

## The Influence Of Regional Capital Inclusion On The Financial Performance Of BumD Dki Jakarta

(The Impact Capital Participation Of Local Governance To Financial Performance  
Of Local Owned Enterprises Dki Jakarta)

*Ahmad Awaluddin Aras*

Master of Economic Planning and Development Policy, University Indonesia

[ahmadawaluddinaras@gmail.com](mailto:ahmadawaluddinaras@gmail.com)

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### Abstract

This research was conducted with the aim of finding One way to develop regional financial independence is through the establishment of Regional Owned Enterprises (BUMD). The realization of BUMD's achievements in maximizing regional capital participation is still relatively weak. This research discusses the influence of regional capital participation on the financial performance of BUMD DKI Jakarta. This research uses quantitative methods with panel data regression analysis techniques in the form of random effect models. The control variables used are age, total assets, share ownership, return on equity and return on assets. The research results show that regional capital participation, return on assets, age and total assets have a positive and significant effect on financial performance. At the sub-level BUMD that received regional capital participation, it was found that return on equity had a positive and significant effect on financial performance..

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### INTRODUCTION

The central government through Law Number 32 of 2004 concerning regional autonomy and fiscal decentralization gives regional governments the authority to manage their own regional potential and development by exploiting the potential in various superior sectors they have. A leading sector is a sector which is influenced by the existence of endowment factors which experience development through investment activities so that they become the foundation of the economy (Wahyudi, 20018). The leading sectors of a region can be managed through the establishment of BUMD.

In general, BUMDs in Indonesia are companies founded by regional governments whose capital comes mostly or entirely from regional governments. Law

Number 9 of 2015 confirms that the aim of establishing BUMD is apart from developing the regional economy (corporate mission), it also aims to organize and provide goods and/or services to fulfill community needs (public service mission), which are adapted to the potential, characteristics and regional conditions.

Based on Law Number 23 of 2014, regional governments can form and increase BUMD capital through regional capital participation. Regional capital participation in BUMD is a long-term investment made in the form of securities investment and direct investment with the aim of generating dividends and maintaining the stability of implementing institutions.

However, in reality, the realization of BUMD's achievements, especially in maximizing regional capital participation to generate dividends and increase regional original income, is still relatively weak. The performance of BUMDs is not optimal due to various problems in management. Such as the same treatment between BUMDs and government institutions, even though BUMDs are not government institutions, the lack of ability to compete with the private sector, the lack of capital due to lack of attention from owners, the management of BUMDs, especially in operational activities and decision making carried out by management, sometimes experiences conflicts of interest with shareholders. The dividend presentation for regional investment is at an average of 15.29%. This can be explained through the following table.

**Table 1. Presentation of the Amount of BUMD Dividends to Shareholders**

Permanent Investment	Total PMD	BUMD Dividends	Total Investment	% Total Dividends to Total PMD
2020	4,202,588,765,563	672,491,534,639	66,616,669,815,924	16%
2019	7,402,197,169,911	619.456.466.460	61,060,348,693,774	8.5%
2018	7,395,509,521,612	592.956.276.353	51,957,108,465,789	8%
2017	8,783,034,910,162	489.478.684.673	43.955337.582.988	5.5%
2016	4,145,782,698,443	303.204.423.956	28,538,334,849,185	7.3%
2015	4,664,833,411,181	527.280.486.037	22,098,228,136,608	11.3%
2014	3,857,063,962,806	465,979,962,538	15,697,899,274,250	12%
2013	3,302,367,088,793	397.234.721.942	10,608,758,891,155	12%
2012	986.210.903.850	351,823,210,568	6,742,245,841,011	35.3%
2011	1,316,962,687,919	278.789.767.934	5,187,158,099,549	21%
2010	4,202,588,765,563	672,491,534,639	5,014.1 35,295,018	16%
Mean	4,605,655,112,024	469.869.553.510	31.246.208.965.023	15.29%

Dividends basically come from the net profit obtained by BUMD which is given to shareholders. The company's ability to generate net profits can be seen from the

performance of its profitability ratios, one of which is return on equity (utilization of total investment) and return on assets (utilization of total assets). The higher the ROA and ROE, the better the company's ability to generate profits by utilizing assets and total investment and the greater the opportunity to generate investment.

Research conducted by Pribadi (2010) found that the performance of BUMDs in Indonesia is still less than optimal in contributing to economic growth. Research conducted by Sudarno (2011) and Izak (2013) shows that capital participation has a negative effect on the financial performance of Regional Owned Enterprises.

This is different from the findings of Maulizar (2017) who concluded that capital participation had a positive influence on BUMD performance. Even in the long term, regional capital participation influences the financial performance of BUMD.

Referring to the background and problems, the research questions in this thesis are:

1. How to influence Regional capital participation in the financial performance of BUMDs in DKI Jakarta?
2. What is the influence of return on assets, return on equity, share ownership, age and total investment on the financial performance of BUMD DKI Jakarta.

