

## Analysis of investment in Sarolangun Regency

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### Abstract.

This study aims to analyze the condition and the development of investment, especially investment in oil palm plantation and coal mining in Sarolangun Regency. The results found that 1) Based on the ownership of capital, investment realization in Sarolangun Regency in oil palm plantation and coal mine is still dominated by domestic investment, referred as PMDN; 2) Based on the stages of activity, investment in oil palm plantation is dominated by operational stage, while in coal mining is dominated by exploration stage; 3) In terms of investment realization, investment in oil palm plantation sector decreased while in coal mining sector increased every year.

*Keywords: Investment, Palm plantation, Coal Mining*

### INTRODUCTION

Regional autonomy enforced since January 1, 2001, as set out in Law No 22 of 1999 and Law No 25 of 1999 subsequently revised in Law No 32 of 2004 and Law No 33 of 2004, for many experts on development, is believed to accelerate the process of regional development in Indonesia. The implementation of great degree of regional autonomy aims to develop all the economic potential in the region so as to spur the increase of economic activities in the region which ultimately improve national economy.

As one of the district division, Sarolangun has many things potentially to be developed. In terms of location of the regency, it is on a very strategic location because it is crossing area to other regions such as Kerinci, Lubuk Linggau, and Bengkulu Province. In terms of natural resources, this regency has a lot of potential for mining resources and agricultural resources.

In the mining sector, Sarolangun Regency has oil with volume of 23 million – 120 million barrels spread over 5 sub-districts, followed by coal of 6 million tons spread over 4 sub-districts. From the agricultural sector, particularly plantations, rubber plantations is the largest plantation of 118,399 ha with production of 54,244 tons followed by oil palm plantation with an area of 8,725 ha with production of 13,156 tons. Based on the explanation above, it can be argued that both sectors have great investment potential to be developed in Sarolangun Regency.

Investment is a very important variable in the global economy where investment is a reflection of the ongoing development effort. The existence of large investments is expected to increase national economic growth rate in the long term to supply various kinds of economic objects and it will also be used to improve the quality of physical and human resources.

The main economic power that determines investment is the Return on Investment (ROI) determined by the interest rate and tax policies, as well as expectations about the future. The determinants of investment are highly dependent on future situations that are

difficult to foresee, that’s why investment is the most volatile component. Several factors that influence investment are exchange rate, interest rate, inflation and infrastructure.

Based on the explanation above, this study aims to analyze the condition and development of investment, especially investment in oil palm plantation and coal mining in Sarolangun Regency.

## RESEARCH METHODS

This study used a secondary data analysis approach. To achibe these objectives, data were collected through library research on published reports and other references related to this study.

The principal data used is in the form of time series from 2005 to 2014 consisting of investment data in palm oil plantations and in coal minings in Sarolangun Regency by types of investment and stages of activities.

The data in the study were obtained from official institutions or government agencies and from internet sites that have been processed, such as: 1) Central Bureau of Statistics; 2) Development Planning Agency at Sub-National Level; 3) Investment Coordinating Board. Quantitative descriptive analysis was used to get the picture of condition and development of investment in oil palm plantation and coal mining.

## RESULTS AND DISCUSSION

### Investment in Oil Palm Plantation and Coal Mining in Sarolangun Regency

#### *Investment in Oil Palm Plantation*

Systematically, palm oil plantations are divided into four main stages: 1) land investigation and preparation stage, 2) development and construction stage, 3) operational and maintenance stage, and 4) large trading stage. From Table 1. it can be seen that the number of companies in plantation sector in 2012 was 22 companies where 21 companies were domestic investment companies, referred as PMDN companies and 1 company was foreign investment company, referred as PMA company. Based on the stages of activity, 14 companies were on development and constuction stage and 8 companies were on operational stage. In 2013, the number of investment for plantation companies were still the same as the previous year which was 22 companies with 14 companies at development stage, 7 companies at operational stage, and 1 company as foreign investment at large trading stage.

**Table 1.** The development of the number of plantation companies based on the ownership of capital and stages of activity in Sarolangun Regency in 2012 – 2014

Year	Ownership of capital		Stages of activity		
	PMDN	PMA	Construction	Operational	Large Trading
2012	21	1	14	8	
2013	21	1	14	7	1
2014	28	1	21	7	1

*Source: From various sources (Processed Data)*

Investment in oil palm plantations in Sarolangun Regency is still dominated by PMDN companies. The investment realization in 2012 was Rp. 3,546 billion, increased

to Rp. 3,847 billion in 2013 (by 8.48 percent). However, in 2014, it declined to 3,792 billion (by 1.42 percent). This decline occurred as a result of the decline of PMDN..

