spread quickly from person to person.

Hossain *et.al* (2020) stated that the government provided basic food assistance and free medical treatment for those affected by Covid-19 and development was not progressing due to focus on education and health. Regional revenues have decreased as a result of the impact on regional government budget revenues provided by the central government due to a decrease in overall revenues. The results of several studies state that regional finance, regional loans, regional income, will have an impact on regional development. This is a challenge for local governments with limited sources of income resulting from financial receipts by the central government which are decreasing and causing regional own-source revenue (PAD) has decreased (Amri, 2016; Amrozi, 2016; Fatimah & Hasbullah, 2020; Hertati & Safkaur, 2020).

Local governments must reallocate and refocus their budgets to address health and improve the crisis economy. The components of the local government budget due to the Covid-19 pandemic have decreased as seen in a number of fiscal capacity indices, GRDP indicators, solvency, and the level of independence as well as regional spending and income mapping which is illustrated through the regional fiscal matrix" (Huang *et.al*, 2021).

The phenomenon of the Covid-19 pandemic forced the government to implement counter-cyclical fiscal policy in the economy, this proved that counter-cyclical fiscal policy was only effective in the short term. "Up to a certain point, higher spending will increase economic growth. Beyond the point at a higher ratio of government spending to GDP, there is an opportunity cost of increasing government spending that contributes to a less than optimal distribution of resources in the economy, resulting in a negative relationship between the ratio of spending to GDP and economic growth. Local governments must pay attention to how to maintain fiscal policy after the Covid-19 pandemic ends, where the economy will improve again and develop as before (Khan, 2022).

Regional Finance, the era of industrial reform 4.0 caused rapid changes in technology as well as social and cultural as well as politics to accelerate changes in people's behavior, especially those related to demands for transparency in the implementation of government policies, democratization in decision making. Local government service delivery is oriented towards community satisfaction and consistent application of law. The government enacts a Law on Financial Balance between the Central and Regional Governments. The enactment of the law has opened up new opportunities for the industrial reform era 4.0 for the implementation of local government in Indonesia, as well as the increasing number of tasks and responsibilities that must be carried out by the Regional Government. The existence of government affairs authority that is so broad that is given to the regions in the context of regional autonomy, can be a blessing for the regions, but on the other hand the increase in regional authority is at the same time a burden that demands the readiness of the regions to carry it out, because "the increasing number of government affairs that are the responsibility of Local government. For this reason, there are several aspects that must be prepared, namely human resources, financial resources, facilities and infrastructure" (Martin *et.al*, 2021).

Research conducted by Kahn & Wagner (2021) states that regional income has decreased in the Covid-19 era due to reduced regional income in the tax and retribution sector so that regional development. Local government assistance is allocated to the health and education sectors whose functions are optimized efficiently and effectively. Regional finances, focus on health services and assistance to the lower middle class people as well as credit assistance for students and university students to ease the suffering of the people amid the Covid-19 pandemic. Regional finance is one of the basic criteria for a real understanding of the ability of the region to manage its own household. That way financial problems are an important issue in all government activities in managing and managing regional households because government activities require costs, besides this financial factor is the main factor in weighing the level of regional autonomy capability. The regional capability referred to in this sense is to what extent the regions can explore their own financial sources to support their needs without continuously relying on subsidies and assistance from the central government (Salina & Hassan, 2021; Lu & Lu, 2020; Leki, 2018; Salina & Hassan, 2020).

The phenomenon expressed by Widodo (2020) as the president of the republic of Indonesia is that the Covid-19 pandemic attacked indiscriminately, this has hit regional and central government financial receipts. Covid-19 caused regional original income (PAD) to drop drastically so that local governments complained about the decrease in PAD which was unavoidable due to the impact of limiting community activities to prevent greater transmission of Covid-19. Furthermore, Astra (2020) as the Director General of Financial Balance of the Ministry of Finance stated that overal 530 Indonesian regions experienced a decline in income of up to 15.81 percent. Based on the revised APBN in Presidential Decree 54/2020, regional revenues fell by IDR 195.82 trillion from IDR 1,238.51 trillion to only IDR 1,042.69 trillion. Among these declines, PAD was the most depressed. National PAD fell by 27.73 percent. The decline in PAD on the island of Java alone would reach 32.04 percent. Based on his calculations, the national PAD fell by IDR 114.53 trillion from IDR 328.40 trillion to IDR 213.87 trillion.

