

25th Meeting of the Wiesbaden Group on Business Registers
- International Roundtable on Business Survey Frames

Tokyo, 8 – 11 November 2016

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Session No. 7

"Globalisation and Profiling"

The Determination Study of the Selection Criteria for Particular Group Enterprises/ Enterprises to be profiled in BPS – Statistics Indonesia

Abstract

Profiling is the practice of using company accounts, often accompanied by interviews with senior enterprise officials, to build and define the structure of enterprises, mainly those involved in large complex enterprise groups/ enterprises. The larger and more complex enterprises that individually make a significant contribution to the country's Gross Domestic Product (GDP) should be included in the profiled population. The number of enterprises to be profiled will be determined on an objective basis. The criteria for selection of the particular enterprises to be profiled should be determined. In addition to overall size other selection criterion will include the significance of an enterprise in a particular province or industry and the complexity of the enterprise group structure.

For developing countries that haven't statistical business register yet like Indonesia, there is no standardized criteria for the determination that available. Because of the initial data integration, no common indicator variables can be used for comparability. The criteria can be subjective, so that there is a need an approach what criteria to be used to replace the indicator variables. In Indonesia, profiled population determined based on revenue from list of Top 100 Largest Private Group in Indonesia published by business magazine and State-Owned Enterprises. Another approach used as base for profiled population is listed companies on Indonesian Stock Exchange. Those list was profiled using information from the annual report and financial statement. Both profiling data result are combined and considered as profiled population. This population through the study is examined to find particular characteristics of large and complex enterprise groups/ enterprises. The result provide interesting descriptive information about the selection criteria to be applied.

I. Introduction

One of statistical sources to update Statistical Business Register (SBR) is profiling. Profiling is the practice of using company accounts, often accompanied by interviews with senior enterprise officials, to build and define the structure of enterprises, mainly those involved in large complex enterprise groups (United Nations Economic Commission for Europe, 2015). The purpose of profiling is to ensure SBR coverage unit reflecting the national economy, to improve the SBR data quality, and to produce a reporting structure appropriate for the surveys.

The number of enterprises to be profiled are determined on an objective basis. Some factors need to consider in deciding the number of profiled population before a profiling cycle is starting. The factors involves cost, time, and human resources to do the profiling. The number of profiled units is determined to be particular number (n) based on the availability of these factors. The selection of n enterprises from total number of businesses have to be carefully prioritized for those that meet the large and complex criteria.

Determining the enterprises to be subject to profiling is, thus, a matter of defining the criteria for assessing whether they are large and complex, and of identifying the enterprises that satisfy these criteria.

Large Criteria

Statistics Indonesia, known as Badan Pusat Statistik (BPS), is in initial development stage of SBR. At present, BPS SBR used a refered population to be profiled population with external criteria of large. Profiled population in BPS is compilation of three sources: 1) list of top 100 largest private group in Indonesia by revenue published by a business magazine; 2) list of State-Owned Enterprises (SOEs) from Ministry of State-Owned Enterprises (Ministry of SOEs); and 3) list of listed companies on Indonesian Stock Exchange.

a. Top 100 Largest Private Group in Indonesia by revenue

For private sector, BPS refers to the Top 100 Largest Private Enterprise Groups in Indonesia based on revenue released by Globe Asia magazine. Globe Asia magazine publishes an annual ranking of the richest in Indonesia and the largest private enterprise group. Globe Asia Top 100 Groups list have become valuable resource material on the growth and development of the Indonesian economy and the country's largest business groups. The ranking order by the annual revenue estimated to the last financial year. Government are not included in the list. Foreign-owned enterprises operating in Indonesia are also included if their sales figures in Indonesia for a year they will enter. There are changing rank in the list as well as the appearing of new player.

b. State-Owned Enterprises

For public sector, the list of SOEs is obtained from directory of SOEs maintained by the Ministry of SOEs that has task on formulation and determination of policies in the field of development of of SOEs, including management of country property /share and supervision of SOEs. There are lot of mergers and acquisitions in 2014 related to government and Ministry of SOEs policies (Table 1). Not all SOEs are in large criteria, however since they owned by the

government, SOEs are considered play an important roles to the national major economy in strategic industry.

Table 1. Total number of SOEs from 2013-2016

	2013	2014	2015	2016
Listed/ Public SOEs	20	20	20	20
Non Listed SOEs	105	85	84	84
Special Purpose Entity (Perum)	14	14	14	14
Total Number of SOEs	139	119	118	118

c. Listed Companies on Indonesian Stock Exchange

Indonesia Stock Exchange is a stock exchange located in Jakarta, Indonesia. It has complete and updated information of listed companies for profile, annual report, and financial statements of the company publicly available in its website. As 2016, the Indonesia Stock Exchange had 537 listed companies including both private-owned and state-owned enterprises. Capital markets develop dynamically. More than half of largest businesses are listed companies.

