

Implementation of Go Public in the Development Indonesian Company Law (Case of PT. Astra International)

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Abstract

In the competitive business landscape of Indonesia, companies vie for prominence within their respective sectors. The capital market emerges as a pivotal avenue for enterprises to secure financial resources crucial for sustaining and expanding their operations. "Going public" through a public offering, wherein a company sells shares to investors, is a strategic approach adopted by numerous firms, including PT. Astra International Tbk. This process is perceived not only as a means to enhance corporate image but also to procure capital for purposes such as expansion, product development, and strategic business amalgamations. The primary objectives of this study are twofold: *First*, to elucidate the procedural intricacies a company in Indonesia undergoes to attain the status of a publicly traded entity, and *second*, to scrutinize the

practical facets of the "Go Public" process, focusing on its implementation at PT. Astra International. The outcomes of this study reveal that going public involves the regulated offering of shares or securities to the public, as stipulated by Law no. 8 of 1995 concerning Capital Markets and its associated regulatory frameworks. In addition, PT. Astra International Tbk., having undergone this transformation and been listed on the Jakarta Stock Exchange since April 4, 1990, aspires to fortify its financial structure, enhance operational performance, and realize predetermined expansion objectives through the going public process. While this transition affords companies access to expanded funding sources, it concurrently imposes new responsibilities and repercussions that necessitate careful consideration and management by the concerned entity.

Keywords

Go Public, Company, Business Environment

I. Introduction

This paper gives a brief review of the Indonesian experience in developing and implementing laws related to the process of going public for companies, focusing on the case of PT. Astra International. It aims to understand the conceptualization of law in legal texts or sources and analyze the implementation and effectiveness of these laws in facilitating the process of going public for PT. Astra International is a prominent Indonesian company with a promising outlook, making it crucial to evaluate its financial performance. Evaluating PT. Astra International's

financial performance involves analyzing its financial condition using various financial analysis tools.¹ Financial reports are essential for assessing a company's financial performance, including balance sheets, profit and loss reports, reports on changes in capital, notes on financial statements, and cash reports.

In the rapidly evolving business landscape of Indonesia, fierce competition prevails as enterprises vie to excel in their respective domains. To fuel operational activities and stay ahead in this dynamic environment, companies often seek alternative funding sources, with the capital market emerging as a pivotal option. Rapidly expanding companies frequently find their internal funds insufficient to meet the substantial financing demands incurred during growth. In response to these constraints, issuers, or companies, resort to public offerings in the primary market, where company shares are extended to external investors as a means to secure additional funds. This transformative process, wherein a company sells its inaugural shares through a public offering, designates it as a "Go Public" company, signifying a significant milestone in its financial trajectory.²

Going public is one way for companies to obtain additional funds in order to develop the funds obtained by the company.

¹ Fauziah, Nurul, Agung Widhi Kurniawan, and Andi Mustika Amin. "Financial Performance Analysis Using Economic Value Added (EVA) and Financial Value Added (FVA) at PT. Astra International Tbk 2017-2021 Period." *Journal of Management, Accounting, General Finance and International Economic Issues* 2, no. 2 (2023): 494-502.

² Hartana, Hartana. "Initial Public Offering (IPO) of Capital Market and Capital Market Companies in Indonesia." *Ganesha Law Review* 1, no. 1 (2019): 41-54; Khilda, Fitria Nailal, Silvi Amelia Febriyani, and Ibnu Muttaqin. "Pengaruh Pengumuman Penerbitan Saham Syariah Terhadap Return Saham PTSmart, Tbk dan PT Astra International, Tbk." *Jurnal Penelitian Ekonomi Akuntansi (JENSI)* 6, no. 1 (2022): 26-39.

Many companies go public assuming that making their company a Go Public company will improve the company's image, because in reality most of the best companies in Indonesia are companies that have gone Public. However, the most frequent reason behind companies going public is that they require a fairly large capital stock with minimal capital costs. And this can be done by selling company shares to the public or going public on the capital market.³

Embarking on the journey of going public represents a pivotal strategy for companies seeking to bolster their financial standing. This transformative step allows a company to secure additional funds, a crucial lifeline to fortify its capital structure and facilitate ambitious plans for growth, the introduction of new products, or potential business mergers. The significance of this infusion of capital lies in its capacity to enhance the company's overall resilience and performance, fostering its effective functioning in the competitive business landscape.⁴

Against this background, this paper unfolds the intricacies of the Go Public process in Indonesia, delving into the specifics of how companies transition into publicly traded entities. The focus is particularly directed toward understanding the nuanced

³ Pagano, Marco, Fabio Panetta, and Luigi Zingales. "Why do companies go public? An empirical analysis." *The journal of finance* 53, no. 1 (1998): 27-64; Loughran, Tim, Jay R. Ritter, and Kristian Rydqvist. "Initial public offerings: International insights." *Pacific-Basin Finance Journal* 2, no. 2-3 (1994): 165-199; Wahyudin, Agus, and Badingatus Solikhah. "Corporate governance implementation rating in Indonesia and its effects on financial performance." *Corporate Governance: The International Journal of Business in Society* 17, no. 2 (2017): 250-265.

