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SCENARIO PLANNING IN FUNDING ENGINEERING: STUDY ON MUNICIPAL BONDS OF KABUPATEN SITUBONDO

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Abstract

This research aim was to answer the question: How do scenario planning and community preferences of Kabupaten Situbondo to the planned issuance of municipal bonds as funding engineering to revitalize traditional markets in Situbondo? To answer the research question, at least four research plan to be undertaken; (1) The extent to which the role of the public to finance its business in traditional markets; (2) How to support local government policy and the continuity of traditional markets and the empowerment of coastal communities; (3) How is the public's understanding of funding from the private sector (moneylenders) who had been controlling the economy in traditional markets; and (4) How does the community's decision to engineering alternatives municipal bonds in traditional markets. The research method were multi criteria decision analysis (MCDA) and scenario planning to answer the research questions. Integration of MCDA and Scenario Planning aimed to establish the strength of the business improvement businesses / people with a choice between the role of government; Private parties or brokers; and cooperatives in an effort to revitalize traditional markets as a cornerstone of efforts in maintaining coastal communities. Based on this mix method, based on the conditions of the businesses and coastal communities, this research helped decision-makers to build three scenarios that could guarantee or even show a strategy that allows for no guarantee the implementation of the Municipal Bonds.

**SCENARIO PLANNING IN FUNDING ENGINEERING: STUDY ON MUNICIPAL BONDS
OF KABUPATEN SITUBONDO**

Putu Indrajaya Lembut⁽¹⁾; Dian Wijayanti⁽²⁾; Stefanus Yufra Menahen Taneo⁽³⁾;
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ABSTRACT

This research aim was to answer the question: How do scenario planning and community preferences of Kabupaten Situbondo to the planned issuance of municipal bonds as funding engineering to revitalize traditional markets in Situbondo? To answer the research question, at least four research plan to be undertaken; (1) The extent to which the role of the public to finance its business in traditional markets; (2) How to support local government policy and the continuity of traditional markets and the empowerment of coastal communities; (3) How is the public's understanding of funding from the private sector (moneylenders) who had been controlling the economy in traditional markets; and (4) How does the community's decision to engineering alternatives municipal bonds in traditional markets. The research method were multi criteria decision *analysis* (MCDA) and scenario planning to answer the research questions. Integration of MCDA and Scenario Planning aimed to establish the strength of the business improvement businesses / people with a choice between the role of government; Private parties or brokers; and cooperatives in an effort to revitalize traditional markets as a cornerstone of efforts in maintaining coastal communities. Based on this mix method, based on the conditions of the businesses and coastal communities, this research helped decision-makers to build three scenarios that could guarantee or even show a strategy that allows for no guarantee the implementation of the Municipal Bonds.

INTRODUCTION

MDG's data (2010) report, a third of the world's population living below the poverty line. Economic empowerment is an effort that requires the equal interaction and mutual benefit according to the function and potential of each empowerment and economic actors, such as entrepreneurs (traders) to be empowered. Therefore, the implementation of economic empowerment program is a concern of the government in the economic empowerment towards self-reliance to reduce poverty whether caused by misfortune or by the structure of the shackles of the poor. Some of poverty alleviation programs and improving the economy of the community has been launched by the government. One such effort is the empowerment of *Koperasi* as a means of developing the traditional markets and SMEs which is a strategic effort in order to realize the welfare of society.

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This research was conducted in Kabupaten Situbondo which is one of the East Java district that until now there are still many people who are left behind from an economic standpoint. The fact that until now the result of tropical agriculture, such as mangoes (varieties *manalagi*, *gadung* and *arumanis*) is still the foundation of society and become the potential economy with a large capacity that no other areas have it and it results high demand, especially from outside the area. However, for agricultural or horticultural still processed in a modest scale industries and there has been no industrial process with medium and large scale. It is ironic that poverty still occur in areas that actually have abundant resource, this condition occurs because they happen to limited access of rural communities to centers of raw materials and marketing in urban areas. Majority Situbondo community still relies on industrial and household consumption, as the support the economy in the countryside. It makes a wide range of access to finance as well as exploration funding sources for the sustainability of the community's economy cannot be reached by the public when they need greater capital support formally.

In response to the phenomenon of poverty in Situbondo, traditional market revitalization is one alternative to address the problem of poverty in Situbondo without ignoring the cultural values of local communities, that the market as a center of social interaction. On the one hand the development and revitalization requires big funds, on the other *Pendapatan Asli Daerah* (PAD) or revenue that gathered by local governments is still not able to fully support the achievement of revitalization. Therefore, in order to develop and make the program traditional markets revitalization successful of through empowerment of *Koperasi Pasar* (Koppas) and anticipate various forms causes of the declining number of traditional markets that are being initiated by the current government, then one alternative is the issuance of Municipal Bonds which is the debt of local government to the public as investors or holders of debt securities.