There are several hypotheses that emerge in this research:

H1: There is a positive and significant influence between regional capital participation on BUMD financial performance as measured using the dividend indicator

H2: There is a positive and significant influence between return on assets, return on equity, share ownership, age and total investment on BUMD performance as measured using the dividend indicator

This research aims to see how much influence regional capital participation has on the financial performance of BUMDs in DKI Jakarta. It is hoped that this research can develop scientific literature related to economic issues and factors driving BUMD performance. Apart from that, this research can also be a reference in formulating policies related to improving the regional economy through improving company financial performance and optimizing government capital investment.

The scope of this research is 19 DKI Jakarta BUMDs from 2011 to 2020. The limitation of this research is the regional investment variable by looking at the amount of capital presentation from the government towards dividends.

### **Profit Maximization**

Intense competition from various companies in the era of global competition and fluctuating conditions of consumer purchasing power, has an impact on the rise and fall of profits achieved by companies, even though companies are required to continue to obtain maximum profits.

Profit maximization is carried out in two approaches. 1) Total revenue-total cost method. 2) Marginal revenue-marginal cost method. If marginal revenue is greater than marginal cost, the marginal profit generated is positive, and vice versa, if marginal revenue is less than marginal cost, the marginal profit generated is negative, and when marginal revenue is equal to marginal cost, then the marginal profit is zero.

The higher the value of profit maximization in the company, the higher the dividends received by share owners. Dividends are the distribution of company profits to shareholders. Dividends come from the net profit earned by the company. One thing that influences dividends is profitability. If the company's profitability is high, then the

company is able to pay higher dividends. Dividends are given only when the company generates enough revenue.

### Profitability.

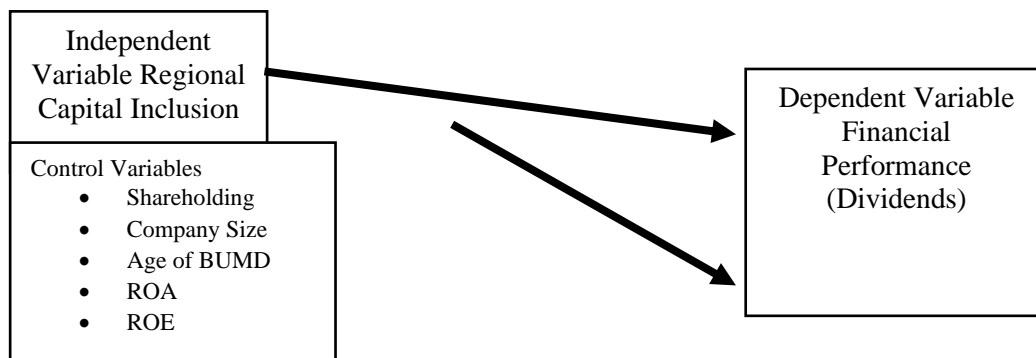
Company profitability shows the extent of the company's financial ability to run the company and generate profits. The profit referred to in this research is the amount of dividends (dividend payout ratio) obtained by the DKI Jakarta provincial government for regional capital participation that has been given to BUMD DKI Jakarta.

Measuring the level of profitability can be proxied by return on assets (ROA) and return on equity (ROE). The ROA assessment of BUMD DKI Jakarta shows the company's success in generating profits due to the efficient use of assets and the availability of funds allocated for dividends, while the ROE assessment is determined by the company's performance in maximizing and utilizing asset productivity to generate income, the company's ability to generate profitability and debt management for generate profits for share owners. The level of ROE and ROA determines the company's performance. If ROA and ROE are high, the company's ability to generate profits by utilizing assets and total investment is better and has a greater chance of bringing in investment.

Research conducted by Ahmad (2014), Pribadi (2012), Setiowati (2013) Asadi (2015), Wahyuni (2018), Perpatih (2016), Nugroho (2015) and Nawawi (2014) shows the positive and significant influence of ROA that ROA on the dividend payout ratio (DPR), meaning that the amount of a company's ROA shows the success of the company's performance in generating profits due to the efficient use of assets and the availability of funds allocated for dividends (Keown, 2011). Likewise with research conducted by Ghi (2015); Nerviana (2105); and Hejazi (2014) show a positive and significant influence of ROE on the dividend payout ratio. However, on the other hand, research conducted by Astiti (2017) states that ROA has no effect on the dividend payout ratio.

