IMPACT OF CAPITAL INVESTMENTS AND CASH DIVIDEND POLICY ON REGIONAL DEVELOPMENT BANK (BPD) PT. BANK SUMUT TO THE DISTRICT OWN SOURCE REVENUE AND ECONOMIC GROWTH

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Abstract: This study aims to examine the impact of capital investment and cash dividends policy from the operations of the Regional Development Bank (PT. Bank Sumut) of the contribution to district own resource and economic growth is the result of capital investment is done as a form of application dividend policy and agency theory. The study design was descriptive quantitative. The study population is the District Municipality in the North Sumatra capital with share holder equity by the number of research samples are 25 District Municipality of the 2010-2014 period in which the sampling technique is done by purposive sampling method. Analysis of the data used to test the hypothesis is descriptive analysis, and pooling the data with the help of AMOS program. The results of this study concluded (1) Shares Holder Equity is significant effect on own resources revenue. (2) The cash dividend variableno significant effect on the own resources revenue (3) Variable Shareholder Equity no significant effect on economic growth. (4) Cash Dividend Variableis not significant effect to the economic growth. (5) Local Own Revenue Variable significant effect on economic growth and the influence of Sahreholder Equity (70.3%) and cash dividend (1.4%) to the Own Resource Revenue and the magnitude of the effect on the economic growth of shareholder equity variable (41%) and Cash Dividends (9.7%).

Keywords: Capital Investment,Cash Dividends, Own Source Revenue, Agency Theory and Dividend Policy.

1. INTRODUCTION

Regional Development Bank became the center of rotation of the economy the government, especially local government. If the economy in each area well, then this will have an impact that is very good for the national economy. From the capital side nationally based research Indarwati and Anan (2014), especially in terms of capital structure discovered that the ratio of Equity to Asset Ratio (EAR)

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regional development banks (BPD) gained an average of 11.83% with data is as low as 6.00 % ie the Bank Lampung in 2008 and the highest 22.23% that the BPD Southeast Sulawesi in 2008. While the standard deviation of 3.05 EAR variable looks smaller than the average value. In this case the deviation of the data can be said to be good, because the value of the standard deviation is smaller than the average value. Research results memnyimpulkan that the EAR as an indicator of the availability of capital, the higher the ratio value EAR more awake operational continuity so as to protect the investors of bankrupt because of their role owner that is able to encourage the management improve the performance efficiency that will impact on company profits obtained. Research carried out by the Chobeh *et. al.* (2014) concludes that the government's stake either a majority stake or institutional shares give effect to the dividend policy.

Badruddin (2004) concluded budget increase revenues in the budget can be done via the PAD acceptance of deposits, especially the Bank's net profit Local Government. Results of research Valuation and Research Specialists (VRS). (2016) by surveying its dividend policy on 70 companies in the United Kingdom concluded that 83% Dividend Policy Model Lintner applied. There is a positive correlation between the size of the variable dividend earnings in a period and there is a negative correlation between the dividend this year with the previous year. Wolmarans (2003) concluded that the model was not good enough Lintner applied when analyzing dividend policy on a small sample. Dividend policy is not always effectively applied even though the company's profit increased in that time period. Al-Malkawi *et. al.* (2010) found that the dividend policy is consistent with the hypothesis Modigliany and Miller (M and M Theory) where in a perfectly competitive market dividend policy is not necessarily related to taxes, transaction costs, information asymmetry and agency problems.

Research Huang *et. al.* (2009) found that the dividend policy is influenced by institutional setups, conventional factors, especially their profitability and the capability to pay in China. DeAngelo *et. al.* (2006) states that that the new company listings are always bereforia and do the announcements and promises big dividends for those who want to make their capital investments. Caelers (2010), which examines the relationship between dividend policy agency conflicts. The results showed that the Dividend Payout influenced by government policies, company size, percentage and composition of the stock. The greater these variables, the greater the impact on dividends. Research Aivazian (2014) concluded that dividend decisions respond to informational asymmetries, agency costs, and the institutional and contracting environment.