Based on the background raises important questions simple and important to be answered in the context of this research is: How do scenario planning and community preferences of Kabupaten Situbondo to the planned issuance of municipal bonds as funding engineering to revitalize traditional markets in Situbondo? To answer the research question, at least four research plan to be undertaken; (1) The extent to which the role of the public to finance its business in traditional markets; (2) How to support local government policy and the continuity of traditional markets and the empowerment of coastal communities; (3) How is the public's understanding of funding from the private sector (moneylenders) who had been controlling the economy in traditional markets; and (4) How does the community's decision to engineering alternatives municipal bonds in traditional markets.

LITERATURE REVIEW

Many poverty reduction programs have been set by the government. One of the poverty alleviation programs is through collective entrepreneurial model that is applied in the form of empowerment *Koperasi Pasar* (Koppas) through revitalization of traditional markets. The empowerment program usually has an integrative approach is to combine the physical, economic, and social. However, the philosophy of empowerment is more focused on the learning process of the poor with changes in knowledge, attitudes, and behavior of the poor were more constructive.

In fact, the concept of economic development, the development or the local community development emerged as a reaction to national development that has biases of power, which puts the ruler with interests in a dominant position. Every effort in development and community development requires at least four things: First, the effort requires the introduction of a distinctive character carefully so that the approach can be used in line with the nature of society; Second;

community participation because people have preferences in various forms; Third, the defense of the marginal status; Fourth, resource utilization and strength from within [See: Abdullah, 2007: 13-14; Usman, 2003: 11-13; see also, Adi, 2001: 46-48]. By using the above, the cooperative market development activities and traditional markets are not merely as a "project" poverty reduction, but it is a learning program for citizens / the poor to be empowered.

Municipal Bond

Collective entrepreneurship model that is applied in the form of *Koperasi Pasar* (Koppas) will spearhead the implementation of the traditional market development movement. While traditional market developments will have a direct impact on improving the business Koppas members who are majority owners of SMEs will ultimately improve the health and welfare of members of cooperative business market. Development and success of Koppas as the implementation of the concept of collective entrepreneurship should be supported also by revitalizing the traditional market. In addition, revitalization will result a big funding. This is because according to the characteristics of the economy of coastal communities that are still not self-sufficient, especially in the capital. Therefore, financial engineering scheme will give the effect of increased prosperity merchants and community significantly.

Municipal Bonds is a funding scheme that has transparency and can be accessed by all parties. Municipal Bonds expected through their access to capital markets as a means for mobilizing funds; media tools as well as investment income distribution for the whole community with open mechanism. Finally, in addition to the financial impact, Municipal Bonds will provide non-financial benefits as with direct community participation, the sense of ownership and stewardship of local

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resources will increase and at the same time the public can participate to control the government programs.

The need for infrastructure development as well as system and capital situbondo society can be met by forming Municipal Bonds. Law Legislation that underlies the issuance of Municipal Bonds is based on UU No. 25 Tahun 1999, article 11 which states that the region can do long-term loans. UU no. 25, 1999 improved by UU No. 33 Tahun 2004, which states that one of the forms of loans that can be obtained from the public area is by issuing Municipal Bonds. This law is supported by Government Regulation (PP) No. 54 Year 2005 and PMK No. 147 / PMK.07 / 2006 on Regional Loan was amended by PMK No. 180 / PMK.07 / 2015. Various legislation governs the requirements and mechanisms for each region which will publish Municipal Bonds.

Municipal Bonds can be sourced from other Governments; Other Local Government; Bank Financial Institutions and Non-Bank as well as the Community. Municipal Bonds sourced from the public in the form of Municipal Bonds is issued through the capital market. Based on UU No. 33 Tahun 2004, Municipal Bonds is not guaranteed by the central government. Therefore, various provisions for the area to be published Municipal Bonds must meet various requirements, as follows:

- a) Municipal Bonds must be issued using Rupiah and published through the Domestic Capital Market
- b) A portion of the loan area, the amount of bonds issued within a certain period plus the number of loans in other forms that will be drawn in the same period and the remaining amount of borrowing the maximum is 75% of total revenue in the budget based on the previous year.