BUMD DKI Jakarta consists of companies that have varying amounts of assets. In managing net profit, companies can allocate it in the form of dividend distribution or to increase company assets. Companies with large assets tend to provide larger dividends than companies with small assets. Therefore, profit maximization can be achieved one way by maximizing the company's return on equity and return on assets

### conceptual framework



### RESEARCH METHODS

This research uses quantitative methods using panel data regression analysis. The population of this research is 19 BUMDs in DKI Jakarta from the 2011-2020 time period. The data processing process in this research was carried out using the Stata 16.0 program. The tests that will be carried out include model selection and hypothesis testing which is carried out with the following steps:

### 1. Selection of the best model

Selecting the best model is done using the Chow test, Langrangian Multiplier Test, and Hausman Test. From this test, the best model will be selected between PLS, FEM, or REM. Each of these tests is carried out by comparing the probability or probability value of  $\chi^2$  to the significance level  $\alpha$  (5%). In the Chow Test, if the probability value  $F < 5\%$  is obtained, then the result obtained is reject  $H_0$ , which means the selected model is FEM. Then, in the Langrangian Multiplier Test, if the probability value is  $> \chi^2$ , then the result obtained is reject  $H_0$ , which means the selected model is REM. Finally, in the Hausman Test, if the probability value is  $> \chi^2$ , then the result obtained is reject  $H_0$ , which means the selected model is FEM.

### 2. Hypothesis test

Hypothesis testing uses two tests, namely: first, the F-Statistics Test is used to see whether the model can be used simultaneously or not. This test looks at the probability value, where if the  $\text{prob} > F$  value is less than the significance level  $\alpha$  5%, then it is concluded that the model used can be accepted simultaneously from variations in all independent variables to the independent variables. Second, the T-Statistics Test is used to partially see the significance of the influence of the independent variable on the dependent variable. This test is carried out by looking at the P-value of each variable.

Based on the model selection, panel data analysis was carried out using the random effect model approach. This research uses two analyses: 1) Descriptive analysis in the form of a description of BUMD DKI Jakarta. 2) Inferential analysis in the form of estimation results. Inferential analysis is used in this research because the author wants to know the influence of several independent variables used in this research, namely: regional capital participation (PMD), return on equity (ROE), return on assets (ROA), company size/total investment (TI), age of BUMD (U) and share ownership (KS).

Based on the literature review and empirical studies in the previous discussion, to answer the research questions, the author formulates the research model as follows:

$$\ln(p_0)_{it} = \alpha_0 + \beta_1 \ln(\text{PMD})_{it} + \beta_2 \ln(\text{ROE})_{it} + \beta_3 \ln(\text{ROA})_{it} + \beta_4 \ln(\text{TI})_{it} + \beta_5 \ln(\text{U})_{it} + \beta_6 (\text{DKS})_{it} + \epsilon_{it} \dots \dots \dots$$

Where:

- $p_0$ : Financial performance as measured by dividends
- PMD: Regional capital participation
- ROE: Return on equity
- ROA: Return on assets
- IT: Total investment (company size)

U: Age of BUMD

DKS: Dummy share ownership (0=minority shares, 1=majority shares).

$\alpha_0$  : intercept

i: BUMD

t: time period (years)

eit : Term error

## RESULTS AND DISCUSSION

### Overview of BUMD DKI Jakarta

The DKI Jakarta Provincial Government has 13 BUMDs and 9 PT Joint Ventures consisting of regional public companies and regional limited companies and divided into 9 business sectors. These business sectors include transportation, property, finance, tourism, markets and other industries, utilities, food, industrial areas and infrastructure.

DKI Jakarta BUMD which is classified as a regional public company with 100% share ownership by the DKI Jakarta provincial government, namely PD. Sarana Jaya development, PD. Pasar Jaya, PD. AM Jaya, PD. PAL Jaya and PD. Dharma Jaya. Meanwhile, BUMDs which are classified as regional companies with total shares above 51% are: PT. Transjakarta, PT. MRT Jakarta, PT. Bank DKI, PT. Jamkrida Jakarta, PT. Jakarta Tourisindo, PT. Jaya Ancol Development, PT. Food Station Tjipinang, and PT. Jakarta Propertindo. Meanwhile BUMDs with share ownership below 51% are: PT. Ratax Armada, PT. Askrida Bangun Insurance (a company owned by the Central Government), PT. Grahasahari Surya Jaya, PT. Pakuan International, PT. Delta Jakarta, PT. Cemani Toka, PT. JIEP (a joint venture between the DKI Provincial Government and the Central Government), PT. KBN (a joint venture between the DKI Provincial Government and the Central Government), PT. JIEXPO and PT. Jaya Development.

