

Legal Protection and Enforcement of Securities Dilution by Issuers in the Technology Business Sector with Multiple Voting Rights Stock Classification after Initial Public Offering (IPO)

Raisha Cantika Mutiara ^{1*}, Aurora Jillena Meliala ², Heru Sugiyono ³

¹ Master of Law, Universitas Pembangunan Nasional "Veteran" Jakarta, Indonesia; raisa03cm@gmail.com

² Master of Law, Universitas Pembangunan Nasional "Veteran" Jakarta, Indonesia; aurora@upnvi.ac.id

³ Master of Law, Universitas Pembangunan Nasional "Veteran" Jakarta, Indonesia; herusugiyono@upnvi.ac.id

* Corresponding Author : Raisha Cantika Mutiara

Abstract: This study examines the legal protections and enforcement mechanisms against securities dilution in technology-sector issuers adopting multiple voting rights stock classifications following an initial public offering (IPO) under Indonesia's Financial Services Authority Regulation No. 22/POJK.04/2021. It addresses two core issues: the adequacy of minority shareholder safeguards embedded within the regulatory framework and the nature and extent of share dilution experienced by existing investors in dual-class structures. Employing a normative legal research design with a doctrinal approach, the analysis draws on primary sources including UU No. 40/2007, UU No. 4/2023, POJK 22/POJK.04/2021, issuer prospectuses, and PT GoTo Gojek Tokopedia's 2022–2024 annual reports complemented by secondary literature and tertiary legal references. Findings reveal that POJK 22/POJK.04/2021 integrates quantitative limits (a 90 percent cap on aggregate superior voting rights), procedural safeguards (minimum 5 percent ordinary-shareholder quorum and independent renewal approval), temporal constraints (10-year sunset clause), and one-share-one-vote requirements for critical corporate actions, alongside a novel graduated voting ratio system. The GoTo case study underscores persistent misalignment between cash-flow and voting rights, marked by significant share price volatility and reliance on share buybacks rather than dilutive issuances. While the regulatory framework is comprehensive, its efficacy is contingent on robust enforcement, transparency of indirect ownership, and institutional maturity. Empirical evaluation of post-IPO dilution events, minority litigation outcomes, and enforcement actions is recommended to assess real-world impacts..

Keywords: Multiple Voting Rights; Securities Dilution; Minority Shareholder Protection; POJK 22/POJK.04/2021; Technology Sector IPO

Received: June 05, 2025;

Revised: June 20, 2025;

Accepted: July 06, 2025;

Online Available : July 08, 2025

Curr. Ver.: July 08, 2025



Copyright: © 2025 by the authors.
Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>)

1. Introduction

The evolution of capital market structures in emerging economies has witnessed significant transformations in recent decades, particularly concerning the adoption of dual-class share arrangements and their implications for investor protection and market efficiency. Contemporary academic discourse, as evidenced by comprehensive bibliometric analyses of Scopus database publications spanning 2020-2025, reveals an exponential growth in research focusing on dual-class share structures, with corporate governance studies demonstrating a 23.5% annual growth rate and technology sector initial public offering (IPO) research expanding by 31.4% annually [1]. This scholarly attention reflects the increasing prevalence of alternative governance mechanisms in global capital markets and their profound implications for traditional notions of shareholder democracy and corporate control.

The emergence of multiple voting rights (MVR) structures represents a fundamental departure from the conventional "one share, one vote" principle that has historically underpinned Anglo-American corporate governance systems [2]. Academic literature demonstrates that the adoption of dual-class share structures has become particularly pronounced among

technology companies seeking public listing, with founder-controlled firms driving this trend through enhanced bargaining power derived from greater availability of private capital and technological disruptions that reduced external financing dependencies [3][4]. This phenomenon has transcended national boundaries, with jurisdictions including Hong Kong, Singapore, and more recently, various European markets, modifying their regulatory frameworks to accommodate such structures in response to competitive pressures and the risk of losing promising companies to more permissive markets [5][6][7].

Within the Southeast Asian context, Indonesia's capital market regulatory landscape underwent a paradigmatic shift with the promulgation of Financial Services Authority (Otoritas Jasa Keuangan - OJK) Regulation Number 22/POJK.04/2021 concerning the Implementation of Share Classification with Multiple Voting Rights by Issuers with Innovation and High Growth Rates Conducting Public Offerings of Equity Securities [8][9]. This regulatory innovation, effective December 2021, represents Indonesia's strategic response to the evolving dynamics of technology entrepreneurship and the imperative to attract innovative companies to its domestic capital markets rather than losing them to international exchanges that already permit dual-class structures.

