

CHAPTER 3

COMPANY PROFILE

In this chapter researcher will present the capital market industry in Indonesia that includes an overview of Indonesian capital market today, history of Danareksa, company profile and structure.

3.1 Indonesia Capital Market Industry Today

The year 2008 began with a high level of optimism, which was reflected by the Indonesia Stock Exchange's (IDX) Composite Index reaching a record high of 2,830.263 on 9 January 2008. (IDX Annual Report, 2008) This strong market sentiment was based on the assumption that Indonesia's economic growth would continue to perform as projected. Market players therefore initially shared a common optimism that the financial crisis, which began to affect markets in United States in July 2007, would be immediately managed and contained, thereby circumventing any broader impact to the world's economy, including the Indonesian economy.

In September 2008, the affects of the crisis would broaden with the closure of a number of world-class financial institutions. The Dow Jones index reached its lowest levels in the last 7 (seven) years. This would cause a dramatic decline of share price indexes for all of the world's major stock markets including the IDX Composite Index.

The IDX Composite Index declined sharply on 8 October 2008 causing the market to panic. To address this situation and to prevent investors from taking any hasty decision on their investment, the IDX took swift and effective action halting all trading activity at the Stock Exchange from the 8th until the 10th of October 2008. Other key measures taken included reductions to share price auto rejection limits, and the restriction of short-selling activities.

Despite the good market condition, Indonesian capital market is going through an unpleasant fraud case. One of the hottest case in year 2009 is Sarijaya Securities, This case is not the first time happened in Jakarta Stock exchange. By suspending the Sarijaya Securities, the client investor at Sarijaya will lose more money. The Capital Market and Financial Institution Supervisory Agency (Bapepam) informed detention on a senior staff of a securities company, Sarijaya Permana Sekuritas for alleged fraud (Darmasaputra, 2009).

Besides coordinating with the police, the agency has also instructed the Indonesia Stock Exchange to suspend Sarijaya Permana Sekuritas from trading. The Agency also instructed the Indonesian Clearing and Guarantee Corporation (KPEI) and Indonesian Central Securities Depository (KSEI) to freeze all the companies and its client's assets. The agency also forbids Sarijaya to pursue legal action on its securities and its clients' securities. One of the investor said, compare with another securities, this Sarijaya securities is the worst.

This case has put a bad name to Indonesian capital market and financial institution in operating what it is called by good corporate governance including the five basic principles: transparency; accountability; responsibility; independency; fairness (OECD, 2004; Kaihatu, 2006). This good corporate governance issue also has a strong relation in the internal marketing implementation of a company.

3.2 Indonesian Capital Market Structure

Capital Market and Financial Institution Supervisory Agency (Bapepam) specified the Indonesian capital market structure as follow (Figure 3. 2)



Figure 3.2 Indonesian Capital Market Structure

Source: Bapepam, 2009

The promulgation of Capital Market Law No. 8 Year 1995 provided the Indonesian capital market with sound legal foundation and extended Capital Market and Financial Institution Supervisory Agency (Bapepam) authority in the fields of regulation, development, supervision, and law enforcement. It also clarified the authority and responsibilities of SROs, capital market institutions and professionals, and firms doing business in the capital market.

3.3 Company Profile of PT Danareksa (Persero)

Here researcher would like to describe Danareksa' company profile in a brief taken from Danareksa Annual Report 2007 and Creating Value: 32 Tahun Danareksa.



Figure 3.3 Logo of Danareksa

Source: Danareksa Annual Report, 2007

3.3.1 History of Danareksa

PT. Danareksa (persero) was established in 1976 as a stated-owned enterprise with a primary task to promote capital market in Indonesia. Today, we are the country's leading & reputable investment banks with key business in investment banking, equity and fixed-income capital market, investment management, treasury and finance.

The history of capital market cannot be separated from the presence of Danareksa. Looking back, since its establishment 32 years ago, Danareksa has been involved with the raise and fall of the national capital market. The dynamic of capital market has formed Danareksa to have a strong existence up until now. Along the journey, Danareksa has passed several important milestones that led it to become the largest national investment bank today.

