



Jakarta's first stock exchange: Operations and significance, 1890s-1950s

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1. Starting points

- **Asian financial markets still underdeveloped, except Japan, Singapore, Hong Kong**
 - **e.g. market capitalisation is generally low (e.g. Niblock *et al.* 2014) + modest role stock market (SX) in mobilising capital for investment, also in Indonesia**
 - **general assumption is that SXs in past of marginal significance, also in Indonesia**
- **Reasons:**
 - **economics: matter of general economic development (e.g. Beck 2003)**
 - **finance: matter of effective institutions, e.g. SX regulation (e.g. La Porta *et al.* 2000)**
- **But**
 - **Hannah (2015) found 1910 market capitalisation of listed firms in Indonesia = 3rd in Asia, suggests sizeable SX market**
 - **historical accounts of some active + growing pre-war SXs in Asia (e.g. Goetzmann *et al.* 2007 on Shanghai)**
- **What did Indonesia's first SX look like? How significant was market capitalisation?**

2. Joint stock companies in Indonesia, 1883-1940

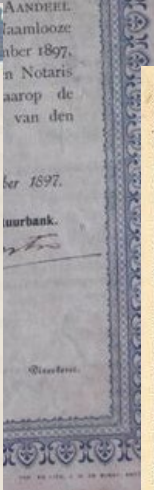
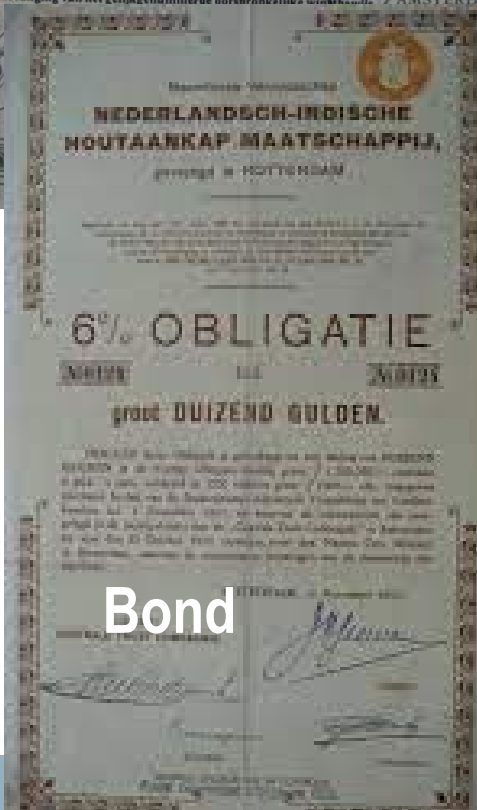
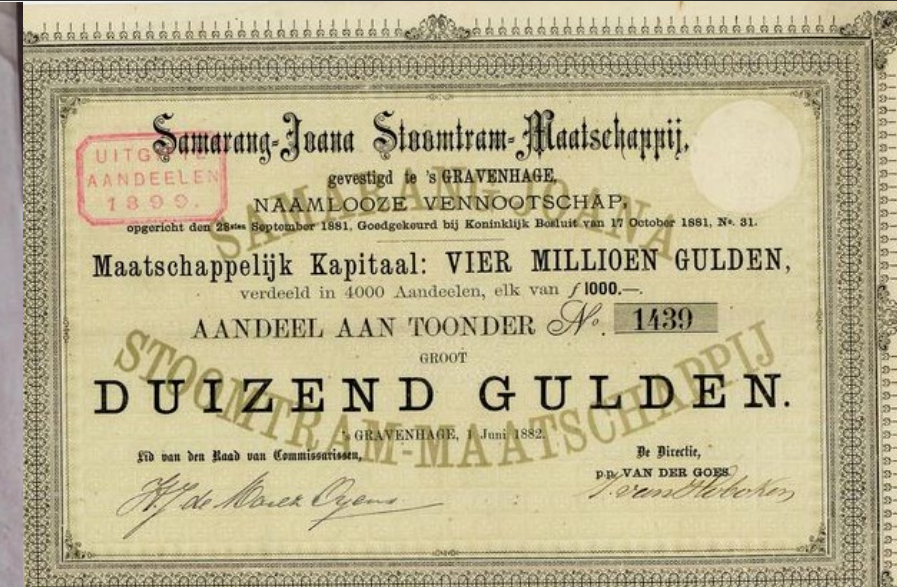
- Joint stock companies, registered for limited liability in Indonesia, The Netherlands or elsewhere
- 1910: ca. 350 = 17% had shares and/or bonds traded in Amsterdam and/or Jakarta SX
- 1929: 16%, 1938: 20%
- Most were privately owned firms whose shares/bonds were traded privately, if at all