Local government can shift the role of the APBD to meet the costs which are needed even though there is a reduction in revenue. On the other hand, local governments can survive because the central government has provided a budget of Rp. 14.7 trillion in the form of Special Allocation Funds (DAK), Regional Incentive Funds (DID) of Rp. 5 trillion, and loan facilities of Rp. 1 trillion. It turns out that several regions have implemented several efforts to respond to the declining PAD. The progress of regional development requires the existence of a budget for development financing which links the growth of fiscal activities namely distribution, allocation and stabilization of increasingly large sources of funding.

Regions that are required to be independent in establishing and managing government policies in the regions according to the initiatives and aspirations of the people, because the government structure leads to the expansion of regional autonomy. What the regions must do to prepare for regional independence is to strengthen a strong human resource structure to overcome reform 4.0 so that local governments are required to be able to meet financial resources. For this reason, regional governments are given the authority to explore and manage their financial resources so that they can finance the implementation of development, governance, and provide maximum services to the community.

Each regional government is required to be able to fund all of its capabilities from Regional Original Revenue (*Pendapatan Asli Daerah/PAD*) not meaning from regional financial independence, but due to PAD which still has other revenues as contained in the

Law on Regional Government and the Law on "Financial Balancing". between the Central and Regional Governments where it is stated that the sources of regional revenues come from regional original revenues, balancing funds, regional loans and other legitimate revenues. In line with this law, regional governments are required to be able to increase their income in the implementation of regional development, while the source of local revenue to finance regional expenditures is still very low so that the ability of local governments to provide development funds is very limited, to cover the shortage of these funds then local governments are given the authority to use loan funds" (Yoshino & Nili, 2019).

The use of loan funds as an option in funding development in the future can also play an important role and open opportunities for regions to make loans from outside parties in accordance with existing regulations. Local government loans in Indonesia have never been large, the amount borrowed from year to year does not show a significant fluctuation pattern, and in fact almost all nominal loans are regional loans. Regional government activities are the main gate of the region which is functionally and geographically the area is the center of development of the surrounding region. In order to grow and foster the development of local government in one unit of implementation, planning and control. It is intended that local governments are able to provide appropriate, fast and integrated services to the community" (Zubair & Huang, 2020; Umar & Akhtar, 2021).

Natural resources owned by the regional government to be exploited and as a district area, the government must develop and grow regional government rapidly. "Therefore, the Regional Government is required to be able to bear the implementation of regional development in the Capital City, so that the regional government is required to provide a very large investment budget, one of the sources of regional funds that can be used to fund development activities is to use regional loan funds, even though Original Income Regional (PAD) remains the backbone but at least this regional loan can accelerate the development process carried out by the regions. Regional loans can be used to finance projects that are cost recovery, especially for the benefit of community services so that they can improve regional development and economy" (Umar & Akhtar, 2021; Mohammad *et.al*, 2021).

Regional loans are justified on the basis that by borrowing funds to invest, local governments can accelerate development in their area, compared to if development activities only depend on ongoing revenue. The benefits of new investment can be reaped after a long period of time, so it is appropriate if the costs are borne by those who will enjoy the benefits in the future. In addition, borrowing from the region can increase the ability of local governments to extract their own regional income (PDS), which in turn can increase the ability of regions to repay their loans. However, to determine whether an area is eligible or not to make a loan, an analysis is needed to calculate the financial capacity of the region and determine the amount of the loan, as well as the maximum allowable loan limit. Regional loans are different from regional original income such as taxes and fees, in this loan there is an obligation from the local government to return in the form of loan principal installments accompanied by interest, administrative costs and fines, so local governments must be careful when making loans" (Amri , 2016; Armaja & Aliamin, 2015).