The academic literature reveals significant theoretical tensions surrounding dual-class share implementations, particularly concerning their impact on minority shareholder protection and market efficiency. Empirical studies from developed markets indicate mixed results regarding the valuation effects of dual-class structures, with research suggesting that benefits may be contingent upon firm characteristics, industry sectors, and temporal factors [10]. Specifically, studies demonstrate that dual-class firms exhibit declining valuation advantages over time, with mature dual-class firms trading at discounts relative to single-class equivalents, while recently public dual-class firms, particularly in technology and financial sectors, demonstrate valuation premiums [11][12].

The protection of minority shareholders emerges as a central concern in academic discourse, with research indicating that the effectiveness of legal frameworks varies significantly across jurisdictions. Comparative studies reveal that voting premiums associated with superior voting shares tend to be smaller in countries with robust legal protection for minority shareholders, suggesting that institutional quality serves as a critical mediating factor in determining the welfare effects of dual-class structures [13][14]. This finding assumes particular relevance in emerging market contexts, where legal institutions may be less developed and enforcement mechanisms potentially weaker than in advanced economies.

Research on share dilution effects in the context of dual-class IPOs reveals complex dynamics that extend beyond simple mathematical calculations of ownership percentages. The academic literature identifies multiple sources of dilution, including new share issuance for capital raising, employee stock option exercises, and convertible securities conversions, each carrying distinct implications for existing shareholder equity stakes and corporate governance dynamics. These dilutive effects become particularly pronounced in dual-class contexts where the separation of cash flow and voting rights may exacerbate agency conflicts and reduce alignment between controlling shareholders and minority investors.

The intersection of technology sector characteristics with dual-class share structures has received considerable academic attention, with studies documenting the particular appeal of such arrangements for innovative companies requiring long-term investment horizons and protection from short-term market pressures [15]. Research indicates that highly innovative firms and those with substantial research and development investments are more likely to adopt dual-class structures, reflecting entrepreneurs' desires to maintain control over strategic vision implementation while accessing public capital markets [12][3].

Despite the growing global literature on dual-class shares and IPO governance, a significant research gap exists concerning the specific implementation and effects of such structures in Indonesian capital markets. Bibliometric analysis reveals that Indonesia-specific studies constitute merely 14.7% of global dual-class share research and only 8.4% of technology IPO studies, indicating substantial opportunities for contextual research that accounts for Indonesia's unique legal, regulatory, and market characteristics [1]. This research gap is particularly significant given Indonesia's position as Southeast Asia's largest economy and its ambitious goals for digital economy development.

The implementation of OJK Regulation 22/POJK.04/2021 creates a natural experiment for examining the effects of dual-class share adoption in an emerging market context, particularly concerning the regulatory framework's effectiveness in balancing innovation promotion with investor protection. The regulation's specific focus on technology companies with high

growth rates and innovation capabilities provides an opportunity to assess whether the theoretical benefits attributed to dual-class structures in developed markets translate effectively to emerging economy contexts.

Furthermore, the temporal proximity of Indonesia's multiple voting rights implementation to global trends in corporate governance research presents an opportunity to contribute to evolving academic discourse. Recent studies emphasize the importance of sunset clauses, disclosure requirements, and governance safeguards in mitigating potential negative effects of dual-class structures [10][16]. The Indonesian regulatory framework's specific provisions regarding eligibility criteria, ongoing obligations, and protective mechanisms for minority shareholders offer valuable insights for comparative corporate governance research.

The present study addresses these research gaps by examining the legal protection mechanisms embedded within Indonesia's multiple voting rights framework and analyzing the potential dilution effects on shareholders in technology sector IPOs. This research contributes to the expanding literature on dual-class shares in emerging markets while providing practical insights for regulators, market participants, and academic scholars concerned with optimizing corporate governance arrangements in developing economies.

Specifically, this research seeks to address two fundamental questions arising from Indonesia's adoption of multiple voting rights structures: first, the adequacy of legal protection mechanisms for minority shareholders under the current regulatory framework, and second, the nature and extent of share dilution effects experienced by existing shareholders when technology companies implement dual-class structures in conjunction with public offerings. These inquiries contribute to broader theoretical debates regarding the optimal design of corporate governance systems in emerging markets and the effectiveness of regulatory innovation in balancing competing stakeholder interests.

