

# Philanthropist Tahir Earns Doctoral Degree at UGM

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Philanthropist Dato Sri Tahir has earned a doctorate in leadership and policy innovation from Universitas Gadjah Mada (UGM) on Friday (30/8).

Tahir earned the doctorate after defending his dissertation titled *Economic Study in Institution and Leadership: Case Study of Banking Rescue Policy amidst Monetary Crisis in 1997/1998* at UGM Graduate School. He passed cum laude in the open examination.

Senior figures that attended the examination were Head of Presidential Staff, Moeldoko, Industry Minister, Airlangga Hartarto, founder and chairman of Lippo Group, Mochtar Riady, founders of UPH Foundation, James T Riady, Jusuf Wanandi, former Chief of Police, Dai Bachtiar, Judge of Constitutional Court, Saldi Isra, former Rector of UGM, Dwikorita Karnawati, also other officials, businessmen as well as professionals.

Tahir described his research in the factors that aggravated the Indonesian financial system between 1997-1998. Adopting New Institutional Economics (NIE) theory, Tahir saw that the fundamental condition of macroeconomy and microeconomy of Indonesian banking prior to the monetary crisis also contributed to the crisis. Information institution also impacted badly on the effectivity of formal institutions. The informal institutions that grew in the banking sector since 1970 until October 1998

were rampant nepotism, cronies, and corruption among bankers and government bureaucracy. This counterproductive culture had facilitated the relations between government and bankers.

“This resulted in the weak professionalism of the Bank of Indonesia and Indonesian Bank Restructuring Agency (BPPN) in controlling the banking sector so that banking rescue was no longer effective in restoring the banks,” he said.

Other factors to contribute were the lack of strong authority of monetary and banking institutions that led to moral hazards. Political and bureaucratic intervention to the central bank had weakened its capacity in monitoring bank behaviours.

He viewed that poor governance had also created obscure contract relations between government and bankers as well as increasing transactional fees. Meanwhile, incentives for resource allocations did not encourage bank compliance to the formal regulations.

“Incompliances of banks that received restructuring programme was not apart from the weak formal regulations that were in place when selecting those banks,” he said.

Tahir added the weak leadership capacity in government and business sector had reduced banking management to losing transparent, professionalism, and prudentialism principles. As a result, the banking management became very vulnerable to the effects of the monetary crisis that it took very long to restore.

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