Regional loans as an alternative to development financing, there are 3 (three) important aspects related to regional loan policies which have been continuously developed, including; (i) provision of greater loan funds to finance projects that are cost recovery in nature, (ii) increasing the ability of local governments to extract their own Regional Revenue (PDS) which in turn increases the ability of regions to repay loans, (iii) and greater authority granting to regional governments in deciding the type of investment and how to finance it, according to regional needs and capabilities. According to him, the role of regional loans as a source of financing for regional development today is still relatively small, but has a huge opportunity to be increased. This opportunity is reflected, among other things, in the characteristics of loans that provide autonomy or freedom to regions to carry out development in the regions according to their needs and capabilities" (Amrozi, 2016; Astra, 2020; Fatimah & Hasbullah, 2020).

The role of local public sectors in the regional economic growth area is the role of local government in regional economic growth has become very significant, local tax levy and non-taxable regional income have a negative effect on the level of economic growth, local government consumption in particular tends to have a positive impact and significant impact on regional economic growth. The net impact of the regional public sector gives the level of regional economic growth. The role of the government in driving factors has a multiplier effect, where local government investment is far greater than local government consumption. Public investment concerns the effect of public investment spending on economic growth and productivity, namely government investment in infrastructure and private investment has a positive effect on productivity and economic growth. Conversely, a reduction in government consumption can suppress productivity and economic growth. The impact of regional loans on Own Regional Income (PDS) and GRDP IN regional loans on PAD and GRDP shows that regional loans have a positive influence on PAD and GRDP. Regional financial capacity in making loans to local government shows that regional finance is able to provide net funds set aside to pay loan principal and interest in connection with the implementation of its development" (Halim, 2017; Febriana & Lita, 2014).

To carry out regional autonomy is certainly not easy, because it involves the problem of the ability of the region itself to finance the implementation of government affairs along with the implementation of development in an effort to improve people's welfare. The concept of the principle of decentralization in the context of supporting the implementation of development in the regions really needs adequate funds and financing sources, if the regions do not have sufficient financial resources, the result is that they depend on the central government. The increasing development activities in the regions, the greater the need for funds that must be collected by the Regional Government, the need for these funds cannot be fully provided by funds sourced from the regional governments themselves. Regions must be able to organize and manage their own households, knowing the state of the region's financial capabilities. there are several criteria that can be used as a measure, such as the structural capabilities of the organization, the ability of local government officials to encourage community participation, regional financial capacity" (Firdausy & Mulya, 2017; Fatahi & Jahet, 2017).

The financial factor is an important factor in measuring the level of regional capacity in carrying out its autonomy. it is the regional financial situation that determines the form and variety that will be carried out by the regional government. Umar, & Akhtar (2021) said "one of the important criteria to find out in real terms, the ability of a region to manage its own household is capability (self-supporting) in the financial sector. Regional finance is simply all rights and obligations that can be valued in money, as well as everything in the form of money or goods that can be used as regional wealth as long as it is not yet owned/controlled by a higher state or region and other parties in accordance with the provisions/ applicable laws and regulations.

In regional finance there are two important elements intended as the right to collect regional taxes, regional levies and/or revenues and other sources in accordance with applicable regulations, namely regional revenue so as to increase regional wealth. "Regional obligations can be in the form of obligations to pay or in connection with bills to regions in the context of regional household financing as well as the implementation of general tasks and development tasks by the region concerned" (Galli & Rossi, 2019; Hertati & Safkaur, 2020).

In carrying out government, development and community activities, the Regional Government requires a source of funds/capital to finance government spending on public goods and services. Local governments can finance from local sources of income, balancing funds and regional loans. Because local own-source revenues are small compared to development needs, in some cases local governments need loans to be used for projects that can generate income. "Regional revenue sources apart from obtaining financial sources owned by the regions, local governments can also make loans to cover the shortage of financial resources. Loan funds are intended to finance the procurement of regional infrastructure or other fixed assets related to activities that increase revenue that can be used to repay loans, as well as provide benefits for community services. Regional loans are one of the instruments for regional governments to finance their governance. Regions can make loans or issue bonds to finance regional development. Sources of regional loans come from the central government, donor countries through the central government (two step loans), the capital market and community savings" (Halim, 2017; Hossain & Taghizadeh, 2020).