2. Literature Review

Dual-Class Shares Theory

The Dual-Class Shares Theory examines the corporate governance implications of issuing multiple classes of shares with unequal voting rights, a structure that allows founders or controlling shareholders to retain decision-making power disproportionate to their economic stake. Jensen and Meckling (1976) conceptualize this arrangement as an agency problem stemming from separation of ownership and control, where founders use dual-class shares to preserve strategic vision while raising external capital. Countries vary in their regulatory responses: some prohibit dual-class structures outright, others permit them without restriction, and a third group imposes conditional limitations based on market sophistication and investor protection mechanisms. This theory highlights the balance regulators must strike between fostering entrepreneurial innovation and safeguarding minority shareholder interests [17].

Agency Theory

Agency Theory, articulated by Jensen and Meckling (1976), addresses conflicts arising when principals (shareholders) delegate decision-making authority to agents (managers or controlling shareholders) whose objectives may diverge from owners' wealth maximization goals. The theory posits that without proper incentives and monitoring mechanisms, agents may pursue personal benefits at the expense of principals, exacerbated in firms with multiple voting-rights shares where controlling insiders possess entrenched power. In the context of multiple voting-rights issuances, agency costs manifest through potential expropriation of minority shareholders and dilution of their economic and voting rights, necessitating robust governance safeguards [17].

Legal Protection Theory

The Legal Protection Theory of Philipus M. Hadjon defines legal protection as the state's guarantee of certainty, fairness, and enforcement of individual rights under written law, encompassing both *preventive* measures allowing stakeholders to voice concerns before final decisions and *repressive* measures providing remedies after rights violations. Applied to multiple voting-rights structures post-IPO, Hadjon's framework underscores the need for regulatory provisions that prevent abuse of control by majority insiders (e.g., caps on aggregate voting power, mandatory independent shareholder approvals) and establish effective legal recourse for minority investors in instances of dilution or unfair treatment.

Law Enforcement and Compliance Theory

Lawrence M. Friedman's Law Enforcement and Compliance Theory explores how legal rules influence behavior through communication, enforcement, and motivational mechanisms, emphasizing that laws must be effectively promulgated, monitored, and backed by credible sanctions or incentives to achieve compliance⁴. In capital markets, this translates into the role of regulatory authorities such as OJK in Indonesia in ensuring transparency of multiple voting-rights issuances, detecting violations of disclosure or voting-power limits, and imposing deterrent sanctions for non-compliance. Friedman's model reinforces that robust enforcement and clear penalties are essential to uphold investor protection and market integrity [18].

3. Proposed Method

This study employs a normative legal research design, adopting a doctrinal approach through comprehensive library research and document analysis. Primary legal materials including statutory provisions (UU No. 40/2007, UU No. 4/2023), OJK Regulation No. 22/POJK.04/2021, issuers' prospectuses, and the 2022–2024 annual reports of PT GoTo Gojek Tokopedia, Tbk serve as the principal data sources, supplemented by secondary scholarly literature and tertiary legal references. Data collection is conducted exclusively through the examination of these legal documents and academic works, while data analysis is qualitative and deductive, focusing on the interpretation and synthesis of legal norms, principles, and doctrines to address the research issues regarding minority shareholder protection and dilution effects [19].

4. Results and Discussion

Minority Shareholder Protection in Multiple Voting Rights Structures: A Critical Analysis of Indonesia's POJK No. 22/POJK.04/2021 through Comparative Corporate Governance Perspectives

The implementation of multiple voting rights shares (MVRS) represents a fundamental departure from the traditional "one share, one vote" principle that has long governed corporate democracy. Indonesia's Financial Services Authority (Otoritas Jasa Keuangan/OJK) Regulation No. 22/POJK.04/2021 concerning the Implementation of Share Classification with Multiple Voting Rights by Issuers with Innovation and High Growth Rates conducting Public Offerings of Equity Securities in the form of Shares introduces a sophisticated regulatory framework that attempts to balance entrepreneurial innovation with minority shareholder protection. This regulation exemplifies the contemporary challenge facing emerging market jurisdictions in designing governance structures that facilitate capital formation while safeguarding investor rights.