	1883	1898	1910	1920	1930	1940
Companies incorporated in Indonesia:						
Chinese-Indonesian ^a	0	41	363	860	691	444
Middle Eastern-Indonesian ^a			16	34	18	11
Other ^b	} 91	} 589	1,081	1,961	1,365	996
Sub-total	91	630	1,460	2,855	2,074	1,451
Companies with headquarters outside Indonesia:						
The Netherlands	40	401	543	716	654	583
United Kingdom			48	129	97	84
Other countries	} 2	} 44	8	35	29	38
Sub-total	42	445	599	880	780	705
Total	133	1,075	2,059	3,735	2,854	2,156

Sources: 1883, 1898 A Campo (1995), Koloniaal Verslag; 1910-1940 *Handboek voor Cultuur en Handelsondernemingen in Nederlandsch-Indië* online database



Shares and bonds



Bond

Simau Mijnbouw:
IPO + listing in
Jakarta only

3. Jakarta stock exchange, nutshell

- **Securities trading in Indonesia since 1814, mainly bills of exchange**
- **Expansion after company legislation in Indonesia 1846, company shares traded**
- **Expansion after 1870 opening of agricultural sector to inward private FDI**
 - followed by inward FDI in minerals (oil, tin, gold, coal etc.) since 1890s
- **‘Kerb market’, hosted in the Jakarta Trading Association (JTA) building, but largely non-transparent + manipulated by mining owners → 1898 start formal self-regulated SX by the association of securities traders**
 - 1912 JTA re-self-regulated securities trading for traders + buyers + sellers
 - later also smaller formal SXs in commercial cities Surabaya and Semarang
- **Largest companies in Indonesia: incorporation + IPOs + SX listings in Netherlands**
 - their shares most frequently traded in Amsterdam, but also in Jakarta
- **Also IPOs in Indonesia, with shares (+ bonds) traded in Jakarta, also in Amsterdam**
- **Jakarta SX closed in 1942, re-opened 1952, marginalised 1958, re-established 1977**



1920s: Stock exchange in the building of '*De Handelsvereniging te Batavia*' (JTA) along Kali Besar West, the old business district in Central Jakarta





1930 Jakarta stock exchange room in the building of 'De Handelsvereniging te Batavia'



1936 Amsterdam stock exchange main hall



Australian National University

REGLEMENT

VOOR DEN

EFFECTENHANDEL,

FASTGESTELD DOOR

„DE HANDELSVEREENIGING TE BATAVIA”,

BATAVIA.

UITGAVE 1 AUGUSTUS 1914.

BATAVIA G. KOLFF & Co. 1914.

Self-regulation 1914

Also issued weekly *Prijscourant* with security prices and details of listed companies for investors, summarised in newspapers (*De Indische Courant* 1938).

No. 13 Dinsdag 13 November 1934 28e Jaargang.

DE INDISCHE FINANCIER

Versijnt Dinsdag en Vrijdag.

Officieel Orgaan van de „Vereeniging voor den Effectenhandel“ te Batavia.

ABONNEMENTSPRIJS PER JAAR (1 Oct. — 30 Sept. d.s.v.)
 BINNEN- en BUITENLAND / f. — Bij VOORUITBETALING
 Abonnementen kunnen met elke maand begijnen, doch loopen steeds tot 30 September van elk jaar. Lokke nummers 25 cents

Redacteur- en Circulator L. de Bree.

PRISJ DER AF-EXTENTIE
 Van 1 — 10 pagina's / 2.50. Elk regel meer / 0.25
 Grote letters naar plaatselijke

Knoersoverzicht van 10. — 13 November 1934.		H. V. A.		Cult. Ver. en		Cult. Ver. en		Cult. Ver. en		Cult. Ver. en		Cult. Ver. en		Cult. Ver. en		Cult. Ver. en		Cult. Ver. en	
Zondag 11. Nov.	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2	147 1/2

Productie-statistiek over de maand Oct 1934 van Onderzoekingen onder beheer van de firma Tiedeman & van Kerckom

Reorganisatie der Belgische Beursen

Specialised financial newspaper issued by association of securities traders for investors (De Indische Financier 1934)

BOEKHANDEL EN DRUKKERIJ v/h. G. C. T. v. DORP & CO.

Notering in de Prijscourant verkregen.

Aan een bericht in verband met de verkrijging van de notering in de Prijs-courant van de vereeniging voor den Effectenhandel te Amsterdam van de N.V. Boekhandel en Drukkerij v/h G. C. T. van Dorp & Co., gevestigd te 's-Gravenhage, ontlenen wij het volgende:

Het hoofdkantoor der vennootschap is gevestigd te 's-Gravenhage, welk kantoor belast is met den inkoop en de algemeene leiding der zaken. Het bedrijf wordt uitsluitend uitgeoefend in Ned.-Indië en wel sedert de oprichting der vennootschap te Semarang en te Soerabaja. Sinds 1922 ook te Bandoeng en sedert 1934 te Malang.

