WHAT DO CHANGES IN CORPORATE OWNERSHIP IN INDONESIA TELL US?

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WHAT WE DID: DATA AND METHOD

• Two datasets: 1996, 2008
• Top 200 listed companies
• Only retained those for which we could trace the ultimate owners
• 1996 dataset: Claessens et al. 2000
• 1996: 178 firms, 86% of market capitalization
• 2008: 132 firms, 88% of market capitalization
• Transparency problem → missing data most likely for family-owned companies
WHAT WE FOUND: SUMMARY

• Family-owned firms still largest group (10% cut-off)
  • 1996: 68.6%
  • 2008: 57.3%

• Reduced separation of ownership and control: ratio of cash-flow rights to voting rights increases from 0.76 (1996) to 0.85 (2008)

• Changes within the ‘family-owned’ category: churning of firms and owners

• Increase in state-owned share – especially foreign state-owned

• Top layer continuity in major conglomerates – but many rises and falls
## HOW THE FIRMS WERE CATEGORIZED

### TABLE 2 Control of Publicly Traded Firms, 1996 and 2008 (%)

<table>
<thead>
<tr>
<th>Category</th>
<th>10% cut-off</th>
<th>20% cut-off</th>
</tr>
</thead>
<tbody>
<tr>
<td>(No. of Firms)</td>
<td>178</td>
<td>132</td>
</tr>
<tr>
<td>Widely held</td>
<td>0.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Family-owned</td>
<td>68.6</td>
<td>57.3</td>
</tr>
<tr>
<td>State-owned</td>
<td>10.2</td>
<td>14.1</td>
</tr>
<tr>
<td>Widely held financial</td>
<td>3.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Widely held corporation</td>
<td>16.8</td>
<td>13.4</td>
</tr>
<tr>
<td>Foreign state</td>
<td>7.8</td>
<td>7.8</td>
</tr>
</tbody>
</table>
# Changes to Ownership Profiles

(Adapted from Table 5)

<table>
<thead>
<tr>
<th>1996-2008</th>
<th>Widely-held</th>
<th>Family-owned</th>
<th>State-owned</th>
<th>Foreign state</th>
<th>Not in 2008 sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Widely-held</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Family-owned</td>
<td>3(1)</td>
<td>36(3)</td>
<td>1(1)</td>
<td>6(3)</td>
<td>50</td>
</tr>
<tr>
<td>State-owned</td>
<td>0</td>
<td>3(1)</td>
<td>6</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>2008 Firms</strong></td>
<td><strong>0</strong></td>
<td><strong>13</strong></td>
<td><strong>9</strong></td>
<td><strong>2</strong></td>
<td></td>
</tr>
<tr>
<td>Newly listed</td>
<td>0</td>
<td>13</td>
<td>9</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Previously listed</td>
<td>4</td>
<td>51</td>
<td>7</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>
“STATE CAPITALISM”

The proportion of state-owned firms among the top 200 listed firms has increased.

Some of the increase due to partial privatization and listing of SOEs (BUMN):
- Listed SOEs: 14 in 2008; 20 in 2014

SOE sector is not shrinking due to partial privatization through listing.

Total assets:
- 2004: Rp 968 trillion
- 2014: Rp 4082 trillion

Total SOEs: 141 in 2008; 138 in 2014

Policy to consolidate number of firms, not size of the state-owned sector.
Top 10 family-owned groups, listed companies c. 2008

1. Bhakti 6 firms Hary Tanoesoedibjo
2. Astra 5 firms Keswick family
3. Bakrie 5 firms Aburizal Bakrie
4. SinarMas 5 firms Widjaja family
5. Panin 4 firms Mu’min Ali Gunawan
6. Surya 2 firms Hadi and Oentoro Surya
7. Djarum 2 firms Hartono family
8. Ciputra 2 firms Ciputra family
9. Salim 2 firms Salim/Liem family
10. Lippo 2 firms Riady family
Significant family-owned corporate wealth held in private (unlisted) firms or held offshore

Several conglomerate-owned de-listed major assets

Sukanto Tanoto: delisted from NYSE, assets held offshore under RGE umbrella

Peter Sondakh: sold major public-listed assets c. 2008

Prabowo Subianto & Hashim Djojohadikusumo, Edwin Soeryadjaja, Jusuf Kalla, Martua Sitorus (Wilmar), Chairul Tanjung…. All with major assets as private companies, although some are listed
OFF-SHORE HOLDINGS: EXAMPLE OF WIDJAYA FAMILY INTERESTS THROUGH GAR (SINGAPORE)

Golden Agri Resources
50.35%

PT Purimas Sasmita
100%

PT SMART Tbk
97.2%

PT Arara Abadi

PT Wirakarya Sakti
IN RELATIVE DECLINE

1. 1996 conglomerate groups lost major banks: BCA, Lippo, BII, BDNI (Panin)

2. Close Suharto associates
   - Soeharto children
   - Marimutu Srinivasan
   - Bob Hasan

3. Of pre-crisis top 30 conglomerates, 14 are no longer in the top 30 or have changed ownership
<table>
<thead>
<tr>
<th>Year</th>
<th>Family-owned firms</th>
<th>With political ties (%)</th>
<th>With state as significant shareholder (%)</th>
<th>With politically-connected directors (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>73</td>
<td>59</td>
<td>10</td>
<td>52</td>
</tr>
<tr>
<td>2008</td>
<td>76</td>
<td>47</td>
<td>0</td>
<td>47</td>
</tr>
</tbody>
</table>
BUSINESS-GOVERNMENT RELATIONS

New Order system: ‘captive’ patronage centralized around Soeharto

Now: increasing pluralism in modes of political engagement:

1. Direct entry into politics: Chairul Tanjung, Jusuf Kalla, Aburizal Bakrie, Surya Paloh… famous but not typical of top-200 companies

2. Funding political parties: increased need by politicians

3. Political board appointments: much less common than in 1996

4. Structural importance and fragmented patronage: politicians seek to cultivate goodwill