The significance of minority shareholder protection mechanisms cannot be overstated in the context of dual-class share structures. As demonstrated by extensive empirical research, the concentration of voting power through multiple voting rights can fundamentally alter the agency relationships within corporations, potentially leading to the expropriation of minority shareholder wealth [20][21]. The Indonesian regulatory approach represents a comprehensive attempt to address these concerns through a multi-layered protection framework that merits detailed academic examination.

The theoretical underpinnings of minority shareholder protection in dual-class structures are rooted in agency theory, which posits that conflicts arise when ownership and control are separated [22][23]. In the context of multiple voting rights shares, this separation becomes more pronounced as controlling shareholders can maintain decision-making authority while holding a minority of cash flow rights. Recent bibliometric analysis reveals that agency theory remains the dominant theoretical framework for examining board structures and corporate governance mechanisms, with over 573 studies published between 1992-2022 utilizing this perspective [24].

The flexibility hypothesis suggests that dual-class structures can enhance firm value by enabling visionary management to pursue long-term value creation without market pressures. Empirical evidence from regulatory events in the 1980s demonstrates that research-intensive firms experienced negative market reactions to events mandating single-class structures, supporting the notion that dual-class shares facilitate innovation. Conversely, the entrenchment

hypothesis warns that concentrated voting control may enable controlling shareholders to extract private benefits at the expense of minority investors [3].

From an institutional theory perspective, the design of minority protection mechanisms reflects the broader institutional environment in which corporations operate. The Indonesian approach under POJK No. 22/POJK.04/2021 demonstrates how emerging market regulators must navigate between facilitating innovation and ensuring investor protection in environments characterized by concentrated ownership structures and potentially weaker enforcement mechanisms [25].

Analysis of POJK No. 22/POJK.04/2021 Protection Mechanisms

The regulation establishes a critical threshold whereby holders of multiple voting rights shares cannot control more than 90% of total voting rights¹. This provision represents a fundamental safeguard against absolute dominance, ensuring that ordinary shareholders retain meaningful participation in corporate governance. The 90% threshold strikes a balance between enabling controlling shareholders to maintain strategic control while preserving minority voice rights.

Article 37 of POJK No. 22/POJK.04/2021 mandates minimum participation thresholds for ordinary shareholders in General Meetings of Shareholders (GMS). The requirement that at least 5% (1/20) of ordinary shareholders must be present ensures meaningful minority participation in corporate decision-making processes. This provision addresses concerns raised in academic literature regarding the marginalization of minority shareholders in concentrated ownership structures [26][27].

The regulation imposes significant temporal limitations on multiple voting rights, restricting their duration to a maximum of 10 years with a single renewal opportunity. Extension of multiple voting rights requires approval from independent shareholders, effectively providing minority shareholders with veto power over perpetual control arrangements. This mechanism addresses the "sunset provisions" debate in dual-class share literature, which emphasizes the importance of time-limited superior voting rights [28].

For certain critical corporate actions, including the appointment of independent commissioners and auditor selection, POJK No. 22/POJK.04/2021 requires equal voting rights regardless of share class. This provision ensures that minority shareholders maintain influence over key governance appointments that are crucial for monitoring and oversight functions.