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Sources of RPD funds aside from coming from its own funds (revolving fund) and the State Budget, also come from abroad which are channeled to the regions with the Subsidiary Loan Agreement (SLA) procedure. Non-RPD loans are loan funds originating from within the country outside the RPD, such as loans from Regional Development Banks (*Bank Pembangunan Daerah/BPD*) and other commercial banks" (Halim, 2017; Kahn & Wagner, 2021). For loans sourced from abroad must go through the central government. This is intended to facilitate control and management of foreign exchange, so that it does not have an impact on disrupting national macroeconomic stability. The ability of local governments to make loans is limited because this occurs because the government sector loans as a whole need to be controlled in relation to monetary policy, especially to control inflation, to prevent local governments from falling into financial difficulties.

There are limitations for local governments in making loans, they must know their financial capabilities and to what extent the local governments are able to repay their debts. This needs to be known because if the loan is not controlled, the local government will face various difficulties. Most of the regional loans are used to fund urban development with a number of urban sectors covering many activities that, if possible, the government can fund expenses. "In urban areas, most provide funds that can be used to repay debts to lending institutions such as the World Bank, which work on the basis of a loan paid for from receipts, and are involved in this sector in Indonesia. Projects that received loan funds included municipal drinking water projects, water disposal, wastewater disposal and environmental health, waste disposal, village improvement, and road construction" (Leki, 2018).

The definition of regional loans according to Government Regulation Number: 107 of 2000 concerning Regional Loans are all transactions that result in the region receiving from other parties an amount of money or benefits worth money so that the area is burdened with the obligation to repay, excluding short-term credit which is common in trade. The government regulation explains the requirements for regional loans which include the amount, term and prohibition on guaranteeing regional loans. Given these requirements, it is necessary to make projections of regional financial capacity, regional revenues, optimal amounts and long-term installments for local governments. The term of the loan needs to be adjusted according to the allocation of the loan. Long-term loans can be used by regions to finance facilities and infrastructure which are regional assets and generate a number of revenues for the regions (cost recovery) which can be used to pay off these loans and can provide benefits for community services. Short-term loans can be used to regulate cash flow in the context of regional cash management (Halim, 2017; Hertati & Safkau, 2020).

If a region can repay a loan, it can be measured from the condition of the total loan which is relatively safe in terms of and optimal from a financial aspect by using Government Regulations regarding Regional Loans. Regional Maximum Loan Limits (BMP) that are long-term in nature must comply with the following conditions: (a) the cumulative amount of principal regional loans that must be repaid does not exceed 75% (seventy five percent) of the total general revenue of the previous year's APBD; and (b) based on projected annual regional revenues and expenditures during the loan term, the Debt Service Coverage Ratio (DSCR) is at least 2.5 (two and a half). For short-term loans, the provisions are as follows: (a) the maximum amount of short-term loans is 1/6 (one-sixth) of the total APBD for the current fiscal year; (b) short-term loans are made taking into account the adequacy of regional revenues to pay off the loans on time.

Regional governments in carrying out regional autonomy that are broad, real and responsible require sufficient funds and continue to increase, in accordance with the increasing demands of the community, so that regional governments to carry out government and development activities, must be able to explore their own financial sources which are supported by central financial balance. and regions as a source of financing. Therefore, regional finance is a benchmark for determining capacity in carrying out autonomous tasks, in addition to other benchmarks such as natural resource capabilities, demographic conditions, potential, and community participation in the regions (Martin & Moran, 2019; Lu & Lu, 2020).

In analyzing regional financial capacity, it is necessary to pay attention to the basic provisions regarding regional sources of income and financing, as we know that sources of regional income obtained apart from Regional Original Revenue (PAD) and assistance from the central government can also be obtained from loan funds, as long as the implementation procedure is in accordance with the applicable provisions. According to this law, regional loans are a source of regional finance which can be used as an alternative for local governments to cover the lack of funds to finance regional development.