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- c) Local Government to issue bonds must not have any dependents / arrears on loan repayments coming from the central government or other regional government.
- d) Upon the issuance of Municipal Bonds, assurance can be given are the projects financed from the Municipal Bonds area and their belongings were attached to the project. While regional revenue and / or regional property that are not attached to the project that is financed cannot be guaranteed.
- e) The funds raised from the issuance of Municipal Bonds should be used to finance public sector investments that generate revenue and provide benefits to the community. Proceeds from the public sector investment will be used to pay interest and principal Municipal Bonds and the rest shall be deposited to the Regional Treasury.
- f) Each Municipal Bonds to be issued subject to the approval of Parliament and the Central Government.
- g) Issuance of Municipal Bonds stipulated by the Regional Regulation.
- h) Regional Head is obliged to keep the management of Municipal Bonds, which at least include: Determination Municipal Bonds strategy and policy management including risk management policy; the planning and establishment Portfolio structure; Municipal Bonds publishing; Municipal Bonds sales by auction; Municipal Bonds repurchase prior to maturity; repayment at maturity; and accountability of the overall mechanism of Municipal Bonds.

Based on UU No. 33 Tahun 2004, article 60 of each bond at least consist the following:

- a. Face value
- b. Due date
- c. Interest payment date

- d. The rate of interest (coupon)
- e. The frequency of interest payments
- f. How the calculation of interest payments
- g. The provisions on the right to repurchase the bond area before maturity, and
- h. The provisions on the transfer of ownership

RESEARCH METHODS

Multicriteria Decision Analysis (MCDA)

Scenario planning always require a decision to construct scenarios based on the uncertainty of the environment in the future (Schwartz, 1991). The focus of planning in this regard is more to the mapping problems that have been described in a structured and becomes a document needs analysis and design decisions. If the community as decision makers is required to select a variety of alternative choice, naturally if they choose the dimension that has the greatest utility in accordance with the perception and knowledge compared with other options exist. But the determination of a choice is not always easy.

Therefore, priorities or criteria as the basis for the decisions of businesses and coastal communities must have the attributes that best suits the usefulness or until no benefit to the individual. Saaty (2008), suggests that the analysis of these expectations can be measured using the analysis in Analytical Hierarchy Process (AHP). AHP-based priority setting, is the restructuring of the various elements that underlie individual in building a decision. Pairwise matrix elements arranged for the purpose of obtaining the value of the relative weighting between the levels of interest a priority.

Table 1. The Grading Scale Comparison Based on AHP

The intensity of interest on an absolute scale	Definition	Description
1	equally important	Both activities contributed equally to the destination
3	A little more important one above the other	Experiences and perceptions reflect an assessment that a bit more than the other (alternative preferred a little more than others).
5	quite important	Experience and perception reflects an assessment that is more important than the other (alternative preferred one from the other).
7	very important	Alternative one is considered very important compared to the other (alternative to the more dominating than the other).
9	The level of extreme interest	Alternative one is considered very extreme importance compared to the other (alternative one more dominating and very noticeable than others).
2, 4, 6, 8	The midpoint between two adjacent decision	
Reciprocal	If the alternative u have a higher value than j, j has a value then reversed when compared to i	
Ratio	The ratio is obtained directly from measurements	

14 Source: Saaty T.L & Vargas L.G (2006).

Testing AHP always require matrix consistency to see alternative variation, preferences or judgments or decisions of the respondents, meaning that if there are variations are quite high (alternatives A and B is greater than 1), then indicated there are confounding factors that have not been identified and significantly affect the assessment of each attribute of the various alternatives. These results are reinforced by using the method of proof of consistency (Bhushan & Rai, 2004), namely:

¹³
$$C.I = (\lambda_{\max} - n) / (n - 1)$$
Formula 1

Description:

C.I = Consistency Index
 λ_{\max} = Value of maximum eigen
n = Ordo

¹
Nilai rasio konsistensi yang ditetapkan Saaty (1994) merupakan fungsi dari indeks konsistensi dibagi dengan indeks random (*random index*), yaitu:

$$C.R = \frac{C.I}{R.I}$$
Formula 2 ¹⁰

Description:

C.R = Consistency Ratio
C.I = Consistency Index
R.I = Random Index

Consistency with the ratio of the number of orders that have been established should be less than 10%. A matrix is said to be consistent if it is worth less than 0.1, or 10%. If the ratio is below a critical value (<10%), the measurement results can be said to be consistent (valid), so that the determination (identification determinant) or the formation of ranking priorities and scenario planning decisions can then be implemented.

Scenario Planning

Scenario planning provides the means to develop a perception of the possibility of action or behavior and what to do in the future. Besides planning the scenario as the basis for determining that the strategic decisions today will be able to create the best opportunity for success in the future. Therefore, the scenario planning to challenge the parties responsible for the existence of the organization / institution or social group / community to revisit assumptions about the organization or external environment (communities) that surrounded him, taking into account a wider range of

possibilities in order to be successful in the future, So that the efforts undertaken an in depth exploration results and a broader, more innovative and forward the opportunities and risks.

