

Percentage of Free Float Value and Its Implications Towards Issuers' Obligations in Capital Market

Agus Riyanto

Lecturer, Business Law Department

Faculty of Humanities

Bina Nusantara University

Jakarta, Indonesia

agusriyanto@msn.com, agus.riyanto@binus.ac.id

Rahma Christabel Abilah

Business Law Department, Faculty of Humanities

Bina Nusantara University

Jakarta, Indonesia

rahma.abilah@binus.ac.id

Abdul Rasyid

Lecturer, Business Law Department

Faculty of Humanities

Bina Nusantara University

Jakarta, Indonesia

arasyid@binus.edu

Abstract

The capital market can be said to be developed and developing if the involvement of the public is greater than the share ownership of the founders. Public share ownership is a reflection of democratization that business entities are no longer owned by a few people but have opened up opportunities to be distributed equally according to their share ownership. The way in that direction was opened by requiring every public company to sell its shares in a certain amount, known as free float. Unfortunately, free float regulations in Indonesia are not ideal compared to other countries, this can be said considering the weak legal force of the Surat Keputusan Direksi PT Bursa Efek Indonesia No. Kep-00101/BEI/12-2021 Article V. This paper aims to find the latest views in the literature regarding the percentage ratio of free floats that can realize the sustainability of the capital market in Indonesia by using a comparative juridical normative method of regulations and legal decisions in Indonesia, Germany, Netherlands, United Kingdom and Australia. The results of this paper indicate that the regulation of free float in Indonesia is not ideal when compared to other countries to be able to support the sustainability of the Capital Market in Indonesia. This is due to the very small percentage of shares required to free float in Indonesia, the absence of strict sanctions, and the phrase "dapat (can)" which has weak legal force. If this arrangement is not revised, it can cause a massive failure of public companies to meet the minimum free float percentage obligation, resulting in low market appreciation for shares and low price returns and stock liquidity.

Keywords

Sustainability, Capital Market, Percentage Ratio, Free Float.

Biographies

Agus Riyanto earned his Bachelor of Laws (International Law) from the Faculty of Law, Parahyangan Catholic University (UNPAR), Bandung. He then obtained a Master of Law (LL.M) from the School of Law, University of Technology Sydney (UTS), Australia (Corporate Law). Currently, he is a student of the Doctoral Program in Law (PDIH), Diponegoro University (UNDIP). He has teaching experience since 2003 until now, with the expertise in the fields of Corporate Law, Capital Market Law, and Investment Law.

Miranda Carolina is a student majoring in Business Law Department, Faculty of Humanities, Bina Nusantara University, Indonesia. She was involved in some organizations throughout her first and second year in university and has just finished her internship at Genesis Anugerah Law Office. She is currently in her third year and has wrote a few law articles in national and international scale.

Abdul Rasyid completed his undergraduate degree at the Sharia Faculty of UIN Imam Bonjol Padang majoring in Ahwal Syakhshiyah in 2002, graduating in 3.5 years with a cum laude predicate. He then completed his master and doctoral studies at the Faculty of Law, International Islamic University Malaysia (IIUM) in 2005 and 2013 with a concentration in sharia business law. During college, he was active in various organizations, among others, active in the Islamic Student Association (HMI), as General Chair of the Indonesian Student Association throughout Malaysia (PPIM) in 2006-2007, Founder/Chairman, Division of Utilization, Zakat Service Unit - National Amil Zakat Agency Republic of Indonesia (UPZ-BAZNAS) in Malaysia in 2007-2008, and founding coordinator/General Secretary, Association of Indonesian Sharia Scientists and Scholars (HISSI) Malaysia Branch in 2009-2011. Lecturer at the 2014 Tazkia Islamic Institute, and since 2015 has worked as a permanent lecturer (faculty member) at the Department of Business Law, Bina Nusantara University, Jakarta and teaches several subjects including: Islamic law; sharia business law; banking and finance law; legal research methods and legal aspects in economics. In 2018 the author was involved as a Legal Consultant in the preparation of the 2019-2024 Indonesian Sharia Economic Masterplan. The author is currently also a senior researcher at the Islamic Economic Forum for Indonesia Development (ISEFID).