⁴ Widyaningdyah, Agnes Utari. "Analisis faktor-faktor yang berpengaruh terhadap earnings management pada perusahaan go public di Indonesia." *Jurnal Akuntansi dan Keuangan* 3, no. 2 (2001): 89-101.

implementation of the Go Public initiative at PT. Astra International Tbk, a case study that provides insights into the practicalities and implications of this transformative journey.

This study is grounded in the recognition that going public is not merely a financial transaction but a strategic move with profound implications for the company's structure, performance, and positioning within the dynamic business environment. The research seeks to unravel the procedural steps and stages involved in the intricate process of going public, shedding light on the unique considerations and challenges faced by companies, with PT. Astra International serving as a noteworthy example in this investigative endeavor.

II. Method

This study employs a normative juridical research approach, characterized as a legal literature study that scrutinizes both written and unwritten legal principles. Utilizing a statutory and conceptual methodology, complemented by data collection techniques inherent to library research, the study primarily relies on the examination of secondary data, including laws and regulations, books, literature, and journals.⁵

Concurrently, a qualitative research approach is adopted for data analysis, allowing for the systematic processing of collected information. This qualitative method facilitates the extraction of comprehensive insights from the data, enabling the formulation of general conclusions based on specific legal matters or factual

⁵ Van Hoecke, Mark, ed. *Methodologies of legal research: which kind of method for what kind of discipline?*. (London: Bloomsbury Publishing, 2011).

knowledge. The combined use of normative juridical research and qualitative analysis enhances the depth and comprehensiveness of the study, contributing to a nuanced understanding of the legal principles under examination.⁶

III. Implementation of Go Public in Indonesia

The definition of Go Public in translation is the process of a company "going public or going to the community", meaning that the company socializes itself, namely by providing means for the community to join the company, namely by accepting community participation in its business, both in ownership and in determining policies. management. Going Public is a new style of becoming an investor in a company without going through the hassle of building a company from scratch. Furthermore, Law No. 8 of 1995 defines a public company as a company whose shares are owned by at least 300 shareholders and has paid-up capital of at least 3 billion or a number of shareholders and paid-up capital determined by government regulations.

According to Sunariyah, Go Public or what is often called a public offering is the activity of offering shares or other securities carried out by issuers (companies that go public) to the public based on the procedures regulated by the Capital Market Law and its Implementing Regulations.⁷ Thus, the capital market is an

⁶ Langbroek, Philip M., et al. "Methodology of legal research: Challenges and opportunities." *Utrecht law review* 13, no. 3 (2017): 1-8.

⁷ Sunariyah Sunariyah. *Pengantar Pengetahuan Pasar Modal*. (Yogyakarta: UP AMP YKPN, 2000)

appropriate and very potential alternative for company financing. The capital market is a forum that can be used to raise long-term funds. Through the capital market, a company will sell its shares to the general public / go public and is required to comply with the applicable provisions of the legislation and the implementing regulations that follow.

Furthermore, the legal basis for implementing going public in Indonesia is regulated in Law No. 8 of 1995 concerning Capital Markets, which includes several articles relating to going public, namely:

1. Article 1 paragraph 15: Public Offering is a Securities offering activity carried out by an Issuer to sell Securities to the public based on the procedures regulated in this Law and its implementing regulations.
2. Chapter IX Articles Chapters 70-84 which regulate issuers and public companies.
3. Public companies have the responsibility and obligation to comply with capital market regulations, as required in Minister of Finance Decree No. 1548/KMK.013/1990, public companies must fulfill several capabilities⁸, namely:
 - a. The need for openness (full disclosure). After obtaining a Preliminary Agreement from the IDX, the prospective public company submits a registration statement to the Capital Markets-Financial Institutions Supervisory Agency (BAPEPAM-LK) to conduct a public offering.
 - b. The need to follow capital market regulations regarding reporting obligations.
 - c. Management style has changed from informal to formal.

⁸ Sunariyah.

- d. Obligation to pay dividends.
- e. Always try to increase the company's growth rate.⁹

Broadly speaking, there are two things behind a company going public. These two things relate to financial and non-financial aspects. The first is the financial aspect, namely the company goes public to refinance or restructure capital, namely increasing capital, improving the company's financial structure (Debt Equity Ratio)¹⁰, reducing the Cost of Funds, and is a source of long-term funding. Then the non-financial aspect is that the company goes public for increasing public trust, increasing professionalism, in the context of company marketing through business expansion or business expansion, new investments and taking over other businesses.¹¹ The background for a company going public is:

1. Capital market conditions are improving;
2. Internal funds are felt to be quite limited;
3. Want to expand your business;
4. The burden of loan installments is increasing;
5. Favorable regulatory aspects;

⁹ See Kusliatin, Hilyan. "Penerapan Prinsip Keterbukaan Perusahaan Go Public Berdasarkan Undang-Undang Nomor 8 Tahun 1995 tentang Pasar Modal". *Thesis*. (Mataram: Universitas Mataram, 2015).