Het geplaatste kapitaal bleef sedert de oprichting onveranderd gehandhaafd op f 1.200.000. De vennootschap heeft geen bankschulden, geen hypothecaire verplichtingen of obligatieschulden en heeft deze ook sedert de oprichting nimmer gehad. Dank zij een conservatief beheer kon elk jaar dividend worden betaald, terwijl alle vernieuwingen en uitbreidingen uit eigen middelen werden gefinancierd. Desondanks beschikt de vennootschap ook thans nog over verschillende reserve tot een totaal van ruim f 400.000.

In 1937 bedroeg de netto-winst f 151.496 (v.j. f 69.300), het dividend 6% (v.j. 3 1/2%), en het onverdeelde dividend f 22.669 (v.j. nihil).

Voor 1938 worden wederom behoorlijke resultaten verwacht. De omzetten zijn nog steeds stijgend, hoewel door het onzekere verloop der goederenprijzen de resultaten nog niet nauwkeurig zijn te voorspellen.

Sedert 1910, toen de aandelen op verzoek van de aandeelhouders, is het fonds officieel genoteerd ter beurse van Batavia. De aandelen werden in 1937 bevestigd en in 1938 resp. 75 en 79 1/2%.

Hier te lande is het fonds niet-officieel als incourant fonds het laatste verhandeld op 27 Juli 1938 voor 90%. De

EFFECTEN			BATAVIA 5 Juni (Handelsvereniging)			Singapore, 5 Juni (Anip-Aneta-Reuters)		
AMSTERDAM-KOERSSEN			Batavia, 5 Juni (Handelsvereniging)			Singapore, 5 Juni (Anip-Aneta-Reuters)		
Amsterdam, 4 Juni (Anip-Aneta)			Abaco Bank	245	243 2/2	Abaco Bank	245	243 2/2
100			Ind. & M. 1.5	114	114	Ind. & M. 1.5	114	114
100			N.I. Handelsbank	114	114	N.I. Handelsbank	114	114
100			Kol. Bank	114	114	Kol. Bank	114	114
100			N.I. Esc. Mij.	114	114	N.I. Esc. Mij.	114	114
100			N.I. Esc. Mij.	114	114	N.I. Esc. Mij.	114	114
100			N.I. Esc. Mij.	114	114	N.I. Esc. Mij.	114	114

Stock market quotes on the Amsterdam, Semarang, Jakarta and Surabaya exchanges (De Locomotief, 1936)

SEMARANG-KOERSSEN			SOERABAYA-KOERSSEN		
Semarang, 5 Juni (Handelsvereniging)			Soerabaja, 5 Juni (Eigen-dienst)		
Amsterdam, 4 Juni (Anip-Aneta)			Javasche Bank	244	243 1/2
100			N.I. Esc. Mij.	114	114
100			N.I. Handelsbank	114	114
100			N.I. Esc. Mij.	114	114
100			N.I. Esc. Mij.	114	114

EFFECTENKOERS OFFICIEEL, DARI BEURS DI BATAVIA, (Ditaring petik).		EFFECTENKOERS DI NEW YORK	
No. 59.	Batavia, 11 Maart 1936.	Royal Service	63 1/2
Opemingskoersen		Cities Service	6 1/2
Soeda didjoel		Shell Union	18 1/2
paling paling		U. S. Steel	64 1/2
rendah tinggi		Anaconda	36 1/2
5% Gen. Strang '36	96 1/2 98 1/2	Bethlehem Steel	56 1/2
Javasche Bank	236 236	Corporate-trust	3 3/4
Handelsbank	115 1/2 110	Intern. Nickel	60 1/2
Koloniale Bank	60 1/4 50 1/2	Union Pacific	133 1/2
Escompto	75 1/2 78 1/2	General Electric	39 1/2
Voetenlanden	94 24	Standard-Brands	16 1/2
Lindetevens	78 78	General Motors	61 1/2
N. I. Spoor	37 37	Montgomery	40
Muni	150 1/2 158 1/2	Kennecott	36 1/2
M. Spong	268 262		
Bengkalis	115 115		
Alg. Exp. Mij.	165 165		
Cities Service	\$ 3 1/4 \$ 3 1/8		
Shell Union	\$ 11 1/2 \$ 11 1/4		
Aniem n.b.	178 178		
Verg. Pr. Veren	90 90		
Ardjoena	60 60		
Grdah	100 100		
SHI Ardja	80 1/2 80 1/2		

was in New-York 4 tot 5 punten lager. Local was in New-York 4 tot 5 punten lager. Local was in New-York 4 tot 5 punten lager. Local was in New-York 4 tot 5 punten lager.