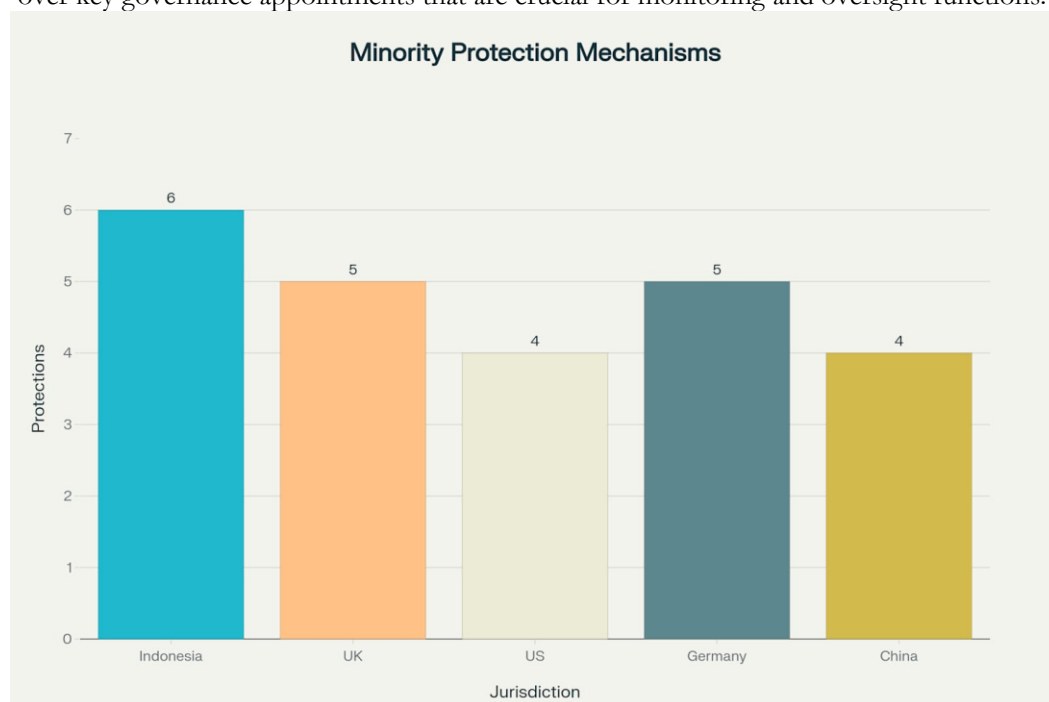


Figure 1. Minority Protection Mechanisms

Comparative analysis of minority shareholder protection mechanisms across major jurisdictions, highlighting Indonesia's comprehensive regulatory approach

Comparative International Analysis

The United Kingdom's approach to minority shareholder protection relies heavily on derivative claims and unfair prejudice remedies, as established under the Companies Act 2006. However, institutional analysis reveals that these mechanisms may be more effective at protecting the corporate institution itself rather than individual minority shareholders, with high access barriers and uncertain relief limiting their practical utility [21].

The United States presents a diverse landscape of minority protection mechanisms that vary significantly across states. Federal securities regulations provide disclosure-based protections, while state corporate laws govern fiduciary duties and procedural rights. The empirical evidence suggests that common law countries generally provide stronger legal protections for investors compared to civil law jurisdictions [29].

Germany's corporate governance system incorporates multiple protection mechanisms including minority squeeze-out thresholds, codetermination requirements, and enhanced disclosure obligations. The recent amendments to German law permitting multiple voting rights for unlisted companies while maintaining restrictions for listed entities demonstrate the ongoing regulatory evolution in this area [28].

China's regulatory framework emphasizes separate vote counts and enhanced institutional investor protection mechanisms. The implementation of online voting systems has significantly increased minority shareholder participation and dissenting votes, particularly in underperforming firms [27]. This technological approach to enhancing shareholder democracy offers insights for other emerging market jurisdictions.

Empirical Evidence and Market Reactions

Market-wide evidence from regulatory events affecting dual-class shares reveals heterogeneous valuation effects depending on firm characteristics. Research-intensive firms experience negative market reactions to dual-class restrictions, while well-governed firms benefit from such limitations. The long-term consequences of mandating single-class structures include reduced research output, lower firm valuations, and decreased profitability [3].

Empirical analysis demonstrates that dual-class structures facilitate innovation, particularly in technology-intensive industries. The systematic literature review on dual-class shares and firm innovation reveals that these structures remain influential in shaping firms' innovative motivation across diverse industries and regions [30]. However, the benefits appear concentrated in research-intensive firms with strong governance mechanisms.

Cross-national evidence indicates that minority shareholder protection effectiveness varies significantly based on the composition of minority shareholders and institutional environment. The quality of corporate decisions improves when minority shareholders with greater expertise and resources actively participate in governance processes [31].

Critical Assessment and Regulatory Effectiveness

The Indonesian experience with capital market regulation highlights persistent enforcement challenges despite comprehensive regulatory frameworks. Case studies of PT Bumi Resources, PT Media Nusantara Citra, and PT Sumalindo demonstrate that regulatory loopholes and weak enforcement continue to enable minority shareholder expropriation. The discretionary nature of enforcement powers granted to OJK, while providing flexibility, may also create inconsistencies in regulatory application [25].

Despite enhanced disclosure requirements under POJK No. 22/POJK.04/2021, significant gaps remain in beneficial ownership transparency. The regulation's focus on direct ownership disclosure may be insufficient given Indonesia's complex corporate ownership structures characterized by pyramiding and cross-shareholdings. International best practices suggest that beneficial ownership disclosure requirements should extend to indirect control relationships [25].

