# New Zealand Asia Institute

## Research snapshots

No. 3


*The New Zealand Asia Institute (NZAI) undertakes research focusing on engagement with Asia, provides a forum for informed debates, and offers a bridge to Asia-related expertise and research within the University of Auckland.*

# The ownership and control of corporate assets in Indonesia: persistent family ownership and political links

Research by Richard Carney and Natasha Hamilton-Hart has investigated changes in the ownership structure of Indonesia's largest corporations.** Since the 1997 financial crisis, there has been much speculation as to which Indonesian business owners lost or gained assets, and how their connections to political decision-makers changed with Indonesia's democratization. This research is the first to address these questions systematically, drawing on an original dataset that identifies the ultimate owners of Indonesia's 200 largest publicly listed corporations as well as data on unlisted firms. Ultimate owners were categorized as *individual or family, domestic government, widely held financial institution, widely held corporation, and foreign government*.

Carney and Hamilton-Hart note the uncertainty that surrounded changes in Indonesian corporate ownership as a result of the economic rupture and political transformation of the country after 1998. In answer to their main question 'who owned Indonesia's largest listed firms ten years after the Asian financial crisis and the onset of democratization?' the authors find that family ownership remained the most prevalent form, with a high level of ownership concentration among a small group of dominant families. However, the authors found that although some of the largest business players retained their pre-eminent positions in 2008, many new arrivals and newly ascendant players changed the scene, as a churning took place in the identities of the most powerful family owners during the period. In addition, the prevalence of family owners on the boards of directors declined considerably.

Contrary to expectations that state ownership would diminish in importance, the study found that the state's ownership of corporate assets increased since the crisis, with the number and value of state-controlled corporations rising in both absolute and relative terms. The study also finds a significant new category of owner to be foreign governments, with state-owned entities from Singapore and Malaysia in particular emerging as significant owners of Indonesian listed companies, especially in finance and real estate.

A close relations between business and government has long been a feature of the Indonesian business system, and the study confirms that political links remain important. About half of family-owned firms in the dataset were categorized as politically linked in both 1996 and 2008. However, how business owners are linked to the political sphere has undergone some change. The new pattern of corporate ownership suggests more varied political patrons and modes of political engagement than in the pre-crisis era. A notable development is that business owners are now more likely to enter politics in their own right. The authors conclude that political links in the Indonesian corporate governance landscape have become more plural, fluid and decentralized.

** The full study results are available in an article authored by Richard W. Carney and Natasha Hamilton-Hart: "What do Changes in Corporate Ownership in Indonesia Tell Us? *Bulletin of Indonesian Economic Studies*. Vol 51(1), pp. 123-145. (2015)


THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND

NEW ZEALAND ASIA INSTITUTE