In general, people connecting the autonomous region containing deconcentration and decentralization to the regions, is in order to improve national development area. Involves the participation of the people's aspirations and the

area of how development is implemented based on economic and political perception. In general, venture capital investment is an attempt to have a company that is new or already underway, with the paid in capital. The capital injection is also carried out by the City Government in order to increase cash resources area. When Act 40 Year 2007 regarding Limited Liability examined carefully, it can be said there is something missing in this unadang law, namely the notion of equity shares or can not be found penjabarannya implicitly (Abdullah, 2010). In this law is found only the authorized capital stock consists of the nominal value of shares. Article 24 of Law No. 40 Year 2007 on Limited Liability Company. Regional-Owned Enterprises (enterprises) typically also spread across various economic sectors important to the region. Bank is one of them, which is a business area on the banking sector in general.

The role of local government be it provincial or regency/city in this business is relatively very large, at least with control of the majority of shareholders. Existence of these enterprises are also included as a consequence of where things that are important or branches of production that are important and dominate the life of many dikusai by the State in this case the provincial or regency/city. Limited Liability Company (owned by the county or local government) that is preferred is to benefit by trying the field to encourage private sector development area.

Practice occurs mostly where the company owned by the local government is no different to a private company, but the dominance of government elements provincial or district/city as a shareholder in the company. In carrying out this capital, which must first be aware of is the funds available to be used in the best possible to be able to generate enhanced customer service and maximum welfare society in the interests of the City. Implementation of regional autonomy has brought a new climate in all districts and cities in Indonesia. The area was given more responsibility for managing all existing local resources each their region. According Kuncoro (2004) basically all areas of business to undertake capital investment area, in an effort to Own Source Revenue (PAD) is open to all areas of the economy and not just banking. However, this should still pay attention to the benefits of this capital for the local community.

In conducting its investment in Bank city government would have to follow the terms of common equity, which is stipulated in Bank Indonesia Regulation No. 5/10/PBI/2003 where equity is the investment of bank funds in the form of shares in a company engaged in finance, including placement in convertible bonds with stock options or certain kinds of transactions which the Bank holds or will hold shares in a company engaged in finance. The results of this investment must

also be in accordance with the amount of capital invested and can be felt by the people of the results of investors. This is in accordance with article 41 paragraph (1) of Law No.1 of 2004 on State Treasury says the government can make long-term investments for the benefit of economic, social, and/or other benefits. Article 41 paragraph (1) of Law No. 1 of 2004 on State Treasury. Based on the concise explanations above it can be concluded PT. Bank is including a limited liability company that is partially covered. Shares in the bank can be owned by many parties in this case are owned by the provincial government as well as the District/ Municipality in the Province, but can not be owned by the public in general.

City government in this case is not wrong when investing their regions at the Bank. Law No. 1 of 2004 on State Treasury requires every local government to keep its budget in Regional Development Bank (BPD) in each region. Bank as a regional bank is also obliged to distribute the funds collected through the local government as an additional bank capital area, to society as a provincial credit assistance to the public (either individuals and/or legal entity). City Government in accordance with Regulation (Perda) No.City 19 Year 2010 regarding Government Equity. At the Regional Banks are obliged to invest with the terms of Article 4 paragraph (1) Regional Regulation No. 19 Year 2010 About The Local Government Equity Bank. as follows :

1.   Participation in the Bank's capital is in the form of cash.
2.   Capital is included in the Bank is a wealth of separated areas.

Separated regional wealth is the wealth of the area that are separated in the form of Local Owned Enterprises (enterprises) which physically is a form of shares held areas, the management of which is held by the Regional Owned Enterprises. As well as the capital of State Owned Enterprises (SOEs), which comes from state assets set aside.Article 4 paragraph (1) of Law No. 19 Year 2003 on State-Owned Enterprises.