PASAR COPRA DI LONDEN.		PASAR LADA DI LONDEN.	
Londen, 10 Mrt. (Reul. Comm)		Londen, 10 Mrt. (Reul. Comm)	
Maart/April	2 13/16 d. p. it	Lada Item Singapore	
Lada poeti Muntok		Maart/Mei	\$ 7/16 d. p. it
Maart/Mei	\$ 7/16 d. p. it	Lada Item Lampong	
Maart/Mei	\$ 7/16 d. p. it	Maart/Mei	2 1/2 d. p. it

PASAR TEMA PORTIR.	
Londen, 10 Mrt. (Reul. Comm)	
Spot	19 8/16
Forward	19 7/16
Di New York	44 3/4

Stock market quotes also in Indonesian-language + Chinese-Indonesian newspapers (Sin Po, 1936)

EFFECTENKOERS DI AMSTERDAM.	
Amsterdam, 10 Mrt. (Aneta)	
4 1/2 % Indie '30	98
4 1/2 % Indie '31	98
4 % Indie '34	97 1/2
4 % Indie '34 A	97 1/2
5 1/2 % Youngplanning	33 1/2
Keitngyoung	34
Amsterdamsche Bank	113
Javasche Bank	233 1/2
Koloniale Bank	50 1/2
Ned. Bank Cert.	145 1/2
Ned. Ind. Handelsbank	116
N. H. M. Cert.	128
A. K. U.	25
Calve. Cert.	50 1/2
Phine	100

- **Stock exchange is a secondary market, IPOs + later share issues are the primary market**
- **Sellers: those holding shares after IPOs + after later share issues**
- **Buyers: investors wanting paper that retains value, entitles them to dividends, is liquid (can be readily sold):**
 - **personal investors + institutional investors (insurance companies, pension funds)**
 - **not just Dutch-Indonesian residents, also others, e.g. growing Indonesian and Chinese-Indonesian middle-income earners**
- **Brokers: informal = merchants / traders + formal = association members**
- **Methods of shares and bonds trading:**
 - **formal on SX: companies + governments pay annual fee to SX + agree to SX disclosure rules (annual report etc.) + accept deal transparency, daily trading session by brokers**
 - **informal / kerb market: shares and bonds all other firms**
 - **highly non-transparent, deals sometimes via newspaper adverts**

4a. Securities trade: Basic numbers

- **Securities listed for trading at SXs:**
 - shares (equity) + bonds of companies operating in Indonesia
 - bonds of central/local governments in Indonesia
 - in Jakarta + Amsterdam
- **To aggregate & compare need market capitalisation of company shares = aggregate of authorised/approve capital x annual average SX quote**

a. Other = preference shares, share certificates or profit shares without voting rights etc.

		Amster- dam only	Jakarta only	In both markets	Total
1910	Company shares, ordinary	126	104	37	267
	Company shares, other ^a	32	8	4	44
	Company bonds	49	5	2	56
	Government bonds	0	0	0	0
	Total	207	117	43	367
1929	Company shares, ordinary	180	95	64	339
	Company shares, other ^a	83	15	11	109
	Company bonds	64	59	16	139
	Government bonds	0	5	56	61
	Total	327	174	147	648
1938	Company shares, ordinary	142	71	64	277
	Company shares, other ^a	54	12	4	70
	Company bonds	42	20	9	71
	Government bonds	0	7	15	22
	Total	238	110	92	440



Largest firms in Indonesia by market capitalisation, 1929

Name	Industry		Approved capital (mln f)	Av. price-to-book ratio (par = 100)	Market capitalisation (mln f)
A. 8 largest companies, shares listed in Amsterdam only (A) or in both Amsterdam and Jakarta (B)					
KNMEP ('Royal Dutch')	Oil	B	600	396	2,373
Handelsvereniging Amsterdam	Estates / trade	B	50	630	315
Nederlandsche Scheepvaart Unie	Shipping	B	150	206	309
Bataafsche Petroleum Maatschappij	Oil	B	300	97	290
Dordtsche Petroleum Maatschappij	Oil	A	66	379	250
Nederlandsche Handel Maatschappij	Finance	A	125	173	216
Nederlandsch-Indische Handelsbank	Finance	B	100	165	165
Koninklijke Paketvaart Maatschappij	Shipping	B	50	235	117
Deli Maatschappij	Tobacco	A	30	366	110
B. 8 largest companies, shares listed in Jakarta only (J)					
Bandongsche Kinine Fabriek	Manufacturing	J	4.0	323	12.9
Simau Mijnbouw Maatschappij	Mining	J	1.5	616	9.2
Pangledjar Cultuur Maatschappij	Agriculture	J	1.0	633	6.3
Gem. Electriciteits Bedrijf Bandoeng & Omstr.	Electricity	J	2.3	222	5.0
Alg. Ind. Mijnbouw en Exploratie Maatschappij	Mining	J	1.0	473	4.7
Kertasari Tea Company Ltd	Tea	J	0.9	510	4.6
Kertamanah Landbouw Maatschappij	Agriculture	J	1.0	439	4.4
Tjilentab Landbouw Maatschappij	Agriculture	J	1.0	434	4.3