The main focus of the scenario planning is a critical point of planning is not to predict the likelihood of that happening in the future. Instead, the goal is rationally test and to develop various strategic options. Proactively always trying to innovate and measures to strengthen the organization's ability to identify, adapt, and take advantage of changes in the internal environment (organization / institution or social group / community) and external (changes in the economic situation, the changing needs of society) from time to time.

Scenario-based Steps in Strategic Planning

After completing the analysis of trends and uncertainties using the area identification, then the flow of decision scenarios is how the scenario can be made rationally constructed based on uncertainties identified using flow decision scenarios (Figure 5). The overall objective of the scenario building measures and decisions flow scenario is to produce and develop four different future scenarios (Wulf, Brands, & Meissner, 2010). Flow scenario shows the basic idea and how scenarios can help realize the mission in the future. The steps are:

1. defining the scope
2. analyzing perceptions
3. defining decision and strategies
4. developing strategies

Population and Sampling

The process of collecting qualitative data through in-depth interviews are open to both structured and unstructured to the general public and a number of traditional market traders,

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including the owners of SMEs in Situbondo. Data will be collected from approximately fifty traditional market traders and people from three districts in Situbondo. Data are categorized by demographics, namely: sex (gender) market traders and entrepreneurs of SMEs; status of business and revenue.

Respondents in this study were the perpetrators of SMEs and the general public who trade in traditional markets in Situbondo. After the observation is made with the intention to explore the dimensions associated with the decision to finance used by businesses, it manifested into an instrument for cross loading and eigen value to the next as a basis for building a planning scenario (scenario planning) in the scheme of financing the to this purpose, the deployment of questionnaires conducted a total of 220 questionnaires to firms and 159 questionnaires were returned and 142 were processed. Description of the respondents of this study are as follows:

Table 2. Demographic Description of Respondents and Response Rate

Age (years old)	Quantity	Gender		Education				%
		Male	Female	SMU	SMP	SD	Uneducated	
≥ 51	56	36	20	42	07	5	2	26%
41-50	78	48	30	56	17	3	2	36%
31-40	44	23	21	38	3	3	0	20%
21-30	39	32	7	33	6	0	0	18%
Total	217	139	78	169	33	11	4	100%
Distributed Questionnaires	220							
Returned Questionnaires	159							73%
Questionnaires were not processed	17							11%
Questionnaires which can be processed	142							89%

Table 2, describing that the largest number of respondents ranged in age from 41-50 that is 78 respondents (36%) and followed by over 50 years of age; followed 31-40; while the distribution of

the number of businesses that are at least 21-30 years of age, which is 18% which means that at the age of businesses in general are not doing business in traditional markets. This is because the possible perpetrators still in their productive age to work or participate in education formal outside the area. Based on 220 instruments deployed turns the whole questionnaire return amounted to 159 (73%), which means that the level of response rate can be said to be good and based on the selection to look at the feasibility to do the analysis and subsequent testing it was found 142 questionnaires (89%).

The main focus in the planning of this scenario is to explore a phenomenon and also to expand the discovery of qualitative and quantitative relation to the response, the response and interest of the financing by local governments through OD, especially on the economic development through the development of SMEs, which is equally important to know that revitalization became one of the government's strategy of poverty reduction and community empowerment coastal areas. So that the weight or priority have a tendency for the second stage, i.e. planning scenario planning.

RESULTS

Multi criteria Decision Analysis

In this study, test decisions based multi criteria decision analysis (MCDA) is designed to evaluate options in considering the various conflicts in the decision. MCDA underlying Planning Scenario (Scenario Planning) which has a shortage given the various decisions that will be the basis of the scenario is wide dimension. Therefore MCDA as an evaluation tool priority referable to build a scenario, so that the performance of these strategies can then be assessed by the condition of the object scenario (Montibeller, Gummer, & Tumidei, 2007). Noted also that the nature of the

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contingency scenario is based on subjective judgment of various parties involved in running scenarios. Therefore, the use of hierarchical decision is aimed to find the best option.