**Table 2.** The development of investment realization of oil palm plantation sector based on the ownership of capital

Year	Ownership of Capital (Rp)		Total
	PMDN	PMA	
2012	3,546,350,000,000	-	3,546,350,000,000
2013	3,774,050,000,000	72,987,031,916	3,847,037,031,916
2014	3,719,550,000,000	72,987,031,916	3,792,537,031,916

Source: From various sources (Processed Data)

Based on the investment stages and comparing the investment plan to its realization, it can be stated that the realization for the operational activity in 2012 reached 89.25% while for the development activity was realized by 82.64%. In 2013, there was an increase in the realization of operational activities reached 99.86% of investment plans and for development activities of 94.53%. It was different for large trading stage which only reached 34.05%. In 2014, operational activities still absorbed investment the most. From the investment plan in the operational stage, it was realized by 96.10%, while for development activities, it reached 87.04% and for large trading activities reached 34.05%.

**Table 3.** Investment plan and realization based on stages of activity

Year	Stages	Plan	Realization	% of Realization
2012	Operational	2.869.000.000.000	2,559,600,000,000	89.22
	Pembangunan	1.194.000.000.000	986,750,000,000	82.64
2013	Operational	2.649.000.000.000	2,645,300,000,000	99.86
	Pembangunan	1.194.000.000.000	1,128,750,000,000	94.54
	Large Trading	214.300.000.000	72,987,031,916	34.06
2014	Operational	2.649.000.000.000	2,545,800,000,000	96.10
	Pembangunan	1.348.500.000.000	1,173,750,000,000	87.04
	Large Trading	214.300.000.000	72,987,031,916	34.06

Source: BPMD Sarolangun 2014

### **Investment in Coal Mining**

There are more companies investing in coal mining than those investing in oil palm plantation. Ownership of capital for coal mining consists of PMDN and PMA. Furthermore, in terms of the company activities, it consists of activities of production, construction, and exploration.

The number of coal mining companies in 2012 were 65 companies, consisting of 52 domestic investment (PMDN) companies and 16 foreign investment (PMA) companies. Based on the stages of activity, 6 companies were still at production stage, 17 of them are at construction stage and 42 of them are at exploration stage. The number of companies investing in this sector was still the same as in 2013.

**Table 4.** The development of the number of coal mining companies based on ownership of capital and stages of activity

Year	Ownership capital		Stages of Activity		
	PMDN	PMA	Production	Construction	Exploration
2012	52	13	6	17	42
2013	52	13	6	17	42
2014	49	16	7	16	42

Source: From various sources (Processed Data)

In 2014, although the number of companies investing in this sector was relatively the same, but there is a change of ownership and its stage of activity. Of the total 65 companies, 49 of them were PMDN companies and 16 were PMA companies. At the production stage, there were 7 companies, 16 companies at construction stage and 42 companies at exploration stage.

The total investment in coal mining in 2012 was Rp. 725.5 billion which consisted of Rp. 553 billion from PMDN and Rp. 172.5 billion from PMA. In 2013, there was an increase in total investment of 16.40 percent from the previous year, an increase in investment due to a rise in domestic investment (PMDN) to Rp. 694.5 billion (increased by 17.45 percent) and in foreign investment (PMA) to Rp. 195.9 billion (increased by 13.04 percent). Of the total investment made in 2013, 76 percent was contributed by PMDN while 24 percent by PMA.

In 2014, despite a decline in PMDN (to Rp. 558.8 billion or decreased by 13.96 percent), the total investment in coal mining increased to 1,107 billion (increased by 31.13 percent). The increase was mainly due to the rapid increase of foreign investment (PMA) which reached Rp. 548.5 billion (increased by 181.32 percent).

**Table 5.** Investment realization in coal mining based on ownership of capital

Year	Ownership of Capital (Rp.)		Total
	PMDN	PMA	
2012	553.000.000.000	172.500.000.000	725.500.000.000
2013	649.500.000.000	195.500.000.000	845.000.000.000
2014	558.825.000.000	548.583.000.000	1.107.408.000.000

Source: From various sources (Processed Data)

Based on the stage of activities when it was invested and comparing the investment plan to its realization, it can be stated that the realization plan for production activity in 2012 was realized by 82.68% while for construction and exploration activities, it was realized by 72.19% and 86.98% respectively. In 2013, there was an increase in realization for these three stages, respectively for production, construction and exploration were 94.68%, 89.24%, and 88.62%. In 2014, the realization at production and exploration stages continued to increase and even reached rates above 100 percent. Nevertheless, the investment realization at construction stage decreased to 80.28 percent.

**Table 6.** Investment plan and realization based on stages of activity (in million rupiah)

Year	Stages of Activity	Plan	Realization	%
2012	Production	229,200	189,500	82.68
	Construction	522,200	377,000	72.19
	Exploration	182,800	159,000	86.98
2013	Production	229,200	217,000	94.68
	Construction	522,200	466,000	89.24
	Exploration	182,800	162,000	88.62
2014	Production	514,200	528,200	102.72
	Construction	382,200	306,845	80.28
	Exploration	242,800	272,363	112.18

Source: BPMD Sarolangun 2014

## CONCLUSION

1. Based on ownership of capital, investment realization in Sarolangun Regency for oil palm plantation and coal mining is still dominated by domestic investment or PMDN.
2. Based on the stages of activity, investment in oil palm plantation is dominating at operational stage, while in coal mining it is dominating at exploration stage.
3. Based on the development of investment realization, oil palm plantation sector has a decline on investment realization, while the increase occurred on coal mining sector.

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