This research finds a novelty seen in the use of local governments in utilizing regional loans directed at projects that can generate profits (recovery investment), building regional facilities and infrastructure projects that generate direct costs (direct cost recovery) or those that do not generate income directly (direct cost recovery). indirect cost recovery) so that repayments of principal and loan interest can be fulfilled. Projects that do not generate immediate results can still be implemented using a loan (although not a priority) as long as it is clear that it can accelerate development rather than having to wait for conventional acceptance and as long as it is supported by the financial capacity of the local government to be able to repay the loan. In making capital loans, the regional government utilizes sources of loan funds obtained from Regional Development Accounts (RPD), Subsidary Loan Agreements (SLA), Regional Development Banks (BPD), and Government Commercial Banks, while the source of funds from the capital market (bonds) so far untapped" (Halim, 2017; Amri, 2016; Leki, 2018).

RESEARCH METHOD

Ghozali & Gio (2016) stated that this research was conducted in Musi Banyuasin district, the data used was primary data assisted by a questionnaire/questionnaire distributed via Google form to respondents. The data was obtained from various sources, namely the Musi Banyuasin Finance Bureau in the form of Musi Banyuasin APBD Calculations and Minutes of Reconciliation, the Musi Banyuasin Regional Revenue Service (Dipenda), the Central Bureau of Statistics (BPS), the Regional Revenue and Expenditure Budget (APBD) section consisting of Revenue Regional Original (PAD), share of tax/non-tax revenue sharing, donations/assistance, routine expenditure and development expenditure of the Musi Banyuasin Regional Government. Then, this research was conducted to obtain a basic overview related to research, namely the finances of the Musi Banyuasin district government in 2021, namely the related units totaling 37 (thirty seven) with the formula of multiple linear analysis, that is:

$$\mathbf{Y = \alpha + \beta 1x1 + e} \qquad \textit{equ 1}$$

Description: [Y] Regional Loan; [1] Regional Government Finance; [α] Constant Value (Y value if X = 0); [β1] Variable coefficient; [e] Other influencing variables; [Y] or Estimated Error.

To see the contribution of the X variable to the Y variable. The higher the results obtained, the greater the influence between the independent variables on the dependent variable and vice versa. The magnitude of the value is between 0-1, if R2 gets closer to 1 it can be stated that the stronger the influence of regional financial variables on regional finances and vice versa.

Ghozali (2016) states that the coefficient of determination measures how far the model's ability to explain the dependent variable is. A value close to one means that the independent variable provides almost all the information needed to predict the variation in the dependent variable. If the process of getting a high R^2 value is good, but if the R^2 is low it doesn't mean the regression model is not good. For a small R^2 value, it indicates that the ability of the independent variable to describe the dependent variable is very limited.

RESULTS AND DISCUSSION

This research was conducted to find out the variables and dimensions measured in order to confirm weights, error values, z-values, significant P values and reliable results. The following table 1 proves the numbers from the results of data processing.

Table 1. Dimensional Relevance Measurement Evaluation Results

Variables	Dimension	Weight	Error value	Z-value	p-value	Sig	Desc.
Regional Government Finance	1. Transparency	0,19	0,011	17,12	0,000	Sig	Reliabel
	2. Honesty	0,24	0,006	78,65	0,000	Sig	Reliabel
	3. Value of Money	0,45	0,008	78,65	0,000	Sig	Reliabel
	4. Control	0,40	0,004	38,65	0,000	Sig	Reliabel
Regional Loans	5. Government Loans	0,43	0,022	68,65	0,000	Sig	Reliabel
	6. International Loans	0,46	0,016	48,61	0,000	Sig	Reliabel
	7. Central credit bank loans	0,49	0,012	66,62	0,000	Sig	Reliabel
	8. Issuance of regional shares/bonds	0,40	0,006	78,64	0,000	Sig	Reliabel
	9. Loan money exceeds the bank balance	0,76	0,012	10,30	0,000	Sig	Reliabel
	10. Local government asset guarantee loans	0,44	0,014	33,94	0,000	Sig	Reliabel
	11. Loan own reserve fund	0,46	0,014	31,86	0,000	Sig	Reliabel
	12. Equipment purchase/lease loan	0,45	0,012	31,25	0,000	Sig	Reliabel
	13. Preliminary development financing	0,43	0,013	32,44	0,000	Sig	Reliabel