Table 1. Pairwise Comparison Matrix Society/ businesses in the financing decision

Alternatif (\bar{x} = attribute average)	Changes in the economy using alternative funding through government schemes (Municipal Bonds)	Combining unfounded or alternative methods of financing between the government and the private sector (Public-Private Combination/PPC)	Maintaining the current financing system (Moneylenders)	Alternative financing its own (individual traders / communities)- trying to own.
Changes in the economy using alternative funding through government schemes (Municipal Bonds)	1/1	1/2	3/1	3/1
Combining unfounded or alternative methods of financing between the government and the private sector (Public-Private Combination/PPC)	2/1	1/1	1/2	2/1
Maintaining the current financing system (Moneylenders)	1/2	1/2	1/1	2/1
Alternative financing its own (individual traders / communities)- trying to own.	1/2	1/2	1/2	1/1
Total	4,00	2,50	5,00	8,00

Table 3 is generated from grading scale (Table 1) thus obtained its averaged with the aim to reduce the fluctuation of the various respondents subjectively ratings of each characteristic. The relative importance of each attribute, for example (Municipal Bonds); Public-Private Combination/PPC; Moneylenders; Trying to own expressed as relative weights (mean) normalized

(normalized relative weight). So is the principal eigenvector is normalized weighted average value based on the average relative weight of each factor. Table 4, the survey results public decision priorities and businesses as implications of preference to finance for the business community and traders in traditional markets - Situbondo.

Table 4, is the relative weights that are normalized so as to produce the first eigenvector. The results show that the first eigenvector OD cost attribute has the largest eigenvector (35.95%) and followed by a Public-Private attributes Combination / PPC (33.23%), attribute Moneylenders (17.52%) and Trying to own at 13, 29%.

Tabel 2. First Matrix Eigenvector

Alternatif (\bar{X} = attribute average)	Municipal Bonds	Public-Private Combination /PPC	Moneylenders	Trying to own	First Eigenvector
Municipal Bonds	5,00	4,00	7,75	13,00	0,35951662
Public-Private Combination/ PPC	5,25	3,25	8,00	11,00	0,33232628
Moneylenders	3,00	1,25	3,75	6,50	0,17522659
Trying to own	2,25	1,50	2,75	4,50	0,13293051

Tabel 3. Second Matrix Eigenvector

Alternatif (\bar{X} = rata-rata atribut)	Municipal Bonds	Public-Private Combination /PPC	Moneylenders	Trying to own	Second Eigenvector
Municipal Bonds	98,50	62,19	135,56	217,88	0,35610390
Public-Private Combination/ PPC	92,06	58,06	126,94	205,50	0,33424242
Moneylenders	47,44	30,50	65,19	106,38	0,17281385
Trying to own	37,50	24,06	52,13	83,88	0,13683983

Tabel 4. Changes Eigenvector 1 and 2

Eigenvector _1	Eigenvector _2	Changes
0,359517	0,356104	0,0034
0,332326	0,334242	-0,0019
0,175227	0,172814	0,0024
0,132931	0,136840	-0,0039

Tabel 5. Random Index

N	1	2	3	4	5	6	7	8	9	10
LR	0	0	0,58	0,90	1,12	1,24	1,32	1,41	1,45	1,49

Scenario Planning in Municipal Bonds Planning

Integration of MCDA and Scenario Planning aims to establish the strength of the business improvement businesses / people with a choice between the role of government; Private parties or brokers; and cooperatives in an effort to revitalize traditional markets as a cornerstone of efforts in maintaining coastal communities. This has obvious implications for the success of programs Municipal Bonds defined by the regional government in ensuring the fulfillment of rights and obligations of the various parties entrepreneurs funded by the Municipal Bonds. Thus, with the incorporation of this strategy, the decisions and strategies will play a complementary role to each other for the creation of a traditional market revitalization in Situbondo.

Based on this mix method, based on the conditions of the businesses and coastal communities, researchers help decision-makers to build three scenarios that could guarantee or even show a strategy that allows for no guarantee the implementation of the Municipal Bonds. The three scenarios are: Municipal Bonds role directly by local governments; the role of the broker or the private sector ¹¹ in the management of Municipal Bonds; The role of partners, such as the Cooperative which supports the implementation of Municipal Bonds. Three scenarios were then associated according to the data from the secondary or primary actors / Situbondo coastal communities, among

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others: The businesses still maintaining the existing business; They are trying to develop business / businesses that had been cultivated; A business agent makes it possible to buy a business entity from the public; The businesses / community is willing to join the actors / other businesses; The businesses just sell the business or as a business consultant for businesses / other communities to build a business. Various considerations on selected scenarios are presented in Table 8 below:

Table 8. Strategic Choices and Scenario to Business Model Funded by Municipal Bonds