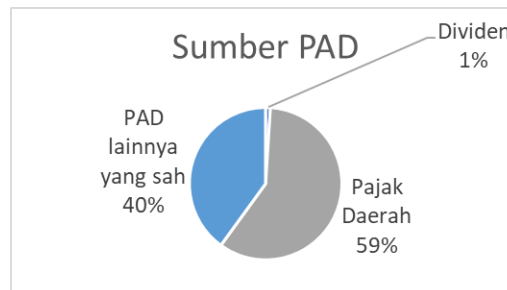
Share ownership below 51% is a challenge for the DKI Jakarta Provincial Government, because this BUMD is a joint venture company which is not related to a service mission or corporate mission so it is not easy for the DKI Jakarta Provincial Government to develop corporately. Even the ownership of the DKI Jakarta Provincial Government is very minimal. PT. Ratax Armada (28%) which has not provided financial reports for more than 5 years, PT. Grahasahari Surya Jaya (8.08%), PT. Pakuan International (2.65), PT. Cemani Toka (27.42%) and PT. JIEXPO (13.13%) have not provided dividends to the DKI Jakarta Provincial Government for 5 years. Meanwhile PT. Askrida Bangun Insurance (4.47%), PT. JIEP (50%), PT. KBN (26.86), PT. Pembangunan Jaya (38.3) and PT. Delta Jakarta (26.25%) are still performing well and providing dividends for the DKI Jakarta Provincial Government.

### APBD and BUMD Dividends

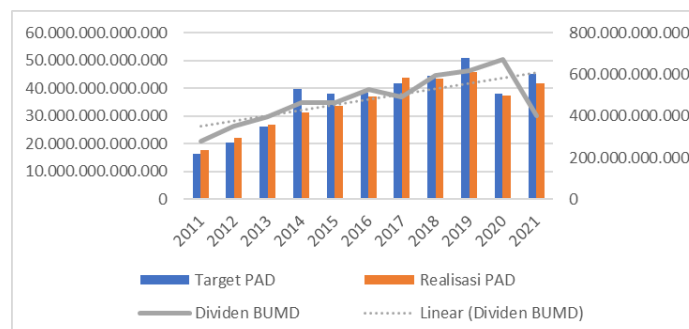
The DKI Jakarta APBD comes from three things, namely: 1) Regional financing; 2) Regional spending; 3) Regional income. Where regional income comes from: 1) Transfer income and other legitimate regional income; 2) Regional original income. One source of original regional income is from the results of separated regional wealth, one of which is from BUMD dividends. The following is a presentation of local

sources of original income:

**Picture. 1 Source of Original Regional Income for DKI Jakarta Provincial Government**



The DKI Jakarta Provincial Government's source of original regional income is still dominated by regional taxes and other legitimate sources of PAD, while dividends only contribute 1% to DKI Jakarta's PAD. However, DKI Jakarta BUMD dividends have indeed performed well every year, in fact they only decreased in 2020 and 2021 (during the Covid-19 pandemic). However, what is of concern is that DKI Jakarta BUMD's dividend presentation to PAD is only on average 1%. The following is a



presentation of the DKI Jakarta provincial government's dividend earnings.

**Graph 1. Presentation of DKI Jakarta Provincial Government's Dividend Earnings**

Of the total 190 data obtained, the presentation of DKI Jakarta BUMDs that provide dividends is 63%, while those that do not provide dividends is 37%. This means that there are still 37% of DKI Jakarta BUMDs that do not provide dividends to the DKI Jakarta Provincial Government. Furthermore, based on descriptive analysis, it was found that the DKI Jakarta Provincial Government's average dividend income from BUMDs that received PMD was 23 billion, better than BUMDs that did not receive PMD with an average value of 22 billion. This means that although in general the total regional capital participation given to BUMDs is still not in line with the dividends produced, BUMDs that receive regional capital participation still provide larger dividends than BUMDs that do not receive regional capital participation.

**Table 2. Descriptive Statistics of DKI Jakarta BUMD Research Variables**

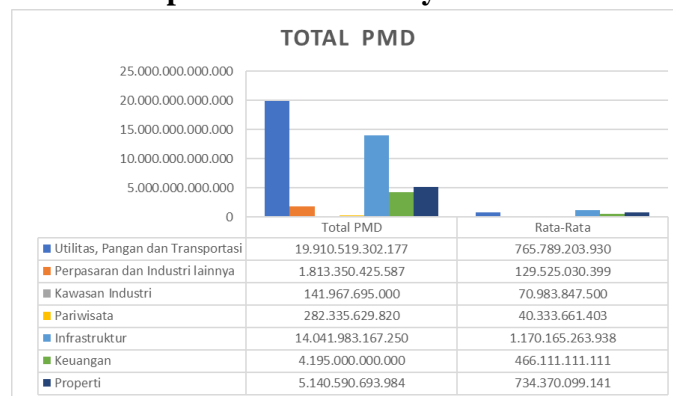
VARIABLES	OBS	MEAN S	STDs. DEV	MIN	MAX	UNIT
Dividend	190	23	47	0	286	Billion
PMD (X1)	190	243	667	0	4,661	Billion
ROE (X2)	190	8.2	56.2	-714	155	Percent
ROA (X3)	190	27.2	90.1	-18	582	Percent
Total Investment (X4)	190	1,552	3,402	1.35	18,623	Billion
Age of BUMD (X5)	190	42.15	17.89	14	90	Dozens
Share Ownership (X6)	190	0.57	0.49	0	1	Dozens

