



and or acquisition of a limited liability company. The type of local government capital participation into the company is a form of local government activity or effort to increase local revenue in order to improve the welfare of society. The last Local government participation into bank Kaltim was stipulated by the Local Regulation number 17 of 2011.

Jack Clark Francis (1991) defines investment is expected to generate additional funds in the future. Investment is also expressed as a dollar commitment within a specific period will be able to meet the needs of investors in the future: (1) the time the funds will be used, (2) the rate of inflation that occurred, (3) the uncertainty of economic conditions in the future will come (Frank Reilly; 2003). Each investment activities inherent risks, on the one hand investors want a return, and on the other hand there is a risk that must be borne. Risk is uncertainty as to the occurrence of something or not the realization of expectations at a certain time (Batuparan, 2000). Therefore Return of an asset is a return as a result of an investing activities.

The aims of capital participation is to get the economic benefit, social and other benefits such as profit or a certain amount within a certain period in the form of dividends, interest and growth in the value of the regional company and obtaining local government investment; increase the regional revenue for a certain period as a direct result of the investment, while the goal is to promote the growth and development of the regional economy and increase local revenue (Home affair minister's regulation number 52, 2012).

### 3. Research Method

#### 3.1 Type and Method of Data Collecting

The data used in this study are secondary data consisting of :

1. Data equity of Kutai Kartanegara Government into Bankaltim from 2006 to 2014 ;
2. The annual dividend data on investment in point 1 ) of the above for the period 2006 to 2014 ;
3. Legislation issued by the Central and Local Government as a guideline for the implementation of local government capital participation ;
4. The data of bank rate published by Bank Indonesia from 2006 to 2014

Data collected from information which has been issued by the local government in the form of local regulations, Bankaltim, and Internet downloads.

#### 3.2 Data

The Secondary data on the value of capital participation of Kutai Kartanegara Regency government into Bankaltim since 2006 to 2014 as set forth in Table 1 below.

**Table 1:** Value of Local Government Capital Participation Period 2006 to 2014

	Year	Capital participation	Accumulated Capital Participation
1	2006	31,885,000,000.00	31,885,000,000.00
2	2007	7,600,000,000.00	39,455,000,000.00
3	2008	15,000,000,000.00	54,455,000,000.00
4	2009	20,000,000,000.00	74,455,000,000.00
5	2010	70,000,000,000.00	144,455,000,000.00
6	2011	90,000,000,000.00	234,455,000,000.00
7	2012	118,725,000,000.00	353,180,000,000.00
8	2013	100,000,000,000.00	453,180,000,000.00
9	2014	0	453,180,000,000.00

Source of data: Capital Participation Kutai Kartanegara

#### Regency into Bankaltim

The Secondary data on dividends over capital of the Government Kutai Kartanegara into Bankaltim period 2006 to 2014 as shown in Table 2.

**Table 2:** Net Dividend Period 2006 to 2014

No	Year	dividends Net	Accumulated Dividends
1	2006	5,529,638,944.44	5,529,638,944.44
2	2007	10,118,347,644.50	15,647,986,588.94
3	2008	10,402,805,356.00	26,050,791,944.94
4	2009	11,259,911,533.32	37,310,703,478.26
5	2010	11,215,997,729.35	48,526,701,207.61
6	2011	23,274,192,218.43	71,800,893,426.04
7	2012	21,033,289,987.81	92,834,183,413.85
8	2013	34,941,394,661.05	127,775,578,074.90
9	2014	53,553,694,504.01	181,329,272,578.91

\*Source of data: Branch Bankaltim Tenggarong

Other secondary data to support the analysis of the effectiveness of capital investment decisions by local governments is the average data rate issued by Bank Indonesia as follows:

**Table 3:** Average Bank Rate Period 2006-2014

No	Year	Bank Indonesia Rate
1	2006	11.83%
2	2007	8.60%
3	2008	8.67%
4	2009	7.15%
5	2010	6.5%
6	2011	6.58%
7	2012	5.77%
8	2013	6.48%
9	2014	7.54%
Average rate		7.67%

\*Source of Data : Bank Indonesia

#### 3.3 Methods of Analysis

Return on Investment (ROI) is part of profitability ratio. ROI is a measure used to evaluate the effectiveness of an investment. This tool is most often used to evaluate the consequences of decisions and actions in a business investment. ROI also show a return on investment which is the ratio of money gained or lost on an investment expressed as a percentage. According to Brigham and Houston (2001) ROI is formulated as follows.

$$ROI = \frac{\text{Earnings} \times 100}{\text{Total Investment}} \quad (1)$$

The higher values indicates more effective ROI percentage of capital investments. to ensure that the Kutai Kartanegara government's capital participation decision is right, when the percentage of ROI is higher than the average bank interest rates.