		Scenario		
		The role of Municipal Bonds directly by local governments	The role of broker or private parties in Municipal Bonds management	The role of partner (<i>Koperasi</i>) in supporting Municipal Bonds
Strategies		Municipal Bonds is set for 5-year limited coordinated directly by the regional government without any intermediary e.g., broker or a private party for the people / businesses.	There are mechanisms and accompaniment by private parties or brokers as investment manager to the increased empowerment of people / businesses	<i>Koperasi</i> build a system (specific criteria) or a mechanism for the absorption of the product or the distribution of products. So Cooperative define products and direct appropriate requirements and funded by municipal Bonds
	<p>Stay with maintaining existing business.</p> <p>Continuing effort has been running, with a focus on sales growth alone to achieve a marginal profit. Allows businesses can be bought and sold within a certain period, for example: has run for 5-7 years ahead.</p>	<ul style="list-style-type: none"> • The government keep control only on the mechanics of the business • Competition lets be tight • Allows experiencing maximum advantage during the next 5 years. • There is no real future targets unless influenced by environmental changes • It may be difficult to determine and assess feasibility in the future, eg 5-7 years ahead. 	<ul style="list-style-type: none"> • With the requirements established by the broker / private sector makes them seen as a strong partner for businesses / communities. • Broker / private sector makes it possible to increase the selling price is higher in 5 years. • There is no direct relationship with the government against the role of business / society 	<ul style="list-style-type: none"> • Join a network through a cooperative effort in controlling. • Increasing competitiveness and price as well as products that comply with the criteria to be funded through a cooperative OD • Cannot deal directly with other companies in the distribution of its products - just over a network • There is a levy of a percentage (%) of the turnover of certain given to the

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Scenario				
				network (cooperative)
Developing existing business	Improving the current business and determining product diversification.	<ul style="list-style-type: none"> • Government to help find diversified products. • The government is involved in Getting clients (buyers) for the distribution of products. • Lack of independence of the business / community. • It may be difficult, to sustain the growth if there is a change of policies / regulations of the government. 	<ul style="list-style-type: none"> • The private sector / broker is seeking to provide motivation for the development of enterprises. • Competition which may be set by the private sector / broker itself. • New products are determined based on the needs of the private sector / broker. 	<ul style="list-style-type: none"> • The businesses / people joining the network through cooperatives formed by local governments • The strength of the absorption / distribution of products based on / determined in accordance with requirements that can be funded by Municipal Bonds.
Acquired the business of the other party..	With the intervention of the government. Trying to get a larger market share	<ul style="list-style-type: none"> • The government keep control directly to the business / community • The focus of business is to find a business entity but may not be able to compete in terms of product sales 	<ul style="list-style-type: none"> • The private sector and brokers keep control on the business / community • Allows to increase the strength and market share • More power to focus on negotiating power with other entities for the development of better products 	<ul style="list-style-type: none"> • The businesses / people joining the network through cooperatives formed by local governments • Cooperative determine the entity to be acquired by the business / community. • Profit & cost sharing more likely to occur between the new entity with the business / community.
Join with other businesses.	Looking for other entities with complementary competencies. Business control through negotiation.	<ul style="list-style-type: none"> • The role of government will have difficulty in the merger, due to cultural and organizational climate different from each other. • The businesses / people who join will lose control because it enables an organizational culture that is not 	<ul style="list-style-type: none"> • Allows experiencing difficulties finding business entities that want to join, because of differences • As a result of loss of control, then the private sector / broker experience Losing control • Municipal bonds- 	<ul style="list-style-type: none"> • Allows business / society will be more developed and large • Result in loss of control of a cooperative to a larger business entities. • Control of the programs funded by the municipal bonds will be at risk deviate from

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Scenario				
		the same. <ul style="list-style-type: none"> Risks to the completion of the municipal bon that is not in line with expectations when going to lose control of the business. 	based financing associated with different entities would be inefficient.	the rules / policies for reasons of business.
	The focus on sales of businesses (Business Consultants) Municipal Bonds focused on the Mechanism in Compliance with various regulations for the purpose of establishing a business for resale.	<ul style="list-style-type: none"> The government allows experienced difficulty in negotiating the sale of entities and programs municipal bonds against other entities in order to obtain the best sale price Allows to hold auctions to municipal bonds There are no job opportunities for the people except on the initiative buyer 	<ul style="list-style-type: none"> Entities may not be so keen to buy if they need a broker as a salesperson Entities buyer can sell to other brokers to increase market share There is no guarantee for the buyer entity to implement programs municipal bonds before the purchase 	<ul style="list-style-type: none"> Uncertainty about the selling price for the various concerned about the sales profits. There is no guarantee of employment or business sustainability in the future unless secured by a buyer. The risk of failure of the programs municipal bonds can occur.

Based on the description of the type of bond, the bond that is very suitable for application in Situbondo is zero Coupon bonds (ZCB). Zero Coupon Bonds issued very precise, because local governments do not need to think of the interest payments each period promised, such as bonds generally. By ZCB, local governments only require proper planning at the time to pay back the amount of the maturity value. Local Government is required to make the area of financial planning scenario during the period of the bond.