### Regional Capital Inclusion

Overall regional government capital participation from 190 data, there are 82 data that did not receive PMD, and 108 data that received PMD. This means that from 2011 to 2020, the DKI Jakarta provincial government provided PMD to BUMDs 108 times. As for aLocations of regional capital participation in BUMDs in DKI Jakarta are as follows:

- Based on ownership, 100% shares of Pemrpov DKI Jakarta received PMD 33 times, shares above 51% 42 times and shares below 51% 33 times.
- Based on BUMD Type. For BUMD DKI Jakarta which is a regional public company (Perumda) it received regional capital participation 33 times, and for regional limited liability companies (Perseroda) it received regional capital participation 75 times.
- Based on the BUMD mission. BUMDs with a corporate mission received regional capital participation 49 times, and BUMDs with a public service mission received regional capital participation 59 times.
- By sector. For BUMDs in the transportation, utilities and food sector 33 times, in the property sector 10 times, in the financial sector 11 times, in the tourism sector 17 times, in the market sector and other industries 14 times, in the industrial sector 6 times and in the infrastructure sector 17 times. .

**Graph 2. Total PMD by Sector**



Based on the graph above, it can be seen that the total regional capital participation given to BUMDs from the highest to the lowest is BUMDs with the



utilities, food and transportation, infrastructure, property, finance, markets and other industries, tourism and industrial areas sectors. If based on dividend income, the BUMDs that provide the highest dividends are the financial services sector, market services sector and other industries and the infrastructure sector. Meanwhile, DKI Jakarta BUMDs that have the lowest dividends are BUMDs that operate in the utility services, transportation and food sectors, the industrial area sector and the property sector. Therefore, it appears that regional capital participation in BUMDs in the utilities, food and transportation sectors and BUMDs in the property sector is not directly proportional to the dividends given to the DKI Jakarta Pemrprov.

On the one hand, BUMDs in the utilities, transportation and food services sectors naturally show weak dividend performance, one of the reasons is because BUMDs in this sector are more focused on public service missions than corporate missions. Meanwhile, for BUMDs in the property sector, since the Governor's leadership for the 2017-2022 period, the focus has been on strategic work programs which are mostly carried out by relying on regional capital participation, such as residential construction with a DP of 0. For BUMDs in the industrial area sector, they provide low dividends, one of which is because of the DKI Provincial Government's share ownership. Jakarta is indeed a minority, where at PT. JIEP (50%) and PT. KBN (26.86%). However, the DKI Jakarta Provincial Government needs to pay special attention to these BUMDs, especially in increasing dividends in the three BUMD sectors.

### **Return On Equity, Return On Assets, Total Investment and Age of BUMD**

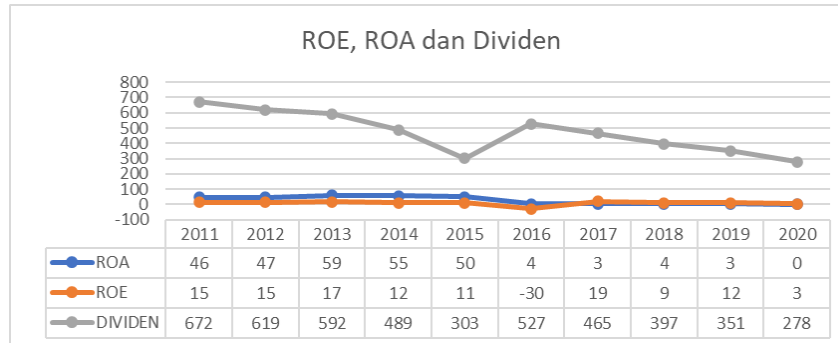
In the indicator variable that differentiates between BUMDs that receive PMD and BUMDs that do not receive PMD, it is found that the average ROE of BUMDs that receive PMD is 11.13%, better than BUMDs that do not receive PMD, which is 4.54%. This means that the ability to generate profits when providing PMD is better than not providing PMD. Likewise with asset management capabilities, where it was found that the average ROA of BUMDs that received PMD was 28.16%, better than BUMDs that did not receive PMD of 26.03%. This means that the ability to manage assets to generate profits when providing PMD is better than not providing PMD.

The performance of BUMD DKI Jakarta based on the service sector for the highest average ROE was obtained by financial services followed by the market services sector and other industries and the property sector. Apart from having the highest ROE, BUMDs in the financial services sector also have the highest dividends, followed by the market services sector and other industries and the infrastructure sector. For the performance of BUMD DKI Jakarta, the lowest ROE indicator belongs to BUMD with the tourism services sector, followed by the infrastructure sector and the utilities, transportation and food sectors. This was influenced by the minimum number for the tourism sector dropping drastically to -714 obtained by PT. Grahasari. Then, for the infrastructure sector, the programs being implemented are mostly waiting for the DKI Jakarta Provincial Government and are carried out using regional capital participation from the DKI Jakarta Provincial Government.

