

## PRESS RELEASE

### OJK URGES INDUSTRIES TO USE CAPITAL MARKET FINANCING

#### Funds from Capital Market Reach IDR 90 T in 2016

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Medan, October 18, 2016 — The Financial Services Authority (OJK) continues encouraging industry players, especially those in regional areas, to utilize the capital market as funding sources for developing their business.

“Companies have yet to optimize opportunities to receive funding from the capital market. With respect to demography, the use of capital market as funding sources is still dominated by companies domiciled in the Special Capital Region of Jakarta Province and nearby areas,” OJK Executive Head of Capital Market Supervision Nurhaida said when opening a dissemination event on the theme of “Capital Market as Funding Sources for Developing Local Industries” on Tuesday in Medan, North Sumatra.

The dissemination event, which was attended by more than 300 companies domiciled in North Sumatra, was designed to further spread information concerning the capital market to local businesspersons in order to boost its use as funding sources in regional areas, especially towards business development in the North Sumatra Province.

When more local companies undertake initial public offerings (IPO), such actions will surely raise local economies and encourage the rise of more diffuse economic centers that are not only concentrated in certain areas.

Nurhaida explained that funding from the capital market had its own plus points for the business world in particular and the public in general. The market directly brings together the public that has fund surplus and companies that need funding, so the absence of intermediaries is expected to bring down cost of funds.

“Entry of companies to the capital market could increase application of corporate governance, raise the companies’ image or reputation and they could even enjoy tax incentives,” she said.

So far, Indonesia’s capital market has shown positive trends. In 2016, it achieved record market capitalization and highest transaction frequency of all time. Indonesia Stock Exchange’s capitalization as of September 30, 2016, was IDR 5,799 trillion.

Currently, a total of 626 companies have taken advantage of the capital market to generate funds. In 2016, 12 new issuers issued their stocks through IPOs and managed to raise a total of IDR 10.7 trillion.

In addition to issuing stocks by means of IPOs, during 2016, some companies also implemented rights issue, and offered conventional as well as Islamic bonds, or *sukuk*. For the same year, the total funds gained from the capital market amounted to IDR 79.14 trillion.

Thus, throughout 2016, businesspersons in Indonesia have received funds of around IDR 90 trillion from the capital market through public offerings. It was a huge amount of fund, which the banking sector or financing firms alone might not be able to provide.

“Therefore, seeking funds by launching public offerings at the capital market is a financing alternative worth considering,” Nurhaida said.

Proceeds of public offerings are usually used for business expansion, like building new plants or increasing the companies' working capital.

Business expansion would enable issuers to improve their financial performance, which in turn would raise their operation and profits, enable them to offer more job opportunities and ultimately contribute to national economic development.

For the North Sumatra Province, so far only six companies that have utilized the capital market as funding sources, either by issuing stocks or bonds. They are PT Toba Pulp Lestari Tbk, PT Bank Sumut, PT Bank Mestika Dharma Tbk, PT Pelabuhan Indonesia I (Persero), PT Pembangunan Graha Lestari Indah Tbk and PT Atmindo Tbk.

Besides holding similar dissemination events in many areas, the OJK also consistently conducts market deepening and infrastructure reinforcement to the capital market, by simplifying further the IPO process, developing infrastructure for MSMEs intending to go public, launching IPO electronic registration (e-registration) system, and increasing the number of local investors.

This event also saw sharing of IPO success stories of two issuers, Atmindo Tbk, and PT Astra Agro Lestari Tbk. In addition, six securities companies, the Indonesia Stock Exchange (IDX) and the Indonesian Central Securities Depository (KSEI) participated in the event by providing consultancy services on benefits of investing in the capital market and how to collect funds to the dissemination participants.

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