

SPEECH
CHAIRMAN OF BOARD OF COMMISSIONERS OF
FINANCIAL SERVICES AUTHORITY
on
Gerakan Nasional Cinta (GeNTa) Pasar Modal
(National Movement for Love of Capital Market)
Istora Senayan, Jakarta, November 12, 2014

Assalamu'alaikum Warahmatullahi Wabarakatuh,
Good Afternoon and Greeting of Prosperity for All of Us,

Respected guests,

- Vice President of Indonesia, Bapak Haji Muhammad Juduf Kala
- Members of OJK Board of Commissioners, Ibu Nurhaida;
 - OJK executive officials;
 - Directors of PT Bursa Efek Indonesia, PT Kliring Penjaminan Efek Indonesia, and PT Kustodian Sentral Efek Indonesia;
 - Directors of listed companies in IDX, investment managers, and issuers;
 - Management of association in capital market;
 - Students of universities and colleges, and
 - All the pleased attending audience
1. First of all, let us always be grateful to Allah the Almighty because we are still blessed this afternoon with health and long age so that we can gather at this place in the launching event of *Gerakan Nasional Cinta Pasar Modal (GeNTa Pasar Modal)* .
 2. In this occasion, we express highest appreciation for the presence of Vice President of Indonesia. His presence here among tight work and other activities reflects his support for the efforts to improve society's literacy regarding capital market sector in Indonesia, particularly in the effort to leverage society's participation to invest in Indonesia's capital market.
- Distinguished Mr. Vice President, Ladies and Gentlemen,***
3. Indonesia's capital market development for the last 5 years shows a significant growth. It is reflected from the high growth of Indonesian Composite Index (IHSG) and capitalization of stock market at Indonesia Stock Exchange (IDX). In 2014, IHSG recorded its highest level of all time on September 8, 2012 at 5,246. Throughout the year 2014, IHSG's growth reached 16%, making it one of the best records in Asia region, as it was higher than Japan, Singapore and Malaysia.

4. Similarly with market capitalization that grew significantly. On November 5, 2014, stock market capitalization was recorded at Rp 5,064.01 trillion, occupying almost 57% of Indonesia's GDP in 2013.
5. Meanwhile, the number of our issuers within the last 5 years grew 5% per year in average. As of November 5, 2014, the number of our issuers has reached 501, comprising of both stock issuers and corporate bond issuers. Despite that the number was still below the figures of other ASEAN countries such as Malaysia (905) and Singapore (767), the growth of our issuers was the highest in the region compared to Singapore (0.1%) and Malaysia (-1.5%), which in fact had a decrease in the growth of number of issuers.
6. Nevertheless, the development of Indonesia's capital market is not solely determined by supply, but also by demand. Some of the ways are through growth in the number of investors and through increase in the number of investor's transactions, mainly by domestic investors.
7. Based on current data from Central Securities Depository (KSEI), the number of securities sub-accounts at Indonesia Stock Exchange today only reached about 459,000, with number of real investor, indicated by the many registered Single Investor Identity (SID), at more or less 358,000. Of the total number, the number of domestic investor occupied 97.4%, while the remaining 2.6% was of foreign investors. However, foreign investors dominated almost 60% of stock ownership in Indonesia's capital market. This condition has caused susceptibility in Indonesia's capital market against net sell position by foreign investors. Therefore, the number of domestic investors and their transactions must to be continually increased.
8. Currently, if compared to the total number of Indonesian middle class society as potential investors in capital market, which is at 134 million of people, the ratio of the number of investors in Indonesia's capital market is still small at a mere 0.27%.

Delighted Mr. Vice President, Ladies and Gentlemen,

9. In talking about the efforts to increase the number of investors in Indonesia's capital market, we cannot separate the matter with the efforts in improving society's literacy about Indonesia's capital market and improving the domestic investors base, both in the quantity and capacity of domestic investors.
10. Based on **financial literacy survey** conducted by OJK in 2013, only about 21.84% of Indonesian society really understood about financial services institutions. Meanwhile, in a more specific category, the result of OJK's national survey on financial literacy showed that only 28% students or college students have good level of literacy, with level of utility at 44%.
11. The surveys revealed that information about banking sector still dominated the level of financial literacy in Indonesian society, whereas the level of literacy about products and services in capital market sector remained really low at about 4%, with level of utility at less than 1%.
12. Before I report about the strategy to improve the number of domestic investors in Indonesia's capital market, let me convey information about the potentials of Indonesia's domestic investors, particularly middle class society, also the segment of Indonesian students and college students.

13. A study conducted by the World Bank (2012) showed that Indonesian middle class society in 2012 occupied 56.5% of the total 237 million inhabitants. In 2003, the number of people categorized in middle class reached 81 million people. But in 2012, the number has grown into 134 million, or an increase of 65% within only nine years.
14. Middle class society is often identified as consumer-state people to point out at a more consumptive society in fulfilling their lifestyle, including in their investment choices. They have a reasonably large demand on investment, but with minimum knowledge about investing in financial services sector, particularly in capital market. Most people of our middle class society still believe in conventional point of view regarding investing their excess fund, which is implemented by saving the fund in banks.
15. The small number of middle class society investing in Indonesia's capital market is also reflected in a small number of listed investors in capital market, compared to the number of middle class society in Indonesia.
16. Meanwhile, within a smaller scale, students and college students are considered as potential future investors, since they are expected to be a part of the new middle class society. Considering the fact that their literacy regarding Indonesia's capital market is still at a very low level, OJK must give them knowledge about finance, especially capital market, as early as it can. Thereby, the culture of saving and investment will become a habit, which will continue to be a part of their daily lives.

Distinguished Mr. Vice President and respected audience,

17. Considering the description as mentioned, we have to continually carry out the strategy on incessant education and socialization to society, especially to Indonesian middle class society and also to segment of students and college students. Society must be informed about the importance of investing to secure a better life in the future.
18. In order to support the objective, OJK through financial literacy strategy has implemented some financial education programs, among others were conducted through communication and publication media, and by cooperating with academics and higher education institutions. Events were held in a range of cities by inviting various levels of society considered to have minimum access to financial knowledge, including middle class society as well as Indonesian students and college students. Additionally, knowledge about capital market has now become a part of curriculum and taught to senior high school students.
19. The education and socialization efforts must be accompanied with efforts in market focusing through extension of product varieties offered in Indonesia's capital market, both in conventional capital market and in Sharia capital market, and by improving easy access to those capital market products. This has become an important matter so that society will have many investment alternatives that are interesting and easily accessible.

Distinguished Mr. Vice President and respected audience,

20. The whole description about growth in capital market indicators and reasonably large potentials of domestic investors illustrates a quite high optimism that Indonesia's capital market still have a large space to grow and develop better. *Gerakan Nasional Cinta Pasar Modal* (National Movement for Love of Capital Market) is one of joint efforts carried out by stakeholders in Indonesia's capital market in a bid to strengthen and develop Indonesia's capital market in the future.
21. For that reason, considering the importance of *Gerakan Nasional Cinta (GeNTa) Pasar Modal* in supporting the development of Indonesia's capital market, we would like Mr. Vice President to inaugurate the launching of *Gerakan Nasional Cinta (GeNTa) Pasar Modal* of the year 2014.
22. That will be all. Thank you.

Wassalamu'alaikum Warahmatullahi Wabarakatuh

Jakarta, November 12, 2014

Muliaman D. Hadad

Chairman of OJK Board of Commissioners