## ANALISIS, PREDIKSI, DAN INFORMASI

This means that BUMDs in the financial services sector have the ability to generate profits and provide better dividends than other sectors. ROE and ROA performance fluctuates. The following is a presentation of ROE, ROA and dividends for BUMD DKI Jakarta.

**Graph 2. Presentation of ROE, ROA and BUMD Dividends**

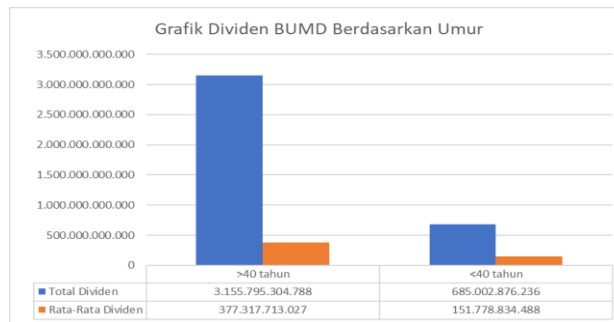


In the total investment variable, it was found that the total investment received by BUMDs that received PMD was 2.16 trillion, which was much smaller than BUMDs that did not receive PMD with an average value of 7.5 trillion. Likewise, the average age of BUMDs that receive PMD is 41.35 and the average age of BUMDs that do not receive PMD is 43.21.

Meanwhile, DKI Jakarta BUMDs that received the highest total investment were BUMDs with the infrastructure services sector, followed by the financial sector and the utilities, transportation and food sectors. This is caused by several factors, one of which is these three service sectors, especially Jakarta Propertindo, Bank DKI, PT. Transjakarta. PAM Jaya, Pal Jaya, Dhamra Jaya and Food Station often receive regional capital participation and several DKI Jakarta strategic programs.

Based on age, the BUMDs that are classified as the oldest among all DKI Jakarta BUMDs are BUMDs that operate in the market services sector and other industries, the financial sector and the utilities, transportation and food sectors. There are 10 BUMDs that are under 40 years old and 9 BUMDs that are over 40 years old. Based on the graph below, it is clear that there is a difference in dividends generated by BUMDs over 40 years old and BUMDs under 40 years old. This data shows that BUMDs under 40 years old are still minimal in generating profits, even though there are 10 BUMDs in this category. For this reason, BUMDs under 40 years old need to receive special attention, so that the difference in dividend yield is not too significant.

**Graph 3. BUMD Dividends Based on Age**



Based on age, the BUMD that is classified as the youngest among all DKI Jakarta BUMDs is the BUMD operating in the tourism services sector, followed by the property sector and the utilities, transportation and food sectors. Meanwhile, the lowest total investment is owned by BUMDs operating in the industrial area sector. Where the two BUMDs in this sector are PT. JIEP and PT. KBN did not get investors for development, in fact it only received PMD twice from the DKI Jakarta Provincial Government, and that was only for purchasing shares. The next sector that has the lowest total investment is the tourism sector and the market sector and other industries.

The best BUMD sectors based on these 5 variables are financial services, markets and other industries as well as utilities, transportation and food. The BUMD sector that still needs to be developed and is of concern to the DKI Jakarta Provincial Government is the infrastructure, property, tourism and industrial area sectors.

### Shareholding

DKI Jakarta Provincial Government's share ownership was found to be a minority consisting of 8 BUMDs and ownership with majority shares consisting of 11 BUMDs. Share ownership is something that needs to be looked at because there is not much difference between the number of majority shares and minority shares. There are 5 DKI Jakarta BUMDs whose DKI Jakarta provincial government share ownership is 100%, for share ownership above 51% and below 100% there are 6 BUMDs and DKI Jakarta provincial government share ownership below 50% is 8 BUMDs.

**Table 3. Descriptive Statistics Based on Share Ownership**

VARIABLES	OBS	MEANS	STDs. DEV.	MIN	MAX
<b>Minority Ownership</b>					
Age of BUMD	80	47.35	19.46	29	90
ROE	80	8.93	85.27	-714	155
Dividend	80	1.16e+10	1.89e+10	0	1.00e+11
Total Investment	80	3.78e+12	8.28e+11	1.35e+9	3.85e+12
<b>Majority Ownership</b>					
Age of BUMD	110	38.36	15.68	14	61
ROE	110	7.82	14.39	-64	81
Dividend	110	3.13e+10	5.89e+10	0	2.86e+11
Total Investment	110	2.40e+12	4.22+12	1.335e+10	1.86e+13

The average age of BUMD with minority shares is 47.37 with the youngest age

being 29 years, namely PT. Grahasari and the oldest is 90 years old, namely PT. Delta. Meanwhile, the average age of BUMD with majority shares is 38.36 with the youngest age being 14 years, namely PT. MRT and the oldest is 61 years old, namely PT. DKI Bank.