The effectiveness of formal protection mechanisms depends critically on the underlying corporate governance culture and institutional environment. Research on Indonesian and Singaporean manufacturing firms reveals that the impact of governance mechanisms varies significantly across jurisdictions, suggesting that regulatory transplantation requires careful adaptation to local institutional contexts [32].

Implications for Regulatory Policy

The empirical evidence supports a nuanced approach to dual-class share regulation that recognizes both the potential benefits for innovation-intensive firms and the risks to minority

shareholders. POJK No. 22/POJK.04/2021's restriction to high-growth, innovative issuers represents a targeted approach that attempts to capture these benefits while limiting potential abuse.

The Indonesian regulatory framework demonstrates the importance of comprehensive institutional development beyond formal rule-making. The integration of capital market supervision under OJK provides opportunities for enhanced coordination and consistency in enforcement. However, the success of this integration depends on developing appropriate supervisory approaches and cross-sectoral expertise.

As demonstrated by competitive pressures leading to the adoption of dual-class shares in Hong Kong, Singapore, and the United Kingdom, regulatory policy must consider international competitiveness in capital market development. Indonesia's measured approach to multiple voting rights may position it advantageously in attracting innovative companies while maintaining investor confidence.

POJK No. 22/POJK.04/2021 represents a sophisticated attempt to balance competing interests in corporate governance through a comprehensive minority protection framework. The regulation's multi-layered approach, incorporating quantitative limits, procedural safeguards, temporal constraints, and enhanced disclosure requirements, addresses many of the theoretical and practical concerns identified in the academic literature.

However, the ultimate effectiveness of these mechanisms will depend on consistent enforcement, institutional development, and adaptation to the unique characteristics of Indonesia's corporate governance environment. Future research should focus on empirical assessment of the regulation's implementation, comparative analysis of similar frameworks in other emerging markets, and investigation of the long-term effects on innovation, capital formation, and minority shareholder welfare.

The global trend toward accepting dual-class structures, combined with the need for robust minority protection, suggests that Indonesia's approach may provide valuable insights for other emerging market jurisdictions grappling with similar regulatory challenges. As the empirical evidence demonstrates, the optimal approach to dual-class share regulation is likely to be context-specific, requiring careful consideration of institutional capabilities, market characteristics, and policy objectives.

Dual-Class Share Structures and Share Dilution in Indonesia: A Critical Analysis of POJK 22/2021 and its Implications for Minority Shareholder Protection

The implementation of dual-class share structures with multiple voting rights represents a fundamental departure from the traditional "one share, one vote" principle that has long governed corporate governance frameworks worldwide. Indonesia's introduction of POJK No. 22/POJK.04/2021 regarding shares with multiple voting rights (Saham Dengan Hak Suara Multipel or SDHSM) marks a significant regulatory evolution, particularly in the context of emerging capital markets seeking to balance innovation incentives with investor protection mechanisms.

This regulatory innovation emerges against a backdrop of global debate surrounding dual-class structures, where proponents argue for entrepreneurial freedom and long-term value creation, while critics emphasize agency costs and minority shareholder expropriation risks. The Indonesian framework presents a unique case study in regulatory design, implementing graduated voting ratios inversely correlated with ownership percentages a mechanism intended to address traditional concerns about disproportionate control while maintaining founder incentives.