This allows the local bond period to be implemented in the long term, 5 years and Head of region and related *Satuan kerja Perangkat Desa* (SKPD) should be generating maximum revenue from the funds collected from the public. Planning on revenue should not be integrated to the *Pendapatan Asli Daerah* (PAD), this is to avoid disturbance of the budget Situbondo.

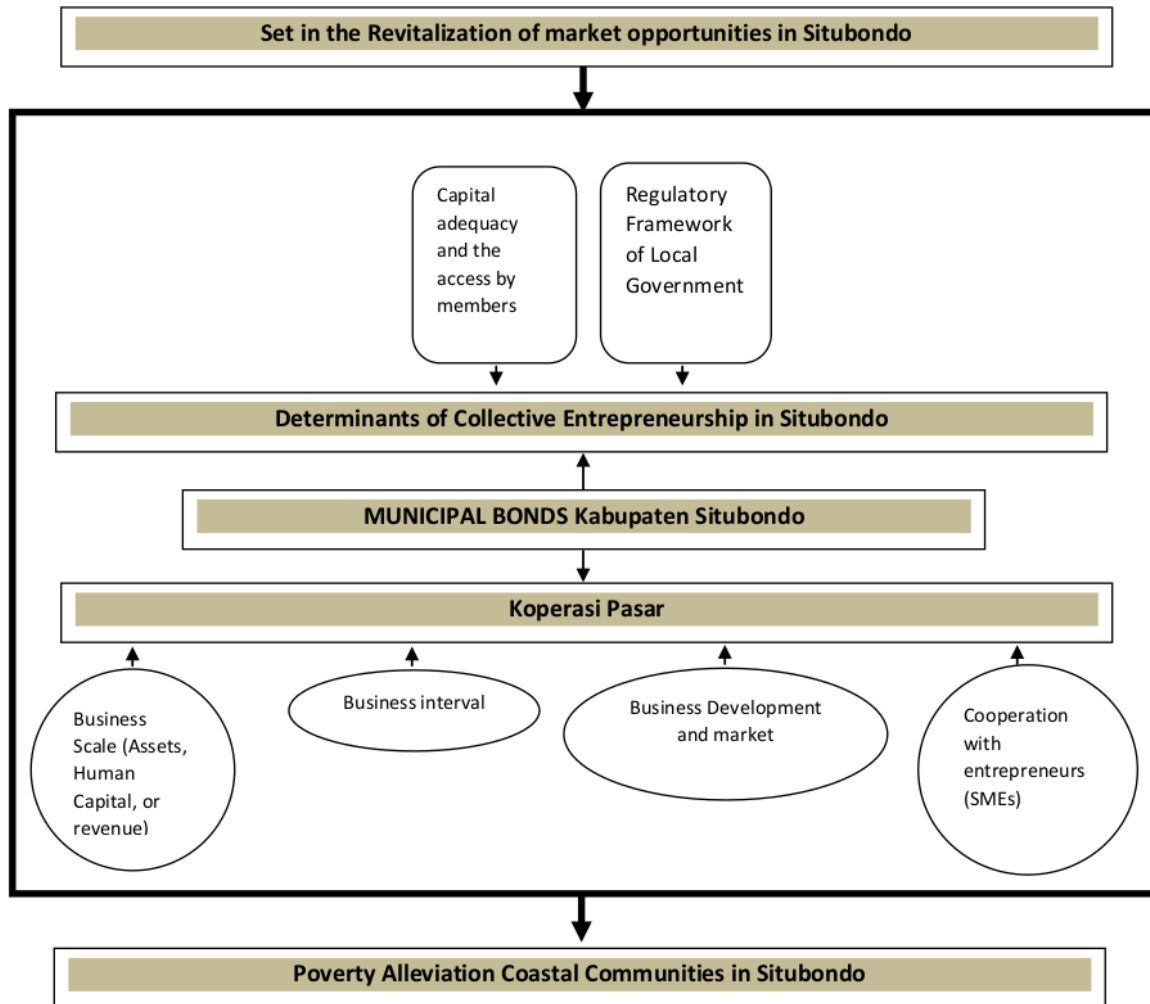


Figure 1. Model Market Revitalization Scheme Based on Municipal Bonds

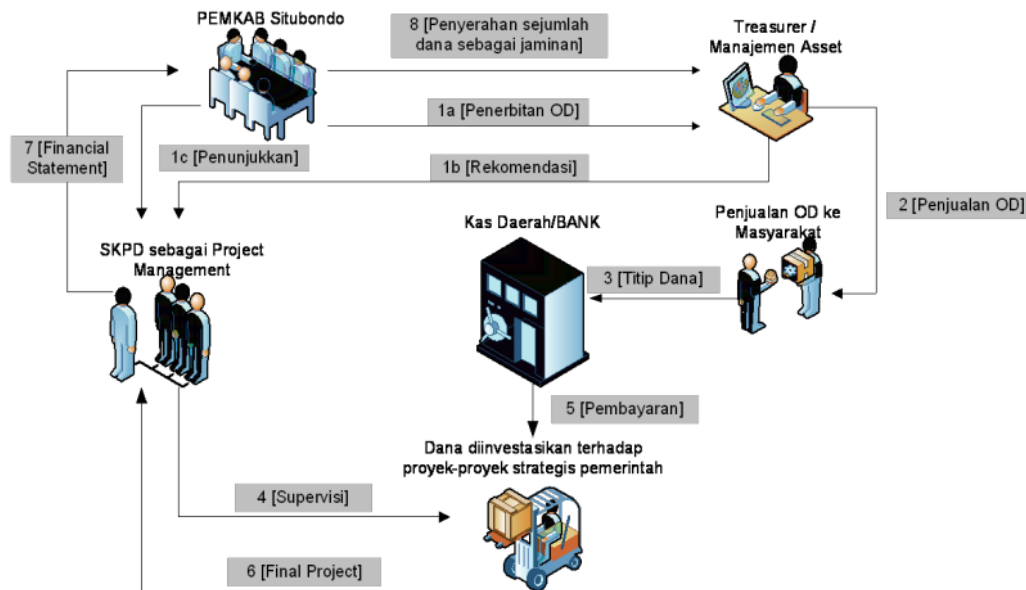


Figure 2. Model Proposed Issuance of Municipal Bonds - Situbondo

Conclusion, Implication and Limitation

While research about poverty alleviation is not a relatively new field, but research on municipal bonds do not experienced a rapid growth in local government funding schemes. It means, research about engineering funding became an important study considering the funding variety from private sector cannot be separated from the uncertainty risk. This study proves that turns Cost - Benefit Attribute, becomes the most important thing to be considered by the local government, particularly before implementing the scheme Municipal Bonds.

This is because society as economic actors trying to sustain in and avoid financial risks and rules they think may hamper the business. Likewise that monopoly attribute, is also an important priority (second) for managers to determine their attitude in choosing funding scheme, which means that the society wish to be able to hold the right to control the price for the buyer / consumer in the absence of competition. The return rate is a priority for the society. This is because the society bear

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the burden of public interest or repayment at due date. Attribute business sustainability is the lowest priority (from all four priorities) which determines the attitude of businessmen in deciding whether to choose municipal bonds or from the private sector.

Research on attitude determination of businessmen in engineering funding decision is an important thing to do, given the current Indonesian Government is consistent in implementing poverty alleviation programs. Behavior to approve or disapprove the funding programs for the poor and businessmen in fact is a phenomenon that always occurs in the process of improving the regional economy, since it is often overwhelmed by political factors and government intervention in various formal and bureaucratic rules. The core problem here is that if its faced with the funding implementation process, generally funding engineering full with uncertainty risks, especially related with cost objects, such activity uncontrolled environment conditions or governmental regulations that are loaded with politics and power. So the implications of this issue is that the actual costs attributes and benefits is the main priority (criteria) that may affect the behavior of society to approve or reject OD.