The average ability to generate profits from assets owned (ROE) on minority shares is 8.89 with a minimum value of -714, namely PT. Grahasari and a maximum of 155, namely PT. JIEXPO. Meanwhile, the average ability to generate profits from assets owned (ROE) on majority shares is 7.82 with a minimum value of -64, namely PD. AM Jaya and a maximum of 81, namely PD. AM Jaya. This analysis shows that on average DKI Jakarta BUMDs with minority shares of the DKI Jakarta Provincial Government show better performance than BUMDs with majority shares in generating ROE to shareholders. Likewise, the average ROA for minority shares is 53.73 and for majority shares is 7.98. So ROE and ROA are better for minority shares than majority shares.

The average dividend income from minority shares is 11.6 billion with a maximum value of 100 billion. Meanwhile, the average dividend income from majority shares is 31.3 billion with a maximum value of 286 billion. This analysis shows that on average DKI Jakarta BUMDs with majority shares of the DKI Jakarta Provincial Government show better performance than BUMDs with minority shares in providing dividends to shareholders.

The average total investment in minority shares is 378 billion with a minimum value of 1.35 billion and a maximum value of 3.85 trillion. Meanwhile, the average total investment in majority shares is 2.40 trillion with a minimum value of 13.3 billion and a maximum value of 18.6 trillion. This analysis shows that on average DKI Jakarta BUMDs with majority shares of the DKI Jakarta Provincial Government receive greater investment than BUMDs with minority shares in providing dividends to shareholders.

### Estimated Results

The estimation results in this study used panel data regression covering 19 DKI Jakarta BUMDs from 2011-2020. For the estimation results, the panel data regression method with the random effect model was used. This model was selected based on an analysis of model selection from several tests in the form of the Chow Test and Hausman Test (found in the attachment). In the Chow test, it was found that Prob=0.000, so the fixed effect model was selected. Next, a Hausman test was carried out, it was found that Prob=0.2999, so the random effect model was chosen. so the Random Effect Model is the most suitable testing method to use in this research.

### Estimated Results of the Effect of Regional Capital Inclusion and Good Corporate Governance on the Performance of BUMD DKI Jakarta

VARIABLES	MODEL P0 (Dividend)	
	Coef.	Std. Error
Main Variables		
lnPMD	0.0877*	0.0530
lnUMURBUMD	8.9341**	3.4760
lnTOTALINVESTMENT	2.8802***	0.7148
lnOWNERSHIP	-5.4361	3.6118
Dividend Indicator		

lnROE	0.27033	0.5353
lnROA	1.2598**	0.6247
N	190	
R-Square	0.4159=41.59%	
Number of Groups	19	

The regression results displayed have added several control variables, in the form of: return on assets, return on equity, total assets/investment, age of BUMD, and share ownership.

**a. The influence of regional capital participation on the financial performance (dividends) of BUMD DKI Jakarta**

The estimation results show that the regional capital investment carried out by the DKI Jakarta Regional Government in DKI Jakarta BUMDs has a positive and significant effect on increasing the performance (dividends) of DKI Jakarta BUMDs. The significance of the regional capital participation variable is 0.098, which indicates that H1 is accepted, namely that there is an influence of regional capital participation on DKI Jakarta BUMD dividends. The coefficient is 0.0537, which means that every 1% increase in regional capital participation in BUMD can increase dividends by 0.05. This is in accordance with research by Maulizar (2017) which concluded that capital participation has a positive influence on BUMD performance. This could be because: 1) The government allocates PMD for strategic government activities, such as strategic development projects. 2) the government's strategic development always involves BUMD as the implementing agency.

The regional government of DKI Jakarta province has taken advantage of regional capital participation by forming BUMD and utilizing regional superior sectors. BUMD DKI Jakarta based on the theory of regional economic growth has been supported by institutional advantage indicators with the support of regional regulations regarding BUMD management. However, it is still low in the application of comparative advantage related to natural resources and human resources and also still weak in competitive advantage related to the ability to maximize business potential in the form of goods and services.

**b. The influence of ROA, ROE, age of BUMD, total investment, and share ownership on DKI Jakarta BUMD dividends**

Profitability as proxied by Return on equity has no effect on increasing DKI Jakarta BUMD dividends. Where the average significance is 0.614, which indicates that H0 is accepted, namely that high and low return on equity values have no effect on increasing dividends. This is because several BUMDs in DKI Jakarta which have high total investment are not matched by an increase in net profit. Apart from that, during the Covid-19 pandemic, several BUMDs in DKI Jakarta showed ROE assessments that fell drastically from positive to minus. However, specifically for BUMDs that receive regional capital participation, we found that return on equity has a significant positive effect of 0.047 with a coefficient of 2.0511. This means that for BUMDs that receive regional capital participation, every 1% increase in value of returns on equity will increase dividends by 2.05.