At the beginning, Danareksa was founded by the government to reactivate the national capital market. Danareksa successfully brought some large and well-known companies such as BAT, Unilever and Semen Cibinong to the capital market. As the only player in capital market, it was not surprising that up to 1989 Danareksa managed to cover almost 50% of public companies' shares. The role of Danareksa has strengthened since the introduction of capital market regulation in early 1990, marked by its success in selling shares of many large companies such as Hero and Indocement at the capital market.

Danareksa also started to underwrite various companies that required funds through debt instruments. In the same era and the 2000s era, its pioneer role has become even stronger since the government initiated the privatization program with Danareksa as strategic partner in underwriting and government advisor as well. Danareksa's name has been more respected due to its success in underwriting huge issuances from some large state-owned companies such as Semen Gresik, Indosat, Telkom, Bank BNI, PGN and Bank Mandiri. Being trusted by large companies is something Danareksa is proud of, as it also means

that it has solidify its position as the most competent investment bank in term of capital and human resources expertise.

Danareksa's pioneering mission must always be carried out regardless of all the risks involved. It is a commitment of Danareksa to hold it at all times, as this role is very crucial in developing our growing capital market. Danareksa Certificate distributed to almost every corner of the country. There are still a lot of products initiated by Danareksa, such as mutual funds, syariah based investment products, US dollar based mutual fund, etc.

On the other side, the demand from capital market industry has continued to grow dynamically and the competition has become even tighter. The emerge of new players is a very good development in one hand, but on the other hand reflecting a sign from Danareksa to take strategic steps in order not to be left behind.

To answer this challenge, in the last five years the management has taken several significant improvements, which started from revision of corporate culture, business strategies that emphasize in recurring income, up to the vision and mission of the Company. To accomplish the vision and mission, the management has taken some strategic steps, such as increasing efficiency, focusing in its core business and restructuring its foreign debts. In line with efforts to expand its service network to a wider scope, since 2003 Danareksa has been present in 8 big cities in Indonesia with more than 20 branches. The presence of Danareksa in these cities not only has a purpose to expand its customer base but also to reinforce its commitment to socialize capital market all over the country.

In an ever-progressing information technology era such as today, Danareksa is preparing a formation of cyber branch that will enable individuals to conduct transaction with Danareksa through internet. To secure Danareksa's position as a prominent investment bank, all of its business operations are supported by a reliable and integrated research. Danareksa is the only investment bank in Indonesia which is fully supported by a well known research institute namely

Danareksa Research Institute. Through this institution, Danareksa was the first to publish a periodic consumer confidence and business sentiment survey. In addition, this institution also provides a comprehensive data regarding macro economic and capital market situation, public companies and develop an Early Warning System (EWS) for economic growth trend.

In the future, Danareksa will continue to improve its efficiency and business competitive by focusing on its competitive advantage, by maintaining its corporate value and culture and implementing the most appropriate business strategy to ensure a stable and continuous flow of revenue.

3.3.2 Vision

To be the pre-eminent financial services company in the region.

3.3.3 Mission

- Create value to stakeholders by providing financial services, primarily in capital markets.
- Promote the development and education of the Indonesian capital market.

3.3.4 Corporate Strategy

- Attract and develop highly talented people who are committed to professional excellence and teamwork by providing the most conducive working environment for them to reach their maximum potential.
- Deliver top quality services through innovative products, financial prudence and operational agility.
- Constantly uphold our fiduciary duty.
- Get landmark deals by optimizing synergies among Danareksa group of companies.
- Capture and maintain our clients by implementing highly innovative marketing strategies supported by an effective distribution network.
- Support the Government's programs or deals and act as Investment Arm for the Republic of Indonesia.