Investments made must also have a very important role for society, especially its contribution to the local revenue and economic growth areas. Regional Development Bank is a regional company's most profitable, because the discount close supervision from managerial supervision and bound to the banking rules set by Bank Indonesia. On one hand, the government also regulates the use of local budgets should not be deposited in large quantities on the one hand local companies for local government funds more productively used for pembangunand area. The government is required to view terlabih first saw the benefits that will be in the can by the region. After the town and then the government can to attempt to fulfill the terms of regional investment in local banks.

2. LITERATURE REVIEW

2.1 Theoretical Overview

2.1.1 Theory of Dividend Policy

Dividend policy theory to discuss the use of profits are the rights of shareholders. Determination of dividend policy is crucial for both companies and investors, due to the company's feasibility dividend distribution based on the financial conditions such as the availability of cash and profit allocation for expansion in the future. The theory of dividend policy applied by Aivazian *et. al.* (2014) are:

1. The residual theory of dividends. This theory hypothesizes that the company should focus on retained earnings for investment purposes rather than for dividend distribution. The amount of the dividend depends on the availability of retained earnings after the funding allocated for capital investment or project.

2. The dividend clientele theory. This theory assumes that the key reason investors are interested in a particular company is the dividend policy. New investors are more interested in the increase in the portfolio through capital gains rather than dividends, but the old investors are more interested in high dividend rate.

3. The dividend signaling theory. This theory is based on the premise that management better understand the future financial prospects than investors. So, when the company announced a dividend rate that is greater than the market forecast, it indicates the company's future financial outlook is better than previously thought.

4. The bird in the hand theory. This theory states that investors are more interested in the distribution of dividends rather than capital gains. Although hoping to earn a high capital gains in the future, such gains would not have been able to be realized. When you receive an advantage now, in the form of dividends, investors can invest at will.

5. Modigliani and Miller's dividend theory. Franco Modigliani and Merton Miller (commonly known as *M* and *M*) theorized that dividend policy is irrelevant. *M* and *M* assumes that the value of the company created from the income generated from the assets of the company, not of its dividend policy.

2.1.2 Investments Local Government and enterprises

Abdullah (2016) states in the income structure of the region there is a component revenue that resulted from the separated areas of wealth management. Property management separated areas is particularly important when the Regional

Government seeks to increase revenue to fund public services yangoutcomes it can be felt directly by the people. However, in reality, the results obtained from the separated assets was very minimal, so that the investment carried out continuously in fact just like being sunk costs, burdening Regional Government Budget (APBD) and do not contribute to the improvement of services to the community.

Equity participation in enterprises is part of a long-term investment area, the number of akumulatifnya presented in balance sheet assets side. In budgeting, capital investment or investment is not recognized as expenditure, but entered as expenditure financing. On the other hand, the results received from the investments made as a categorized of PAD. Therefore, public policy budget (KUA) will include information about revenues and this financing.

2.1.3 Urgency of Local Government Equity

One goal is the establishment of enterprises to improve the public services that can be provided by the regional government by using a business approach. Although enterprises formed for profit, but without having to remove aspects of public services (Abdullah, 2016). BUMD no competition from private investment because the fields of business being operated require large capital investment and payback period takes a very long time.

2.1.4 Meaning of Local Government As Owner of Public Enterprises

Local government owners could BUMD as full owner if the overall capital enterprises sourced from local government (Abdullah, 2016). Enterprises with sole owner of the form public company (Perum), while if the regional government is not the sole owner of the company form a limited liability company. Local Government's own making investments after first budgeted in Local Budgets in the form of equity financing component area/investment. Therefore, this capital must first obtain approval from local representative bodies (DPRD).

2.1.5 The magnitude of the results/dividends received from the Regional Government investment in enterprises

Enterprises as a source of local revenue that legally recognized in the legislation, so that it appears the account "Part return on equity participation in local-owned companies (BUMN). However, this also means that if enterprises do not make a profit, then the Local Government also will not earn revenue from these enterprises (Abdullah, 2016). Thus, the amount of revenue derived from the Local Government enterprises depending on the amount of earned income enterprises. In Regulation No. 25/2009 on Guidelines for Preparation of FY 2010 budget stated that enterprises

should not be burdened if revenue targets are still loss-making public enterprises or "being" in an effort to support the Government's program include the provision of clean water (especially for PDAM).