4b. Securities trade, market capitalisation

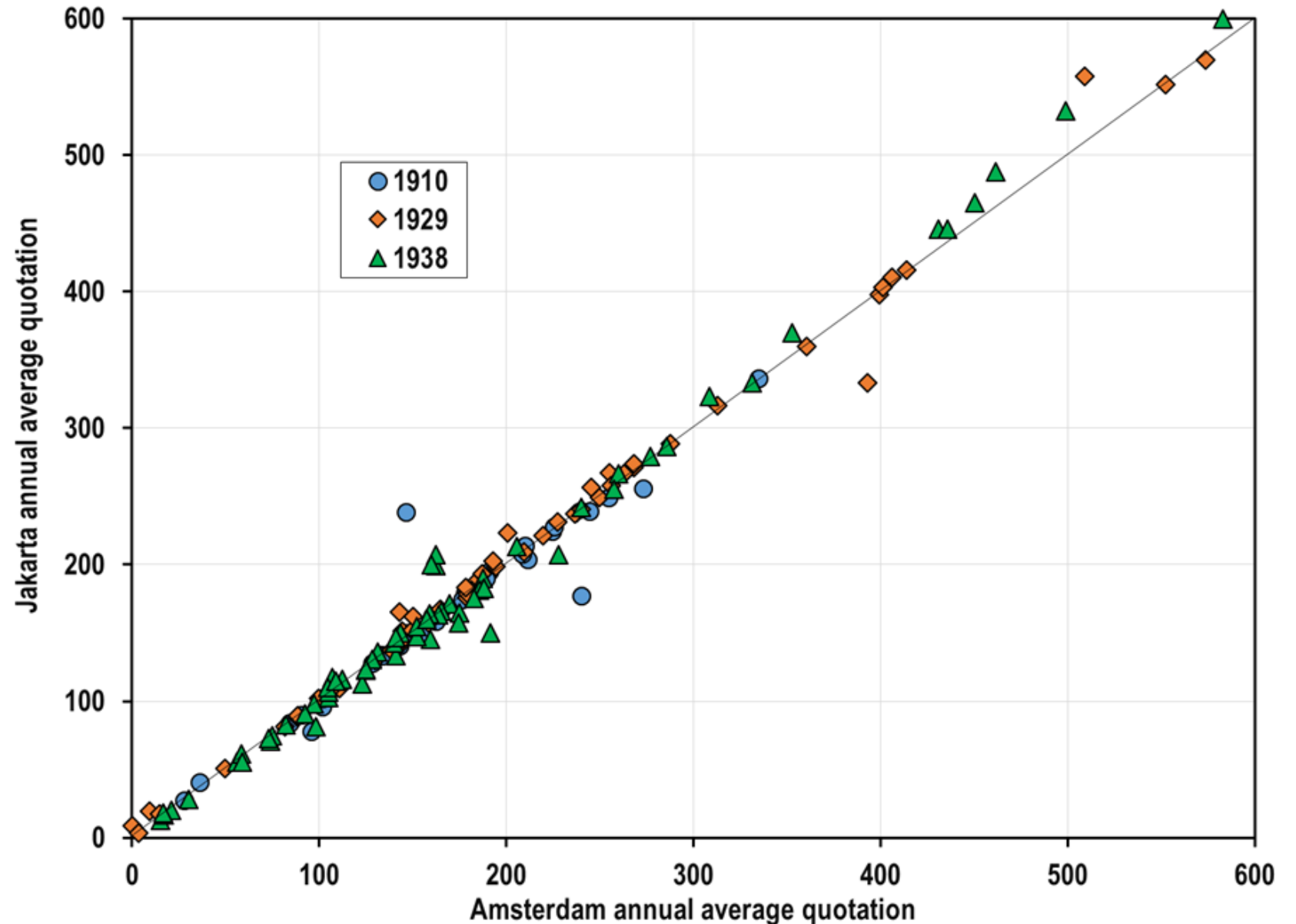
- **1929+1938: ‘Royal Dutch’ (Shell) excluded**
- **As ratio of GDP:**
 - **1910 0.43 → 1938 1.03**
 - **Jakarta only: local + dual-listed maybe 1910 0.08 → 1938 0.16**
 - **compare Hannah (2015): 1910 0.44**
 - **or Rajan & Zingales (2003)**
 - **Japan 1913 0.49, 1929 1.20, 1938 1.81**