Furthermore, survey areas in BPS, known as Subject Matter Areas, implement different specific criteria for large enterprises for different industry. For most business engaged in services, the criteria follows Law of the Republic of Indonesia Number 20 of 2008 regarding Micro, Small And Medium Enterprises have a net worth of more than IDR 10,000,000,000 (ten billion rupiahs), excluding land and buildings or has an annual sales turnover of more than IDR 50.000.000.000 (fifty billion rupiahs). Nevertheless, several SMAs have specific criteria for large businesses. For manufacturing, the criteria of large business determined based on workforce of 100 people or more. For construction, the qualification large enterprises based Regulations of National Construction Services Development Board Number 10 Year 2013 Concerning the Registration of Construction Service Companies includes two sub-qualifications a) large 1 (B1) for enterprises that have a net worth more than IDR 10.000.000.000, - (ten billion rupiah) up to IDR 50,000,000,000, - (fifty billion rupiah) and b) large 2 (B2) having a net worth of at least IDR 50,000,000,000, - (fifty billion rupiah). For hospital, based on the type of services provided according Regulation of Minister of Health Number 56 Year 2014 concerning the Classification and Licensing of Hospital, hospitals are categorized in general hospital and special hospital. General hospital classified as: class A, B, C, and D, whilst special hospital classified as: class A, B, and C. SMA determined the large hospitals for them which classified in class A and B. For hotels, based on Regulation of the Minister of Tourism and Creative Economy Number PM.53/HM.001/MPEK/2013 on the standard business hotel, hotels are classified into star hotels (1-5 star) and non-star hotels. The classification is determined by the basic requirements consist of: product/ facilities, services, and management. The SMAs other than those have been mentioned before, categorize businesses with legal entity (formal sector) as large and medium enterprises.

Complex Criteria

Beside the large criteria, complex criteria should be assessed for SBR profiled unit selection. So far before SBR was developed, BPS did not produce information of structure to comply with this criteria. However, 2016 Economic Census data has incorporated the business network information collected that can be used for further exercise once the data result obtained.

BPS SBR, for desired future, plan to load 2016 Economic Census data result as its initial database. After the loading, the data have to continuously maintained and updated. By having the criteria for profiled population, the SBR database then can be divided into two populations for updating strategy: profiled and non-profiled population. The profiled population may expand the external data to include units not in external data but showing significance contribution for economy found from the field.

This paper illustrate BPS determination study to find particular characteristics of large and complex enterprise groups or enterprises to be subject to profiling. BPS SBR current profiled population can be used as data exercise for the criteria. Based on this list, statistics of several indicators that manifest large and complex criteria are produced. Thus, the statistics can be used as criteria overview to select units for profiling.

II. The Determination Criteria Study

According to guideline published by African Development Bank (2014), an enterprise is considered for profiling if it meet one of criteria presented in the Table 2:

Table 2. Profiled Unit Criteria According African Development Bank (2014)

Large criteria	Complex criteria
<ul style="list-style-type: none"> • it is one of, let say, the 200 largest enterprises in the country; or • it makes a significant contribution to the estimates in its particular industry; or • it is identified by one or more survey areas as being of particular importance or sufficiently large to be in the certainty stratum for the survey. 	<ul style="list-style-type: none"> • it has several divisions, or • it has local units in several different areas, or • it has several administrative units of the same type, or • it is the top operating legal unit within an inter-corporate ownership group, or • it is particularly difficult to survey.

Indicators evaluated

The criteria from the guideline can be break down into several indicators for selecting the units to be profiled. Using profiled population data indicating largest businesses in Indonesia, the indicators are evaluated through the study. The indicators includes:

- number of subsidiaries, to assess complex criteria in business structure and network. Enterprise with multi-subsidiaries tend to be complex in data reporting.
- annual revenue, to assess large criteria in size.
- total assets, to assess large criteria in size.
- location distribution.

Statistical and institutional units

Statistical unit studied is in the level of enterprise groups or top parent enterprises, which controls all legal units of the group and is not controlled by any other legal unit. In this level of statistical units, the profiling task distribution can be applied in comprehensive information in structure with top-down approach. For institutional units, its limited to financial and non-financial corporation units.

Study observation units

Profiling activity in BPS has started at the end of 2013 by profiling one enterprise group. The activity is intended as a pilot study to define profiling procedure. Subsequently in mid 2014, profiling has been done to 105 private enterprise groups and 118 state-owned enterprises in Indonesia for large businesses data exploration to be included in SBR initial database. Later in 2015, profiling was conducted to update and relate profiled businesses that have been recorded from the data exploration in 2014. The sources used in 2015 is the same with previous years but there are several changes in units from the sources because of merger, acquisition, and changing rank. In 2016, BPS has also conducted profiling for 537 listed companies on Indonesian Stock Exchange for 2016 Economic Census quality improvement purpose. The three resources involved limited only for corporations which institutional units producing good and services for profit purpose.