2.1.6 Equity capital

Equity/investment in enterprises is often a political debate in the regional parliament (DPRD). Although council members know that enterprises are owned by regional, flushing budget funds for the "healthy" or "save" enterprises are considered as waste because:(Abdullah, 2016)

1. Management of enterprises do not work in a professional,
2. enterprises are not financially profitable,
3. Quality of service enterprises, so it should be improved first and be "assisted with the annual budget", and
4. The ROE is a company/business that does not create an obligation for local governments to fund from the budget (to be diskresional). In addition, enterprises regarded as a unit which produces only non-budgetary funds or tactical funds for local heads.

2.2 Conceptual Framework

The conceptual framework of this research study as follows:
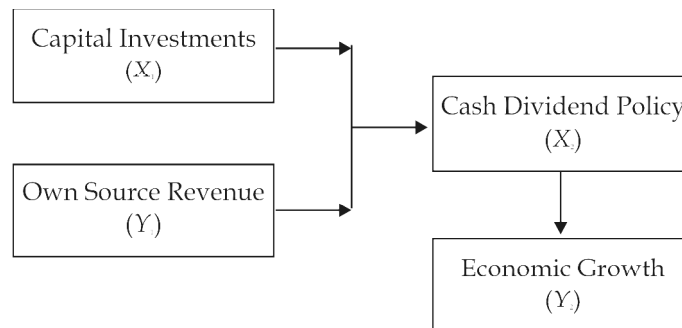
Figure 1: Conceptual Framework

2.3 Prior Research

Research entitled Analysis of Government participation Depok municipality in PT Bank of West Java and Banten (BJB) by Palupi 2015 concluded that the Local Government KotaDepok can do the placement of capital on Series A Share and Stock Serie B only in Bank BJB as enterprises, all are investing jangkapanjang , For short-term investments, Depok City Government dapatmelakukan investment banking products in all the healthy banks and savings deposits (deposits). Results of research Valuation and Research Specialists (VRS). (2016) by surveying its

dividend policy on 70 companies in the United Kingdom concluded that 83% Dividend Policy Model Lintner applied. There is a positive correlation between the size of the variable dividend earnings in a period and there is a negative correlation between the dividend this year with the previous year. Wolmarans (2003) concluded that the model was not good enough Lintner applied when analyzing dividend policy on a small sample.

Dividend policy is not always effectively applied even though the company's profit increased in that time period. Al-Malkawi *et. al.* (2010) found that the dividend policy is consistent with the hypothesis Modigliany and Miller (*M* and *M* Theory) where in a perfectly competitive market dividend policy is not necessarily related to taxes, transaction costs, information asymmetry and agency problems. Research Huang *et. al.* (2009) found that the dividend policy is influenced by institutional setups, conventional factors, especially their profitability and the capability to pay in China. DeAngelo *et. al.* (2006) states that that the new company listings are always comfortable and do the announcements and promises big dividends for those who want to make their capital investments. Caelers (2010), which examines the relationship between dividend policy agency conflicts. The results showed that the Dividend Payout influenced by government policies, company size, percentage and composition of the stock. The greater these variables, the greater the impact on dividends. Research Aivazian (2014) concluded that dividend decisions respond to informational asymmetries, agency costs, and the institutional and contracting environment.

3. RESEARCH METHODS

3.1 Research Design

The kind of investigation in this research is the study of causal (Causal Study). Causal study is a study conducted for the state that the independent variable causes the dependent variable.

3.2 Place and Schedule

Location studies conducted in the District Municipality in North Sumatra. Data Time Series and Cross Section are summarized from the year 2010-2014 on the District 25 Cities in North Sumatra. Study period starting in June 2016 until December, 2016.

3.3 Types of Data Research

The type of this research is secondary data and primary data related to the measurement of the perception of the allocation of capital investment and dividend income received by the city district in North Sumatra to do with the pattern seminar with stakeholders.