¹⁰ Bhandari, Laxmi Chand. "Debt/equity ratio and expected common stock returns: Empirical evidence." *The Journal of Finance* 43, no. 2 (1988): 507-528; Sasongko, Budi. "The effect of debt equity ratio, dividend payout ratio, and profitability on the firm value." *The International Journal of Business Management and Technology* 3, no. 5 (2019): 104-109.

¹¹ Ismiyanti, Fitri, and Rohmad Fuad Armansyah. "Motif go public, herding, ukuran perusahaan dan underpricing pada pasar modal Indonesia." *Jurnal Manajemen Teori dan Terapan* 3, no. 1 (2010): 20-42; Sundari, Retno Ika. "Kinerja Merger dan Akuisisi pada Perusahaan Go Public." *Telaah Bisnis* 17, no. 1 (2017).

6. Economic conditions are improving;
7. There is potential in the domestic community that can be exploited;
8. Aspirations from the government.¹²

Establishing a publicly traded company (PT) entails meeting a set of crucial criteria to ensure a robust and transparent foundation. Firstly, the financial reports must undergo meticulous scrutiny by a Public Accounting Firm, adding a layer of credibility to the company's fiscal health. This audit requirement serves as a vital checkpoint to provide potential investors with reliable and accurate financial information.

In tandem with financial scrutiny, the administrative prerequisites for PT establishment must be meticulously fulfilled. This includes the acquisition of a Tax Identification Number (NPWP), completion of company deeds, and adherence to government decrees. These administrative elements form the regulatory framework necessary for the legitimate establishment of a publicly traded entity.

Furthermore, a key component in the process involves the appointment of an underwriter or guarantor responsible for executing the Initial Public Offering (IPO). This individual or entity plays a pivotal role in facilitating the public offering of shares, thereby contributing to the successful transition of the company into the realm of publicly traded enterprises.¹³

¹² Juanda, Ahmad. "Analisis Tipologi Strategi Dalam Menghadapi Risiko Litigasi Pada Perusahaan Go Publik Di Indonesia." *Jurnal Humanity* 5, no. 1 (2009): 1-11.

¹³ Mindosa, Bonnie, and Pananda Pasaribu. "Initial Public Offering: New Evidence from Indonesia." *Journal of Business and Entrepreneurship* 8, no. 1 (2020): 1-17; Gadeng, Tarmizi, Zulkifli Umar, and Ayya Sofia. "Kajian Kepemilikan Keluarga pada Perusahaan Initial Public Offering Tahun

A prospective PT must also demonstrate a commendable track record, showcasing a history of sound financial performance and overall company achievements. This criterion serves as an indicator of the company's reliability and stability, essential factors for garnering investor confidence in the public market.

Lastly, the issuance of shares must be guided by a clear and well-defined objective. Whether directed towards funding expansion endeavors or other strategic initiatives, having a transparent purpose for the share issuance not only instills confidence but also aligns the company's actions with strategic business goals. Collectively, these criteria form the bedrock for the establishment of a publicly traded company, setting the stage for its successful integration into the dynamic landscape of the capital market.

The public offering (going public) process of shares can be grouped into four stages, namely:

1. Preparation stage related to:
 - a. Determination of plans to seek funds through going public;
 - b. The plan to go public requires approval from shareholders and changes to the budget at the General Meeting of Shareholders (GMS);
 - c. Prepare complete documents with the help of supporting professionals and supporting institutions;
 - d. Prepare complete emission documents;
 - e. Public expose to the wider community;

- f. Signing of various emissions agreements;
 - g. Specifically, bonds must obtain a rating from a securities rating agency Submit the registration statement along with the documents to Bapepam-LK.
2. Registration Statement Submission Stage

This application is accompanied by supporting documents which are then submitted for registration to Bapepam-LK until Bapepam-LK declares the registration statement to be effective.
 3. Share Offering Stage

This stage is the main stage in which the issuer offers its shares to the investing public. Investors can buy these shares through appointed selling agents. The offering period is at least three working days, which is called the Primary Market.
 4. Listing Stage on the Stock Exchange

After completing the sale of shares in the primary market, the shares are listed on the Indonesian Stock Exchange.