Source: Processed data, 2022

The tolerance value of Regional Government Finance is 0.425, and the Debt Service Coverage Ratio (DSCR) is a comparison between the sum of Local Own Revenue, Regional Shares from Land and Building Tax, Fees for Acquisition of Land and Building Rights, receipts of natural resources and other regional shares such as Individual Income Tax, as well as General Allocation Funds, after deducting Compulsory Expenditure, with the sum of the principal installments, interest and other borrowing costs that are due, Where ; PAD is Regional Original Revenue; BD is the Regional Share of Land and Building Tax, Fees for Acquisition of Land and Building Rights, and receipt of natural resources, as well as other regional shares such as Individual Income Tax; DAU is the General Allocation Fund; BW is Compulsory Expenditures, namely expenditures that must be met/cannot be avoided in the relevant fiscal year by the Regional Government such as personnel expenditures; P is the loan principal installment due in the relevant fiscal year; B is interest on loans due in the relevant fiscal year; and BL are other fees (commitment fees, bank fees, etc.) that are due. Maximum Loan Limit (BMP) is the cumulative amount of regional loan principal that must be paid not exceeding 75% (seventy five percent) of the total general revenue of the previous year's APBD" (Iskandar, 2017).

The following table 2 tests the results of the data reliability test on the Local Government Finance variable (X_1) and the Regional Loan variable (Y) proving that both variables are reliable.

Table 2. Reliability Test Results

No	Variable	*Cronhach Alpha*	Desc.
1.	Local Government Finance (X_1)	0.425	Reliabel
2.	Regional Loans (Y)	0,504	Reliabel

Source: Processed data, 2022

Regional loans are 0.504, which results in a tolerance value above 0.1. This means that there is no correlation between the independent variables. The VIF calculation results from Profitability is 2.425, and Regional Loans are 1.218 indicating a VIF value of less than 10 which also means there is no correlation of the independent variables. "Regional financial capacity in making loans, based on the Government Regulation on Regional Loans, there are 2 (two) conditions that must be met. Furthermore, table 3 is the parameter of the Structural Model.

Table 3. Structural Model Parameters

Consequences	Standard Estimates	Estimates	Default error	z-values	p-values	Score
Keuangan Pemerintah Daerah berpengaruh pada Pinjaman Daerah	0,50	0,360	0,10	1,81	0,505	Sig

Source: Processed data, 2022

The maximum limit for this loan is the highest limit for the amount of regional loans that are deemed worthy of being a burden on the APBD. The funds obtained by the regional government are funds obtained to finance expenditures caused by various local government activities. In general, regional government expenditures consist of routine and development spending.

This routine expenditure is intended to finance the operation of the implementation of development wheels, so that they can provide good service to the community. Development spending is intended to finance government activities in improving people's welfare by encouraging regional economic growth through increased investment both by the government and the private sector/community. Expenditures used in this study are mandatory expenditures that must be met/ cannot be avoided in the relevant fiscal year, consisting of routine expenditures which include personnel expenditures, goods expenditures, maintenance expenditures, official travel expenditures, and other expenditures, while development expenditures covering transportation, regional development, health, education and environment/spatial planning. The amount of mandatory expenditure for the Regional Government of Musi Regency" (Iskandar, 2017).

Debt Service Coverage Ratio (DSCR), namely loans made by local governments, regardless of the size, is not a problem, as long as the local government has the ability to repay them in the form of principal installments, interest and other costs. With this ability, in practice the local government will not have difficulty returning loan funds. Therefore, this study analyzes the financial capacity of the Musi Banyuasin Regional Government in making loans by calculating net funds which are the difference between regional revenues from local revenue, tax/non-tax sharing and donations/assistance with mandatory spending. The results of Iskandar's research, (2017) found evidence that the local government of the Musi Banyuasin district is capable of making loans, and can also be used in determining regional borrowing capabilities based on Debt Service Coverage Ratio (DSCR) analysis. The district government of Musi Banyuasin already has an obligation to pay installments of the loan principal and interest to repay the loan that was made the previous year. With the existence of the loan installment obligation, the Musi Banyuasin district area. The amount of the DSCR value in the Government Regulation on Regional Loans states that the DSCR value cannot be less than 2.5%.