## 4. Result and Discussion

### 4.1. Result

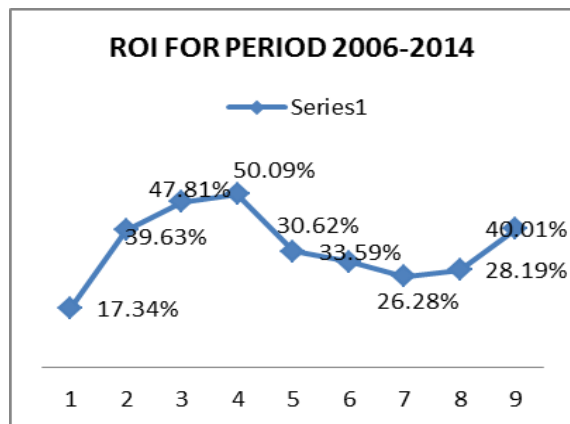
Based on the data obtained and analyzed with the ROI formula obtained the following results:

**Table 4:** Results of ROI Calculation Period 2006 to 2014

Year	ROI Calculation	ROI
2006	$= 5,529,638,944.44/31,855,000,000.00 \times 100\%$	17.36%
2007	$= 15,647,986,588.94/39,455,000,000.00 \times 100\%$	39.66%
2008	$= 26,050,791,944.94/54,455,000,000.00 \times 100\%$	47.84%
2009	$= 37,310,703,478.26/74,455,000,000.00 \times 100\%$	50.11%
2010	$= 48,526,701,207.61/144,455,000,000.00 \times 100\%$	33.59%
2011	$= 71,800,893,426.04/234,455,000,000.00 \times 100\%$	30.62%
2012	$= 92,834,183,413.85/353,180,000,000.00 \times 100\%$	26.29%
2013	$= 127,775,578,074.90/453,180,000,000.00 \times 100\%$	28.20%
2014	$= 181,329,272,578.91/453,180,000,000.00 \times 100\%$	40.01%

\*Source of data : data processed results

ROI on capital participation activities for nine years on the table 4 showed that the percentage was quite good, although slightly fluctuated but has a tendency to increase . The percentage of high ROI and above-average interest rates showed local government capital participation decision into Bankaltim was effective . Fluctuations in the level of ROI on equity into Bankaltim can be shown by Figure 1 below



**Figure 1:** The level of ROI Year 2006 to 2014

### 4.2. Discussion

The movement level of ROI growth in the period of 2006-2014 showed a fluctuating growth. ROI with positive growth occurred in 2006 to 2009, it increased respectively 22.30%, 8.18%, 2.27%. Furthermore ROI with negative growth occurred from 2009 to 2012, it decreased respectively -16.52%, -2.97%, -4.33%, then the ROI returned to positive growth from 2012 to 2014, the growth was as follows 1.91%, 11.81%. All the ROI observed showed above the average of

bank rate in the same period. The percentage value of excess return respectively shown as follows: 5.53%, 31.6%, 39.17%, 42.97%, 27.09%, 24.04%, 20.52%, 21.72%, 32.48%. This means that capital investment decisions from 2006 to 2014 seen from the movement of the ROI percentage indicated effective decisions, because capital investment made capable of generating a profit with the rising trend from year to year. Apart from this, the ROI percentage is above the average bank rate, it showed the equity was able to generate profit and could contribute to the regional income. Thus, the results of the analysis from financial aspects using ROI tool proved that the decision of Kutai Kartanegara government in investing into Bankaltim during the period 2006 to 2014 was not wrong, although at the time the decision was politically consideration.

## 5. Conclusion

The study of Kutai Kartanegara Regency Government capital participation into Bankaltim in the period 2006 to 2014 can be concluded that:

1. Based on the financial analysis for capital investment decisions in the period 2006 to 2014 have an average percentage ROI of 34.85% was above the average bank rates of 7.67% and was an effective decision.
2. Capital Participation of Kutai Kartanegara government for the last nine has been able to generate profits in the form of dividends and contribute to regional income.
3. Political considerations are important for the government in capital participation as a form of actualization of the government with the largest budget value in the province of East Kalimantan, but the feasibility of investment of the financial aspects must be absolutely executed.
4. Regardless of the considerations of the regulation application on local government investment, the capital participation into Bankaltim in the running current year of 2015 and the future is feasible.

## 6. The Future Scope

The study was limited to the ROI that only took into account the ratio between the earnings of the total investment, and not consider the level of risk inherent in investment activity into Bankaltim. It also has not made a comparison with the approach of the time value of money between investments into Bankaltim compared with investments in real assets. It is therefore suggested to the next researchers consider the aspects and risks or compare with other alternative investments

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### Author Profile



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