IV. Examples of Companies Going Public

PT. Astra International tbk is a Limited Liability Company which is included in the legal entity. PT. Astra International tbk also uses Good Corporate Governance (GCG) guidelines to become a reference for members of the Board of Directors and members of the Board of Commissioners in running the company so that they always pay attention to legislation. The articles of association of PT. Astra has been listed on the Jakarta Stock Exchange (BEJ)

since April 4 1990, company ownership is no longer owned by individuals but by shareholders.¹⁴

Company ownership in the form of shares which are officially sold on the market exchange, financial flow or profit and loss reports are reported regularly and published, government intervention is limited, the company is led by a board of directors elected by shareholders. So it can be said that the company PT. Astra Internasional Tbk has been able to maintain its existence as a publicly traded company since 1990 until now. Based on the financial overview report of PT. Astra International Tbk, net income in 2012 Rp. 193,880 Billion, Current Assets Rp. 88.352 billion and net profit increased by 3% compared to 2012. With good management control to maintain public trust in this company.

According to its type, PT. Astra International Tbk is a trading company, because at the beginning of its formation this company was said to be a trading company, apart from that PT. Astra International Tbk can be said trading company because this company is a sales agent for cars, motorbikes, construction machinery and various other businesses.

From the information presented above, we can see that there are many reasons behind why a company decides to become a public company, including according who state the benefits for the company by making it Go Public, namely the availability of relatively large funds which are received at once, then known by

¹⁴ Deitiana, Tita, and Evanti Anggraini. "Faktor-faktor yang mempengaruhi leverage pada PT Astra International Tbk dan anak perusahaannya." *Jurnal Siasat Bisnis* 18, no. 1 (2014): 11-20.

many parties, professional company management because it is handed over to people who are capable in their fields.¹⁵

One of the companies that has gone public is the Astra International Limited Liability Company, which is now known as PT. Astra Internasional Tbk after conducting an initial share offering and changing its status to a public company. PT. Astra International has been listed on the Jakarta Stock Exchange (BEJ) since April 4 1990 and until now PT. Astra Internasional Tbk has demonstrated its existence as one of the Go Public companies in Indonesia. This change in status brings many other consequences, including the obligation to submit PT financial reports. Astra Internasional Tbk both to investors, the public and the Capital Markets and Financial Institutions Supervisory Agency (BAPEPAM-LK) and there is a demand for separation between owners and management.

There are several benefits obtained after PT. Astra International changed its status to Go Public, meaning the company can increase liquidity and enable the founders of PT. Astra Internasional Tbk to enjoy the results they have achieved, and the more investors who buy these shares, the more capital PT will receive. Astra International from outside investors, then the change in status also gives more value to PT., which gives access to the company being able to merge or negotiate with other companies by only using shares, further increasing market potential, it is also easier for PT Astra Internasional to market their products and services after becoming a go public company or Tbk.

¹⁵ Sarda, Sultan, and Nasrullah Nasrullah. "Analisis Kinerja Keuangan Perusahaan Menggunakan Rasio Profitabilitas dan Economic Value Added di PT. Astra International TBK." *Agroland: Jurnal Ilmu-ilmu Pertanian* 29, no. 2 (2022): 180-185.

Apart from the benefits of changing the company's status to Go Public, there are also obligations that must be fulfilled by PT. Astra International has regular periodic reports by making reports to the Indonesian stock exchange, of course it costs more to make these reports. Then PT. Astra International is required to be open and more transparent so that it is easier for its competitors to find out both in terms of data and management, and the limited power of PT owners. Astra Internasional Tbk because company owners must pay attention to the common interests of shareholders, they can no longer practice nepotism, fraud in decision making and so on because the company is publicly owned and a public company must maintain the relationship between the company and its investors and be informed about developments. the company.

V. Conclusion

This study concluded that the concept of "Going Public" involves the issuance of shares or other securities by a company to the public, following the procedural guidelines stipulated by Law no. 8 of 1995 concerning Capital Markets and its associated Implementing Regulations. The transformation of a company's status to Go Public entails a series of processes and stages, meticulously outlined in the regulatory provisions governing the Implementation of Go Public in Indonesia. A prominent example of a company that has successfully transitioned to Go Public is PT. Astra International, a presence on the Jakarta Stock Exchange (BEJ) since April 4, 1990, solidifying its standing as a Go Public entity in Indonesia.

The decision of a company to embark on the Go Public journey is rooted in various benefits, yet it also introduces a set of new obligations necessitating fulfillment. PT. Astra International Tbk exemplifies the dual nature of this transformation, reaping advantages while concurrently shouldering additional responsibilities. Consequently, the alteration in status from a private to a publicly traded company results in a distinct set of rights and obligations, with the ensuing advantages or disadvantages acknowledged as inherent outcomes of this pivotal change. Thus, the attainment of Go Public status requires adherence to predetermined stages and processes, as exemplified by the experienced implementation by PT. Astra International Tbk.

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