3.4 Operational Definition of Variables

The conceptual framework of this study are in the following table:

Tabel 2
Operasionalisasi Variable

Variable	Operational definition	Measuring Instrument
Capital Investments (X_1)	Equity Allocation District Municipality in the period	Total Rupiah Equity
Cash Dividend (X_2)	Total dividend proportional allocation of capital investments	Total Dividend
Own Source Revenue (Y_1)	The amount of local revenue derived from the original income in a region	Total revenue
Economic Growth (Y_2)	Growth of the production sector in the region	The GDP of a region

3.5 Data Analysis Method

1. Descriptive analysis method

Descriptive analysis method is an analytical method in which data have been obtained, compiled, categorized, analyzed, and interpreted objectively to gain an overview of the problems encountered and to explain the results of the calculation.

2. Regression Analysis

This model is used to analyze the direct and indirect result of exogenous variables on the endogenous variables to calculate path coefficients. Besides using a path diagram to express the model analyzed, can be displayed in the form of an equation commonly called structural equation. Structural equation describes the causal relationship between the variables studied are expressed in the form of a mathematical equation is as follows:

$$Y_1 = b_1X_1 + b_1X_1 + 1$$
$$Y_2 = b_1X_1 + b_2X_2 + b_1Y_1 + 1$$

Keterangan:

Y_1 = Own Source Revenue (PAD)

Y_2 = Economic Growth

X_1 = Capital Investments

X_2 = Cash Dividend

$b1$ = The coefficient of the regression line

1, 2 = Residuals/error

4. RESULTS AND DISCUSSION

4.1 Research Result

4.1.1 Characteristics of Respondents

The Respondents of This Study Consists of:

Table 3
Respondents Research

Gender		Percentage
Male	53	68,83%
Female	24	31,17%
Total	77	100%
Age		
20 - 30 Years	12	15,58%
31 - 40 Years	14	18,18%
41 - 50 Years	37	48,05%
51 - 55 Years	11	14,28%
Total	77	100 %
Level of education		
Senior High School	6	7,79%
Diploma Degree	3	3,89%
Bachelor	55	71,43%
> Master	11	14,29%
Total	77	100 %

Sources : Tabulation Result (2016).

4.1.2 Statistics Frequency

Statistical respondent's answers are presented in Table 4 below:

Table 4
Descriptive Frequency
*q*1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	17	21,3	22,1	22,1
	2,00	45	56,3	58,4	80,5
	3,00	2	2,5	2,6	83,1
	4,00	10	12,5	13,0	96,1
	5,00	3	3,8	3,9	100,0
	Total	77	96,3	100,0	
Missing	System	3	3,8		
Total		80	100,0		

q2

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	17	21,3	22,1	22,1
	2,00	42	52,5	54,5	76,6
	3,00	4	5,0	5,2	81,8
	4,00	10	12,5	13,0	94,8
	5,00	4	5,0	5,2	100,0
	Total	77	96,3	100,0	
Missing	System	3	3,8		
Total		80	100,0		

q3

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	23	28,7	29,9	29,9
	2,00	36	45,0	46,8	76,6
	3,00	1	1,3	1,3	77,9
	4,00	11	13,8	14,3	92,2
	5,00	6	7,5	7,8	100,0
	Total	77	96,3	100,0	
Missing	System	3	3,8		
Total		80	100,0		

q4

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	21	26,3	27,3	27,3
	2,00	46	57,5	59,7	87,0
	4,00	7	8,8	9,1	96,1
	5,00	3	3,8	3,9	100,0
	Total	77	96,3	100,0	
Missing	System	3	3,8		
Total		80	100,0		

q5

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1,00	21	26,3	27,3	27,3
	2,00	46	57,5	59,7	87,0
	4,00	7	8,8	9,1	96,1
	5,00	3	3,8	3,9	100,0
	Total	77	96,3	100,0	
Missing	System	3	3,8		
Total		80	100,0		

q6					
		Frequency	*Percent*	*Valid Percent*	*Cumulative Percent*
Valid	1,00	31	38,8	40,3	40,3
	2,00	40	50,0	51,9	92,2
	4,00	5	6,3	6,5	98,7
	5,00	1	1,3	1,3	100,0
Total		77	96,3	100,0	
Missing	System	3	3,8		
Total		80	100,0		

Sources: Tabulation Result (2016).