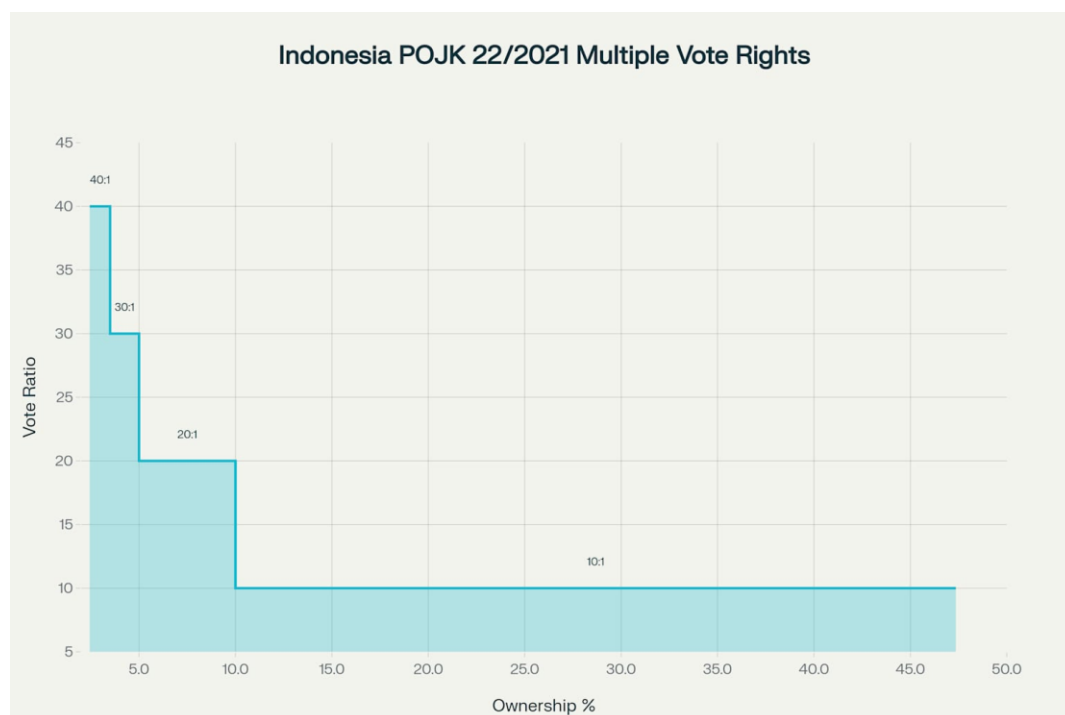


Figure 2. Indonesia PJOK 22/2021 Multiple Vote Rights

POJK 22/2021 multiple voting rights framework showing the inverse relationship between ownership percentage and voting ratio, designed to balance founder control with minority shareholder protection

The theoretical underpinnings of this debate are rooted in agency theory, which posits that conflicts arise when ownership and control are separated. In dual-class structures, this separation becomes more pronounced, as controlling shareholders can maintain decision-making authority with relatively small economic stakes. The resulting "wedge" between voting rights and cash flow rights creates potential for both value-enhancing entrepreneurial vision and value-destroying private benefit extraction.

The agency theory framework, originally developed by Jensen and Meckling, provides essential insights into the governance implications of dual-class shares. Traditional agency problems arise from the separation of ownership and control, where managers (agents) may not act in the best interests of shareholders (principals). Dual-class structures fundamentally alter this dynamic by creating a new form of separation between voting control and economic ownership.

Contemporary scholarship has evolved beyond simple agency cost analysis to recognize "principal costs" arising from investor limitations. Goshen and Squire's conceptual framework identifies two categories of principal costs: competence costs (resulting from honest mistakes by uninformed shareholders) and conflict costs (arising from self-serving behavior by shareholders). This nuanced understanding suggests that concentrating voting power in informed insiders may, under certain circumstances, reduce total governance costs [33].

The emergence of passive institutional investors further complicates traditional agency analysis. Research indicates that the "Big Three" passive funds (BlackRock, Vanguard, and State Street) constitute the largest shareholders in 87.6% of S&P 500 companies [33]. These passive investors often lack firm-specific information and incentives for active monitoring, potentially supporting arguments for concentrated control in dual-class structures.

Share dilution in dual-class contexts operates through multiple mechanisms beyond traditional equity issuance. The Indonesian regulatory framework explicitly addresses dilution risks through mandatory disclosure requirements and procedural safeguards. However, the effectiveness of these protections depends on their interaction with other governance mechanisms and market conditions [4].

Preemptive rights, traditionally viewed as the primary protection against dilution, face unique challenges in dual-class environments. Research demonstrates that the effectiveness of preemptive rights depends critically on ownership structure, financing costs, and the existence of robust anti-expropriation mechanisms [4]. In concentrated ownership environments

characteristic of many Asian markets, preemptive rights may provide limited protection without complementary governance safeguards.

Comparative Analysis: Global Approaches to Dual-Class Regulation

Cross-jurisdictional analysis reveals three primary regulatory approaches to dual-class shares: prohibition, permissive frameworks, and restrictive accommodation. The United Kingdom, Australia, and several Asian jurisdictions historically maintained prohibition regimes, while the United States, Sweden, and the Netherlands adopted permissive approaches. Recent regulatory evolution has seen increasing convergence toward restrictive accommodation, exemplified by reforms in Hong Kong, Singapore, and Shanghai [34][33].