Fair and open clause reviewed by the authorities and the openness of the system implementation and funding rules that provide good incentives for businesses men in the traditional markets as well as for the general society, is an important factor for purposes of effectiveness and efficiency of funding OD. In addition, the society should not be burdened by the cost determination to get service commodities. It is crucial to encourage businessmen to implement OD. In order for the procedure to be accessible to public, the procedure needs to avoid monopoly by certain parties. The openness of the bureaucracy and OD mechanism are designed with a hope that the government will be able to evaluate and assess the financing facility also private parties, such as moneylenders.

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The limitations in this study was only done in Situbondo and only individual who is not classified according to business capacity and type of business. This is due to that the research focuses on the expectations and focus the attention of businesses when faced with the municipal bonds in the context of financial engineering. In this study, the authors did not attempt to identify other trigger factors such as politics-related and likely to have an impact on attitude determination agree or disagree with Municipal Bonds.

Based on the discussion and consideration of the limitations in this study, the suggestions for further research are expected to further explore the dimensions or factors related to the effectiveness of the Municipal Bonds to explore the size of the business, type of business and expanding area of research. The study was conducted as a feasibility study or aiming to provide initial information for the implementation of the municipal bonds program and its consequences, especially for poverty alleviation in Situbondo. So the suggestion for further research is to further explore the effectiveness and impact for the community businesses and the public to evaluate the efficiency of the optimization for the government budget. Similarly to the approach used for further research that suggested a broader approach in addition to the economic approach and risk (cost-benefit) were used in this study.

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