The tabulated results show respondents' answers on the effectiveness of the Regional Enterprise Agency contributed to the original income range is not adequate where the average satisfaction at the level 2 and 3.

4.1.3 Normality Test Results

Results of multivariate normality test summary as a follows :

Table 5
Normality Test Results

Variable min	max	skew	c.r.	kurtosis c.r.		
ln_Div_X2	20,041	24,938	,027	,122	,343	,784
ln_PM_X1	13,830	18,340	-,190	-,869	,250	,570
ln_PAD_Y1	8,419	14,554	,916	4,182	,006	,013
ln_EG_Y2	6,531	11,900	,730	3,333	,362	,826
Multivariate					11,096	8,953

Sources: Tabulation Result (2016).

Based on the results of the normality test critical value ratio (c.r) of kurtosis value of 11.096 which suggests that the study variables berditribusi multivariate normal. Ghozali (2005) states that the value of the critical ratio > 5:00 indicate that the multivariate normal distribution of data.

4.1.4 Compatibility Test Results Model

Test model fit in structural equation modeling can be analyzed based on several criteria such as the model fit testing are presented in the following Table.

Based on Table 6 can be seen the test results are overall model fit can be concluded that the model estimation results are acceptable, meaning that the empirical model obtained is in accordance with the theoretical model.

Table 6
Summary Test Results Suitability Model

Suitability Index	Value Estimation	GOF Test Criteria	Test Results
CFI	0.469	> 0.96	Good
RMR	0.000	< 0.05 (fit)	Fit
RMSEA Close	0.000	< 0.08 (fit)	Fit
CMIN/DF	0.000	< 2 (marginal fit)	Fit
p-value	0.000	*p* > 0.05 (fit)	Good
CMIN	101,399 (*DF* = 3)		Good

Sources : Tabulation Result (2016).

5.1.5 Measurement Model

Measurement model is a model that connects between the latent variables with manifest variables as follows:
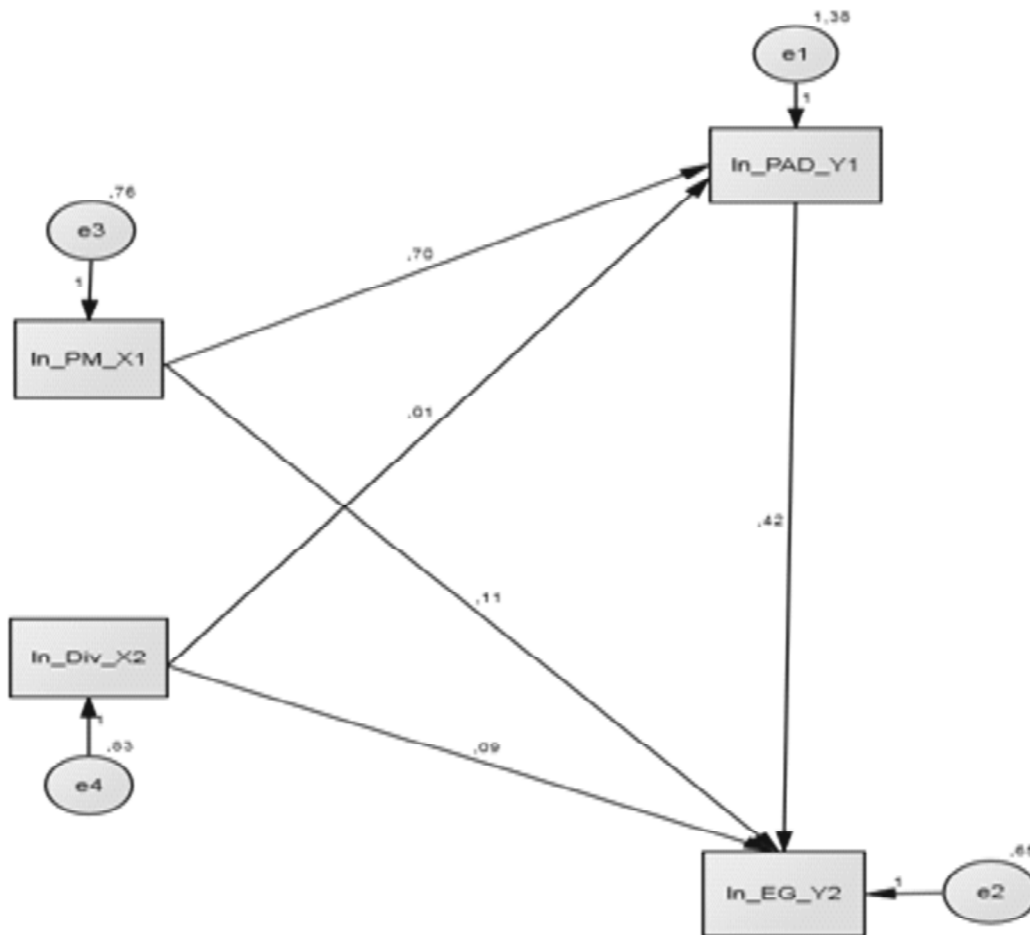
Figure 2: Coefficient Standards