		In Amster- dam only	In Jakar- ta only	In both markets	Total
1910	Market capitalisation of equity (mln f)	315	78	717	1,110
	<i>Idem</i> , as a ratio of Indonesia GDP	0.12	0.03	0.28	0.43
	Average market value of equity (mln f)	2.0	0.7	17.5	3.6
1929	Market capitalisation of equity (mln f)	1,720	203	2,245	4,168
	<i>Idem</i> , as a ratio of Indonesia GDP	0.27	0.03	0.36	0.66
	Average market value of equity (mln f)	6.5	1.8	29.9	9.3
1938	Market capitalisation of equity (mln f)	1,111	203	2,119	3,432
	<i>Idem</i> , as a ratio of Indonesia GDP	0.33	0.06	0.64	1.03
	Average market value of equity (mln f)	5.7	2.4	31.2	9.9

5a. SX co-integration: Jakarta and Amsterdam

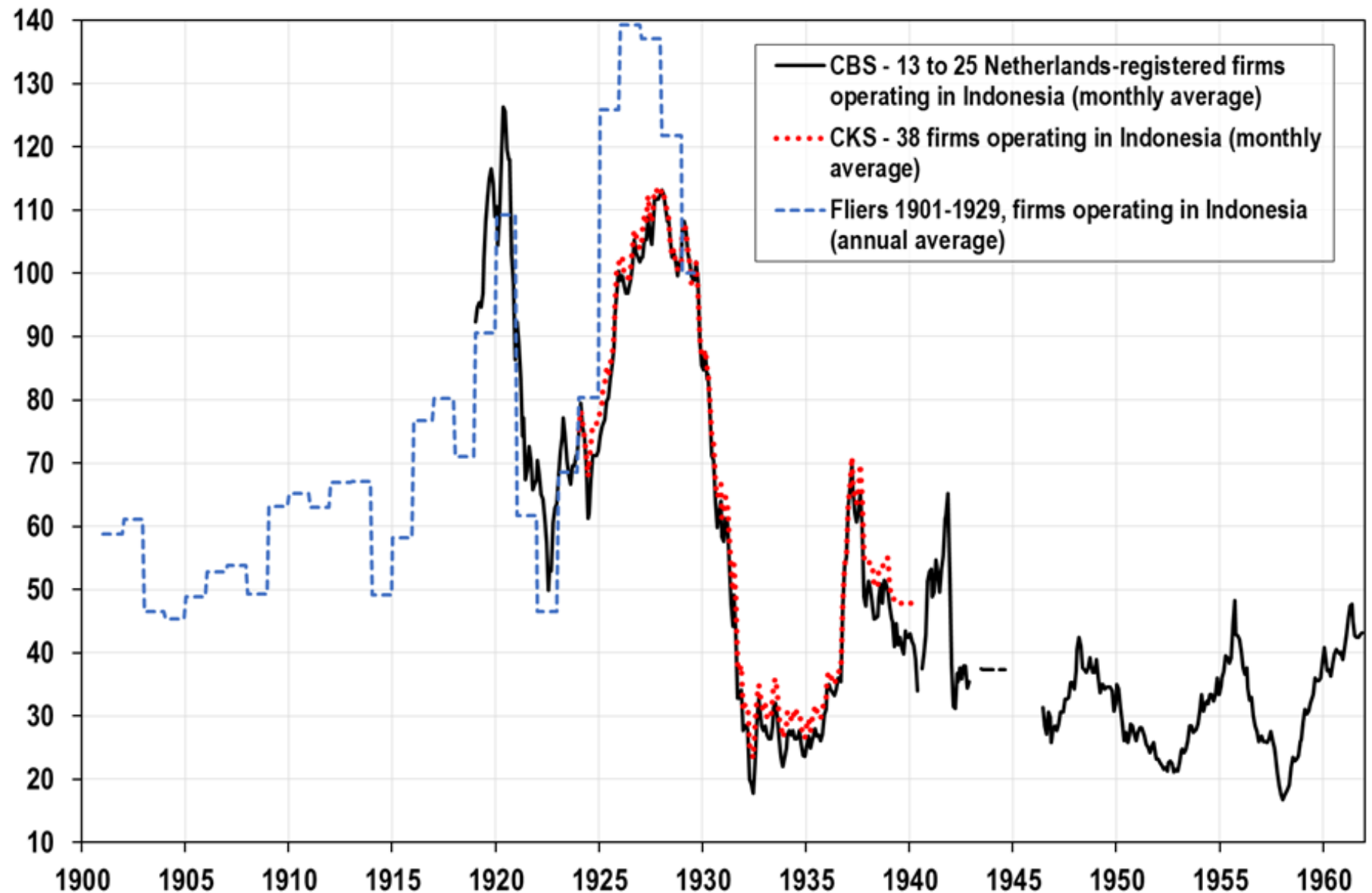
Only annual average quotations of shares, not bonds

Outliers caused by imbalance in volume of trading across year + different quotes early in the year vs. later in the year, due to mid-year annual reporting