Regional Financial Capability in providing original regional financial resources to meet their needs to support the running of the government system, service to the community and regional development. Regional Finance is all rights and obligations that can be valued in money, as well as everything in the form of money or goods that can be used as regional assets as long as they are not owned/controlled by the state or a higher region and other parties in accordance with the provisions/laws applicable. Regional revenues are revenues from the regions and development revenues. Regional revenues include: original regional income, tax/non-tax revenue share, contributions and assistance. Development revenues are regional revenues originating from loans and used for development spending.

The Regional Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Daerah/APBD*) results in the realization of all regional revenues and regional expenditures in each fiscal year determined based on regional regulations. Regional Own Revenue (PAD) is regional revenue sourced from regional taxes, regional levies, BUMD profit shares, receipts from offices and other legitimate regional revenues. The regional share is one of the sources of regional revenue, in research it is still in the form of a share of tax/non-tax revenue sharing. Compulsory expenditures are expenditures that must be met/cannot be avoided in the relevant fiscal year by the local government such as personnel expenditures. It is assumed that in this study mandatory expenditures consist of routine expenditures in the form of personnel expenditures, goods expenditures, maintenance expenditures, official travel expenses, other expenditures, and development expenditures at the expense of regional own revenues that have been scheduled and sustainable projects, especially sectors in relation to the function of government as a public service which includes transportation, regional/settlement development, health, education and environment/spatial planning.

The limitation of this research is that it only tells about Regional Loans that have an impact from a transaction angle which results in the region receiving from other parties an amount of money or benefits worth money so that the region is burdened with the obligation to repay, not including short-term credit which is common in trade. The General Allocation Fund (DAU) is one of the balancing funds originating from the APBN, which is allocated with the aim of equalizing regional capabilities in financing regional expenditure needs in the context of implementing decentralization. Hopefully it can be re-examined by future researchers by adding other variables for the development of knowledge and thanks to the parties involved in the Musi Banyuasin OPD who have helped a lot to complete this paper and can determine the financial capacity of the region in making regional loans by calculating regional revenue projections using the least squares method (The least Squares' Method).

CONCLUSSION

The lower the number of people affected by the Covid-19 pandemic, the better the financial performance of the government, both central and regional. This has had a tremendous impact on the national economy and the socio-economic conditions of the people and regional finances. The regional government seeks to manage regional finances and control local government loans. The phenomenon states that regional finance comes from regional original income but with the emergence of the Covid-19 pandemic, regional financial sources have decreased. Managers of the natural, labor and technology sectors, especially the capital factor, which is commonly referred to as capital resources or human resource capital resources for the local government must be able to show the value of the Debt Service Coverage Ratio (DSCR) Maximum Loan Limit (BMP) indicating that the local government is able to make a larger loan amount when compared to the loans that have been made.

The amount of loans that can be obtained by local governments is in accordance with the maximum loan limit. The ability of local governments to make loans, however, in making loans, further studies are still needed on the types of activities to be carried out using borrowed funds, so that the amount of loans obtained does not burden regional finances. With the enactment of the Law which gives authority to the Regional Government to regulate and manage financial resources in accordance with the wishes of the region, this source of loan funds must really be used to accelerate the process of regional development so that it can improve services to the community which ultimately results in the welfare of the local community.

RECOMMENDATION

The limitations of this study only measure local revenue, tax/non-tax profit sharing, and mandatory expenditures which consist of routine expenditures including personnel expenditures, goods expenditures, maintenance expenditures, official travel expenses, other expenditures and development expenditures which include transportation, development area/settlements, health, education and environment/spatial planning. The results of calculating the projected regional budget for tax/non-tax profit sharing, general allocation funds and projections of the expenditure budget from routine expenditures and development expenditures which are mandatory expenditures, can be used to estimate the financial capacity of the Musi Banyuasin regional government in determining the maximum loan limit what the region could do in the future.

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