The measurement model variable as follows:

1. Measurement of the variable Capital Investments (*X*1) obtained by weighting the indicator value is greater than the value of the critical ratio < 1.96, meaning that a valid indicator as a measuring tool.
2. Measurement of variables CashDividends (*Z*) gained weight value is smaller than the value of the critical ratio < 1.96, meaning that valid as a measuring tool.
3. Measurement of Own Source Revenuevariable (*Y*) obtained weight value is greater than the value of the critical ratio < 1.96, meaning that valid as a measuring tool.
4. Measurement of Economic Growth variable (*Y*) obtained weight value is greater than the value of the critical ratio < 1.96, meaning that valid as a measuring tool.

5.1.6 Regression Weight for the Evaluation of Causality Test

Data processing analysis of Structural Equation Model (SEM), using tools AMOS, the obtained results of the analysis of the relationship between variables such as tercantuk in the following table:

Tabel 7
Regression Weights: (Group number 1 - Default model)

			Estimate	*S.E.*	*C.R.*	*P*	*Label*
ln_PAD_Y1	<–-	ln_PM_X1	,703	,182	3,861	***	par_1
ln_PAD_Y1	<–-	ln_Div_X2	,014	,175	,081	,935	par_2
ln_EG_Y2	<–-	ln_PM_X1	,114	,132	,862	,388	par_3
ln_EG_Y2	<–-	ln_Div_X2	,091	,120	,762	,446	par_4
ln_EG_Y2	<–-	ln_PAD_Y1	,422	,061	6,869	***	par_5

Sources: Tabulation Result (2016).

The equation can be formed as follows:

$$Y = 0{,}703X_1 + 0{,}014X_2 - 0{,}422Y_1 + e$$

The results show:

1. Variable Capital Investments (X_1) significantly affects the Own Source Revenue at 5% level.
2. Variable Dividend (X_2) no significant effect on the the Own Source Revenue.
3. Variable Capital Investments (X_1) no significant effect on economic growth.
4. Variable Cash Dividend (X_2) no significant effect on economic growth.
5. Variable Own Source Revenue (Y_1) significantly affects economic growth.

5.1.7 The Effect

As for the influence of the direct, indirect effect and the total effect contained in the following Table:

Table 8
Effect of the Direct and Indirect Influence Total Influence

Total Effects (Group number 1 – Default model)

	ln_Div_X2	ln_PM_X1	ln_PAD_Y1
ln_PAD_Y1	,014	,703	,000
ln_EG_Y2	,097	,410	,422

Direct Effects (Group number 1 - Default model)

	ln_Div_X2	ln_PM_X1	ln_PAD_Y1
ln_PAD_Y1	,014	,703	,000
ln_EG_Y2	,091	,114	,422

Indirect Effects (Group number 1 - Default model)

	ln_Div_X2	ln_PM_X1	ln_PAD_Y1
ln_PAD_Y1	,000	,000	,000
ln_EG_Y2	,006	,297	,000

Sources: Tabulation Result (2016).

