

## The development of business groups in Indonesia : 1967-1989

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### Abstrak

#### **ABSTRACT**

The purpose of this thesis is to analyze capital ownership structure and the position of business groups in Indonesia by the use of a company data file the author compiled, and through the analysis, to describe the development path and the changing nature of Indonesian business groups.

In line with this purpose, first of all, the background and the scope of this study is defined in Chapter 1, where I stress the importance of micro-economic studies in Indonesia.

Chapter 2 is devoted to analysis of capital ownership structure in the Indonesian national economy. First, I introduce my company data file as one of the best sources of company analyses, and clarify its significance and limitations(2.2). Then, I describe overall capital ownership structure and prove that domestic private capital constitutes the most significant component in the national economy(2.3). The next section (2.4) focuses on the position of business groups by two measures, that is, their total equity capital accumulated during the last two decades and the scale of present economic activities. Further, I compare the results with some cases of other developing economies and draw implication that Indonesian business groups have developed conspicuously but the level is still less than the upper levels in the international perspective. Lastly, I close this Chapter with some combined conclusions with the results from other data sources (2.5).

Chapter 3 is a historical illustration of the development process of Indonesian business groups. The period from 1967 to 1986 is divided into three sub-periods, and the environmental conditions and reactions of business groups are described with some examples. Throughout the period, I set the analytical focus on development strategies of business groups, and find a consistent tendency that business groups which much depended on exogenous growth factors have come to exhibit endogenous growth abilities, with rationalizing their group formation (3.4.3).

In the last chapter, I examine findings from the above two chapters, through analysis of new development of business groups after deregulation. I attempt two reexaminations ; one is concerning obvious irrelevance of the patronage framework where business groups are viewed from political connection (4.1.2), and the other is concerning the still consistent changing nature of business groups, which suggests that the recent performance of business groups should be viewed in the historical perspective. Lastly, by discussing the recent conglomerate controversy, I clarify my conclusion : business resources accumulated in business groups and their actualized merits at present must be effectively utilized for the future development in Indonesia.