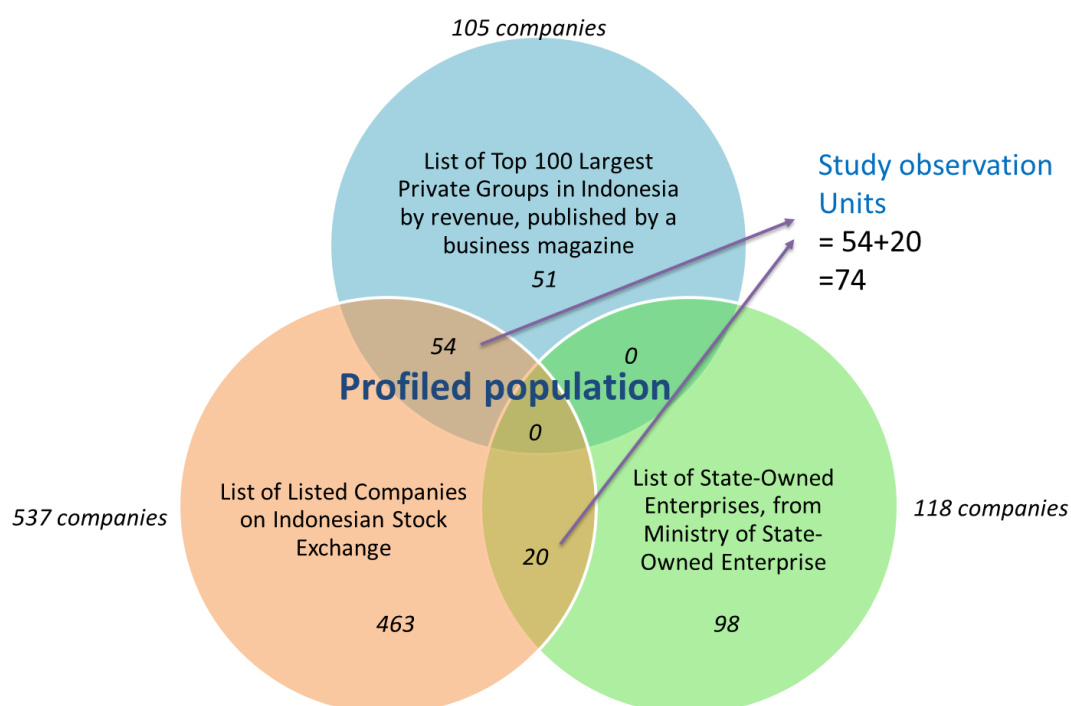


Figure 1. Number of Units of Profiled Population

The profiling result from the three sources that filtered only for the intersection units, which is listed companies, is used as observation units for this study to derive indicators for large and complex businesses (Figure 1). The restrictions on coverage is applied due to the data availability and

comparable indicators. The indicators themselves are not easily obtained from businesses, but fortunately listed companies have their indicators reported publicly for investors.

III. The Study Results

From the observation population, descriptive statistics is produced on Table 2 and Table 3.

Table 2. Descriptive statistics of indicators

	Number of subsidiaries	Number of workers	Total revenue (billion IDR)	Total assets (billion IDR)
Min	0	82	482	1.162
Max	49	149,532	184.196	910.063
Average	8	9550	18.622	66.544

Compared to criteria from SMAs and government regulation, the threshold of the population is found much higher.

Table 3. Distribution of enterprise groups headquarter in provinces

Province	Number of enterprises
Banten	5
DKI Jakarta (Capital city of Indonesia)	63
Jawa Barat (West Java)	3
Jawa Timur (East Java)	2
Sumatera Selatan (South Sumatera)	1
Grand Total	74

IV. Conclusion

Conclusions obtained from the study as follow:

- a. Large businesses indicators for selection of profiled units can be derived from business scale classification/ criteria used by SMAs for survey stratification purpose and government for registration and licensing purpose, but need to increase the threshold.
- b. Complex businesses indicators for selection of profiled units need to be included and recorded and updated in SBR database: number of subsidiaries, company network, and survey response-rate.
- c. Future study to be elaborated:
 - More indicators to be evaluated: industry contribution, turnover, location distribution of subsidiaries, and company network
 - Enterprise groups may too large and complex to be profiled by one profiler. Defining sub-groups may useful for profiling task distributions.

V. References

African Development Bank. (2014). *Guidelines for Building Statistical Business Registers in Africa*.
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