Based on Table shows the influence of Capital Investments (70.3%) and cash dividend (1.4%) against the Own Source Revenue and the magnitude of the effect on the economic growth of variable Capital Investments (41%) and cash dividend (9.7%).

5.2 Discussion

The results conclude that the Capital Investments District Municipality on Own Source Revenue significantly impact the Economic Growth District Municipality. Based on data from Capital Investments has been done in a long time where in 1999 the monetary crisis affecting national banks and a takeover of shares by the Treasury and the majority of the Regional Development Bank shares at that time controlled by the central government. Since regional autonomy, the central government shares in the Regional Development Bank convertible into shares of local governments.

The local government currently enjoys on its capital investments and generate significant cash dividends to fill the post Own Source Revenue each District Municipality. The results also show the results of these investments to fill the post Own Source Revenue City districts and greater impact to the local economy by increasing local economic growth. Miller and Modigliani/MM (1961) argue that

the dividend policy is irrelevant (La Porta, 2000). Miller and Modigliani found basically on the condition that the investment decision is not relevant given the dividend payment to be taken into account, because it will not increase shareholder wealth.

According to MM increase in the value of companies affected by the company's ability to earn profits or earning power of the company's assets. Therefore, the company's value is determined by investment decisions. While the decision as to whether profits will be shared in the form of cash dividends or retained earnings does not affect the value of the company. MM's opinion emphasized that the effect of the payment of dividends to the welfare of shareholders will be offset by the same amount with other sources of funding, which means that if the company paying the dividend, the company must replace by issuing new shares of the dividend payment amount. Thus the increase in the dividend payment will be offset by a decrease in the share price as a result of the sale of new shares. Casey and Dickens (2000) stated dividend policy of the banking industry is different from the non-bank companies where the banking industry liability dividends to shareholders influenced the performance obtained. The better the performance, the greater the dividend payout obtained shareholders.

6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

1. Variable Capital Investments (X_1) significantly affects the Own Source Revenue at 5% level.
2. Variable Dividend (X_2) no significant effect on the the Own Source Revenue.
3. Variable Capital Investments (X_1) no significant effect on economic growth.
4. Variable Cash Dividend (X_2) no significant effect on economic growth.
5. Variable Own Source Revenue (Y_1) significantly affects economic growth.
6. The influence of Capital Investments (70.3%) and cash dividend (1.4%) against the Own Source Revenue and the magnitude of the effect on the economic growth of variable Capital Investments (41%) and cash dividend (9.7%).

6.2 Contributions

1. Equity needs to be improved by the District Municipality in North Sumatra as it affects the original income.
2. Dividend Allocation to local government stable enough to fill the reception area of his expectations of future dividends become the main income to fill the post reception area.

3. The existence of socialization by the Regional Development Bank related to the role and kontribusniya fill the post reception area is not known by many local authorities are now keen to explore local revenue through intensification and extension efforts.

6.3 Limitation

1. This study only observed capital investment policy and dividend policy of the unit Regional Owned Enterprises of banking business lines but does not explore the non-banking enterprises.

2. The variables used in this study are from the allocation of equity and dividends, other aspects need to be investigated in the form of policies and discussions according to the perception of the legislature because of the facts existing when the investment to do but not passed by the legislature.

6.4 Suggestion

1. Equity needs to be improved by the District Municipality in North Sumatra as it affects the Own Source Revenue.

2. The local government needs to meet its obligations in the form of fulfillment of the Capital Adequacy Ratio (CAR). Based on the position data CAR Regional Development Bank experienced no change due to local governments, especially the provincial government wanted only dividends but forgo the additional investment.

3. For the Regional Representatives and the Centre needs to run its legislative function area financial sector due attention to regional development banks, especially the budget discussion related to the capital increase needs to be improved in the future.

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