3.3.5 Danareksa Subsidiaries

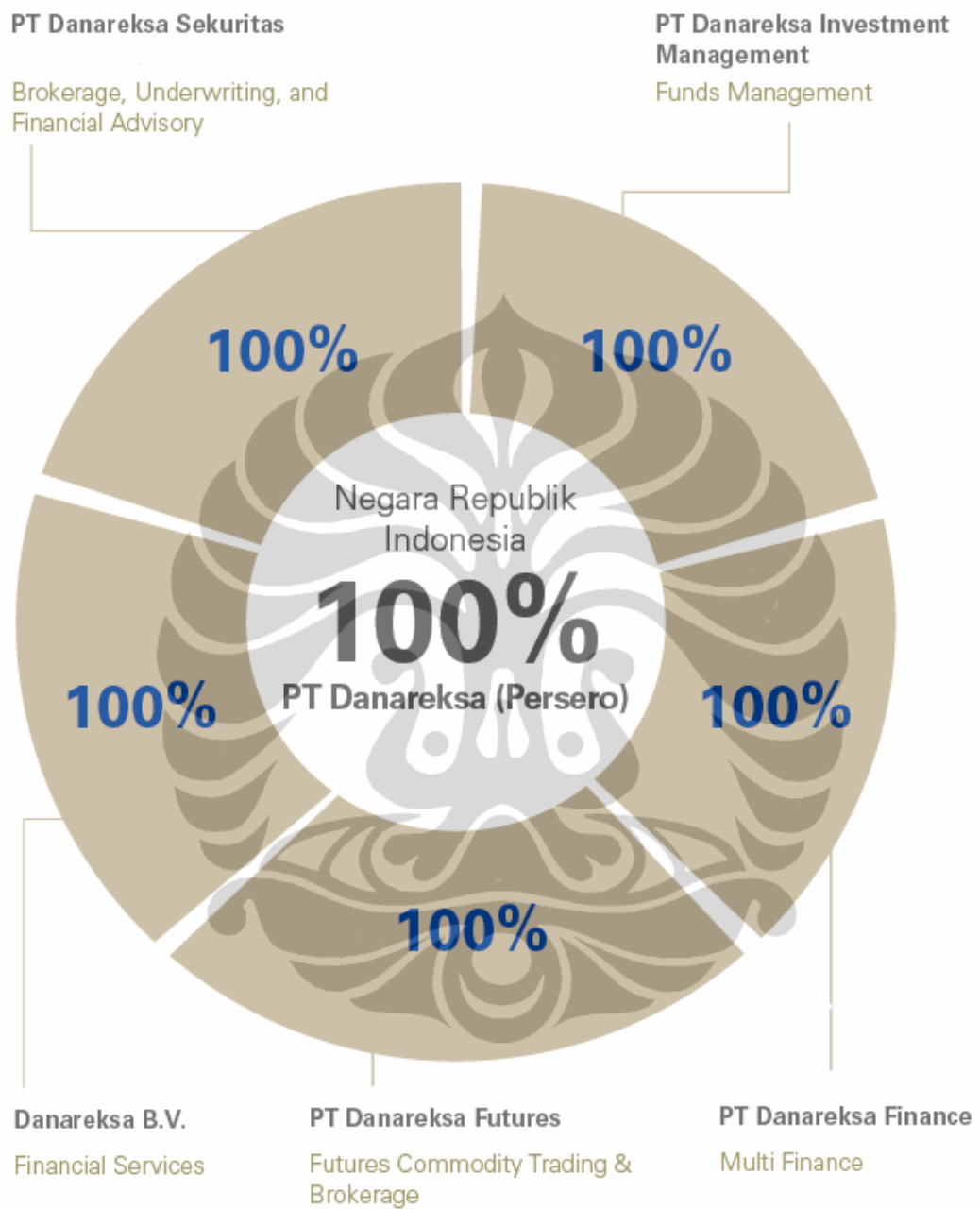


Figure 3.4 Danareksa Subsidiaries

Source: Adapted from Danareksa Annual Report (2007) and Creating Value: 32 tahun Danareksa (2008)