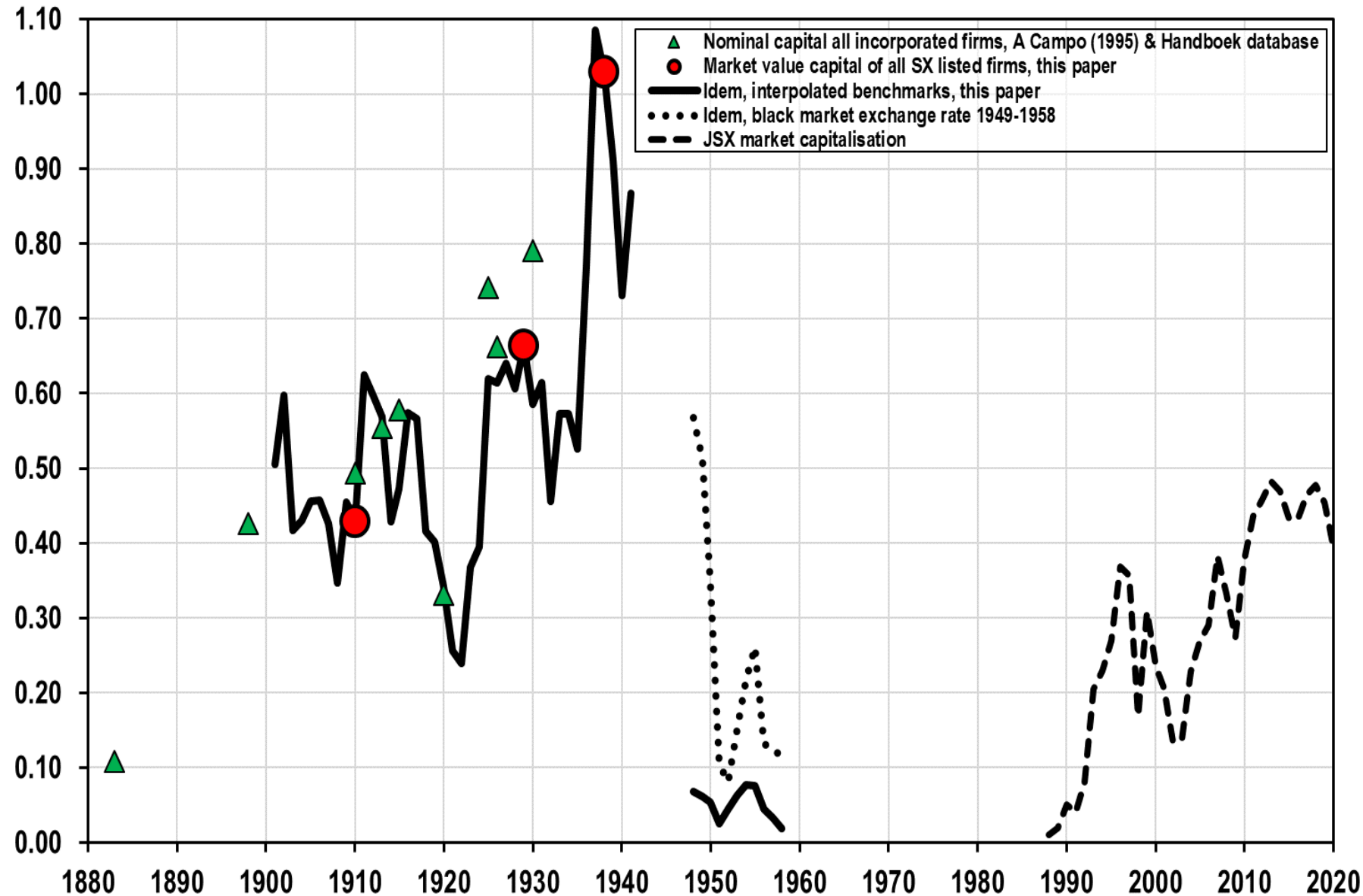
5b. SX co-integration: Jakarta and Amsterdam indices

- Monthly indices compiled separately
- Created by linking sub-indices for sub-periods, each with different + different numbers of companies
- 1929 av. = 100
- 1924-1940: co-movement = co-integrated markets
- Volatility = primary commodity related
- 1950s value eroded: inflation + uncertainty business in Indonesia