This is different from profitability which is proxied by return on assets which actually has a positive and significant effect on dividends with a significance value of 0.044 with a coefficient of 1.2598. This means that the amount of ROA in BUMD DKI Jakarta shows the company's success in generating profits due to the efficient use of assets and the availability of funds allocated for dividends. Where every additional 1% return on assets can increase dividends by 1.25. This is in line with research conducted by Ahmad (2014), Pribadi (2012), Setiowati (2013) Asadi (2015), Nawawi (2014), Wahyuni (2018); Perpatih (2016) and Nugroho (2015) show that ROA has a significant influence on the dividend payout ratio.

BUMD DKI Jakarta consists of companies that have varying amounts of assets. In managing net profit, companies can allocate it in the form of dividend distribution or to increase company assets. In this study, the number of assets shows a significance value of 0.000, which indicates that H1 is accepted, namely the size of the company as proxied by total assets has a positive and significant effect on DKI Jakarta BUMD dividends. The coefficient is 2.8802, which means that every 1% addition of total assets to BUMD DKI Jakarta can increase dividends by 2.88. This is in line with research by Al-Najjar (2016) and Mehta (2012) and Hejazi (2104) who found that firm size has a positive and significant effect on the dividend payout ratio. The bigger the company, the greater the dividend ratio that will be distributed.

DKI Jakarta BUMDs are divided into regional public companies (Perumda) and regional public companies (Perseroda) with majority and minority share ownership. Of the 19 BUMDs in DKI Jakarta, the majority of shares are owned by the DKI Jakarta provincial government. Based on research, it was found that majority share ownership had no effect on increasing DKI Jakarta BUMD dividends. Where the average significance is (0.614), (0.132), which indicates that H0 is accepted, namely there is no influence of majority share ownership on increasing DKI Jakarta BUMD dividends.

Share ownership has no effect on DKI Jakarta BUMDs because BUMDs in which the government owns a majority stake are not effective in providing dividends, in fact some of the regional capital participation given to BUMDs with majority share ownership is used for employee operational costs. Apart from that, there are obstacles to the ownership structure that come from the share owners themselves. An ownership structure that is not optimal in its management means that the company cannot realize the principles of justice properly and in the end can reduce the value of the company so that it does not produce maximum profits. This is in line with research by Wardhana (2013), which found that institutional ownership (government ownership) had no effect on the dividend payout ratio.

This research also found that the age of BUMDs has a positive and significant effect on dividends with a significance value of 0.010 with a coefficient of 8.9341, which indicates that every 1% addition to the age of BUMDs can increase dividends by 8.93.

### CONCLUSIONS AND RECOMMENDATIONS

This research aims to measure how much influence Regional Capital Inclusion has on the financial performance of BUMD DKI Jakarta. Based on the

results of panel data regression analysis in order to answer the objectives of this research, several conclusions can be obtained as follows:

1. Regional capital inclusion has a positive and significant effect on the financial performance (dividends) of BUMD DKI Jakarta.
2. Control variables such as return on equity and share ownership have no effect on the financial performance (dividends) of BUMD DKI Jakarta. This is different from return on assets, age and total assets which have a positive and significant effect on the financial performance (dividends) of BUMD DKI Jakarta.
3. At the DKI Jakarta BUMD sub-level that received PMD, it was found that return on equity had a positive and significant effect on the financial performance (dividends) of DKI Jakarta BUMD.

### Suggestion

Based on the conclusions above, several policies that can be implemented are:

- i. The biggest problem with BUMD is that there is a tendency to depend on the DKI Jakarta Provincial Government in this case to continue to get PMD. The government needs to pay attention and re-emphasize the allocation of PMD to BUMD so that it is not used for operational purposes (except for BUMD which is focused on public services).
- ii. BUMDs that are under 40 years old on average need special attention, as they should be able to produce dividends that are not much different from BUMDs that are 40 years old and over.
- iii. The DKI Jakarta Provincial Government needs to consider the amount of PMD given to BUMD based on BUMD's performance in accordance with the BUMD's mission.

### Research Limitations

This research has several limitations that can be developed by further researchers as follows:

- i. The limitation of this research is that researchers are limited to researching BUMDs in DKI Jakarta, for future researchers they can use populations with BUMDs throughout Indonesia.
- ii. Performance assessment based on satisfaction indicators directly uses an internal satisfaction assessment, perhaps data on all BUMD satisfaction in Indonesia is not all provided by BUMD, for future researchers they can use an assessment based on a balanced score card or compare internal assessment and external assessment.

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