3.2.6 Danareksa Organizational Structure

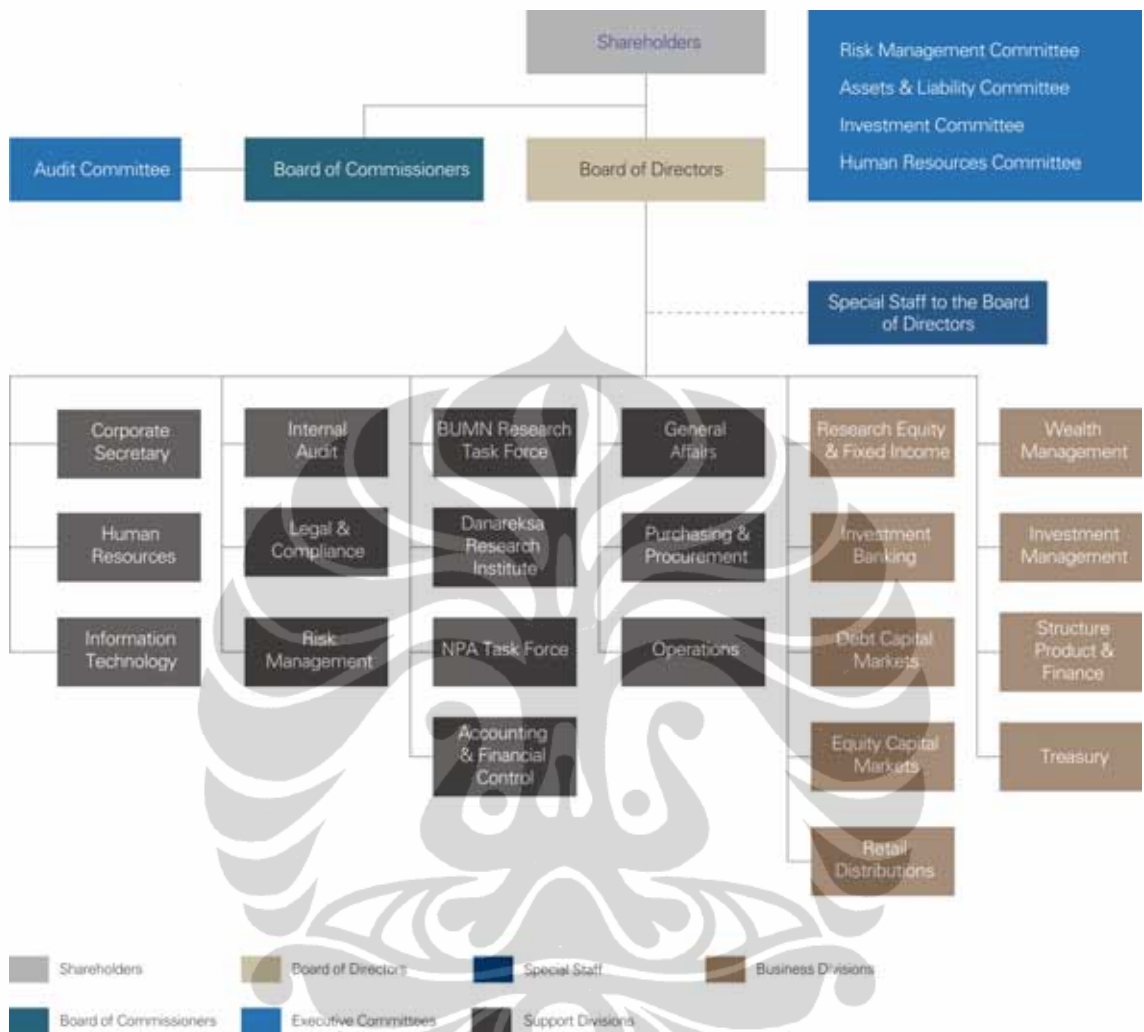


Figure 3.5 Danareksa Organizational Structures

Source: Danareksa Annual Report, 2007