6. Ratio of market capitalisation and GDP, 1883-2020

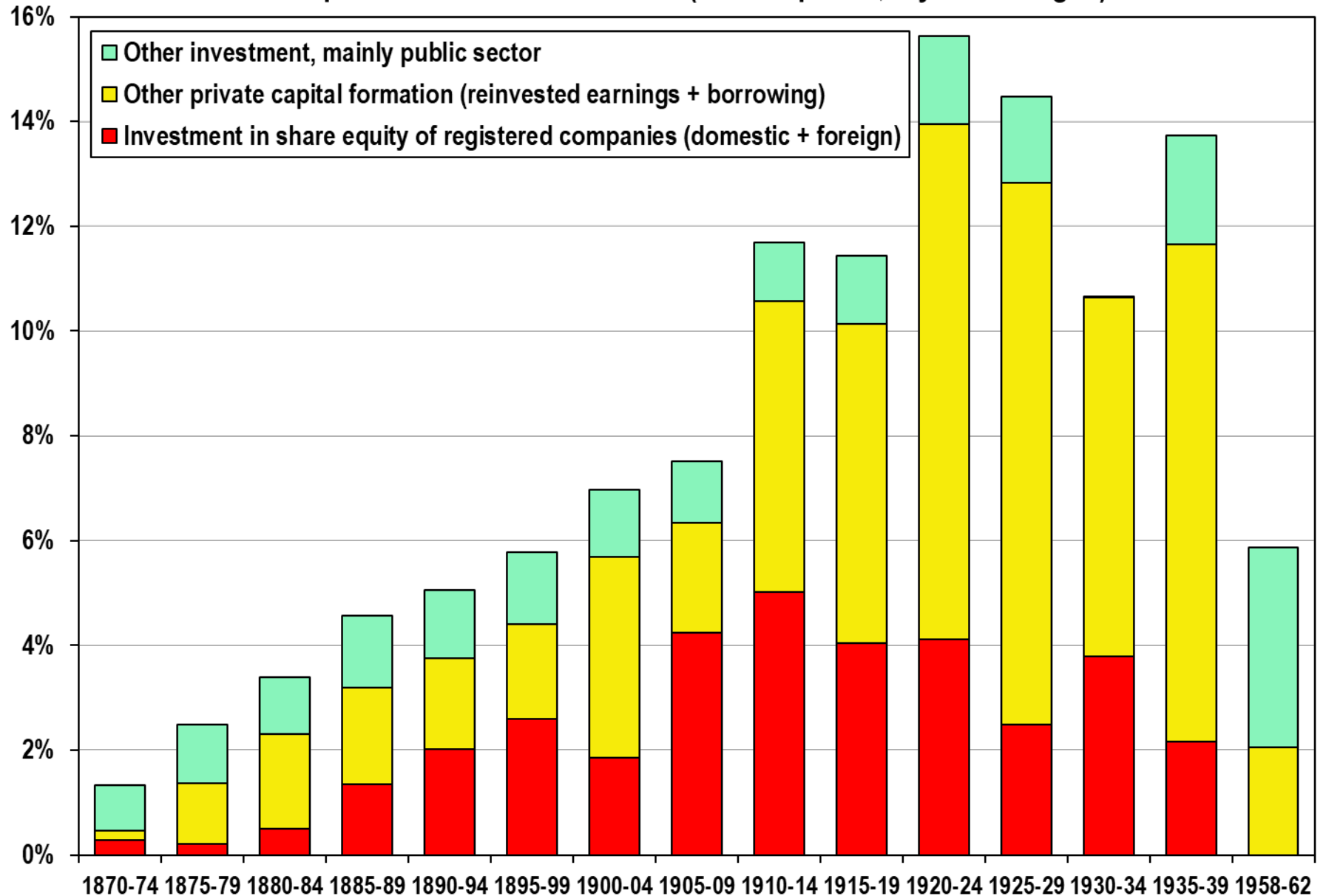
- **Market capitalisation as a ratio of GDP in current prices**
- **1883-1930 nominal capital**
- **1988-2020 Jakarta added**
- **1901-1941 relatively high, but fluctuating =**
 - turbulent primary commodity markets
 - GDP fluctuations
- **Low level 1950s:**
 - investor scepticism
 - overvalued exchange rate of Indonesia



7. Capital formation as % of GDP, 1870-1962 (flows)

Red: Annual authorised capital = investment in shares of new firms + (since 1910) additional authorised capital in existing firms

Yellow: also includes investment other than shares = re-invested earnings + borrowing + investment by non-registered informal companies



8. Conclusion

- **Active SX in Jakarta 1898-1940**
 - a self-regulated secondary market with brokers trading bonds and shares
 - co-integrated with Amsterdam SX, due to dual-listings of large firm securities
- **Market capitalisation / GDP ratio 1910 comparable to Hannah (2015), comparable to Japan, 1929 + 1938 higher than Indonesia in 2010s**
- **Jakarta SX grew + diversified: served growing number individual + institutional investors**
- **What matters: secondary markets existed in Jakarta + Amsterdam where investors could near-instantly sell securities 1890s-1940s**
 - this contributed to mobilisation of investment capital through IPOs + later issues
- **Case demonstrates that significance of SX does NOT necessarily depend on**
 - advanced stage of economic development: pre-war Indonesia GDP/capita was low
 - government regulation: pre-war Jakarta SX was self-regulated