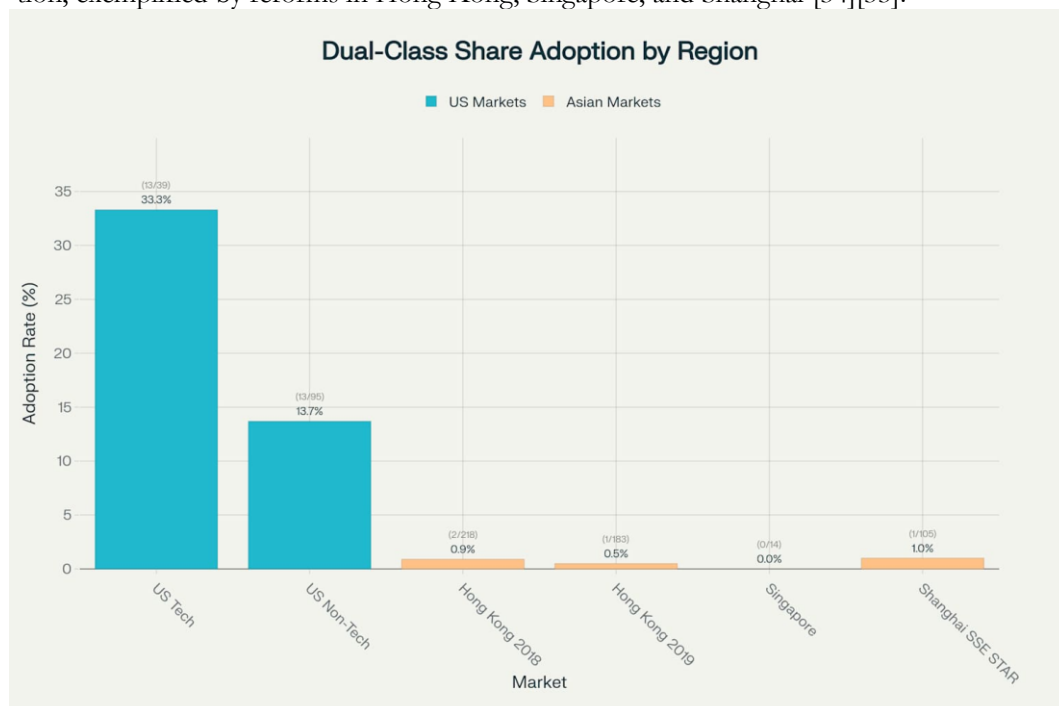


Figure 3. Dual-Class Share Adoption by Region

Comparative adoption rates of dual-class share structures across global markets, highlighting the significant disparity between US and Asian financial centers despite regulatory accommodations

The stark disparity in adoption rates between American and Asian markets, despite regulatory accommodations, suggests that restrictive safeguards may undermine the fundamental attractions of dual-class structures. Singapore's zero adoption rate and Hong Kong's minimal uptake (0.9% in 2018, 0.5% in 2019) contrast sharply with U.S. technology IPO adoption rates exceeding 33%. This divergence highlights the tension between investor protection and market competitiveness.

Contemporary regulatory approaches increasingly emphasize sunset provisions as mechanisms to limit the duration of dual-class arrangements. These provisions operate through various triggers: time-based sunsets (converting superior voting shares after predetermined periods), event-based sunsets (triggered by founder death, incapacity, or share transfers), and performance-based sunsets (conditional on achieving specified targets).

Research on sunset effectiveness presents mixed findings. Studies indicate that firms with sunset provisions may outperform those without, particularly when sunsets are incapacity-based rather than purely temporal²⁰. However, sunset provisions may create perverse incentives as expiration approaches, potentially encouraging value-extracting behavior before control conversion.

The Indonesian Framework: POJK 22/2021 Analysis

Indonesia's POJK 22/2021 implements a distinctive graduated system linking voting ratios to ownership percentages. The framework establishes four tiers: 40:1 ratios for 2.44%-3.5% ownership, 30:1 for 3.5%-5%, 20:1 for 5%-10%, and 10:1 for 10%-47.36% ownership¹. This inverse relationship between ownership and voting premium represents a novel regulatory approach designed to balance founder control with proportionality concerns.

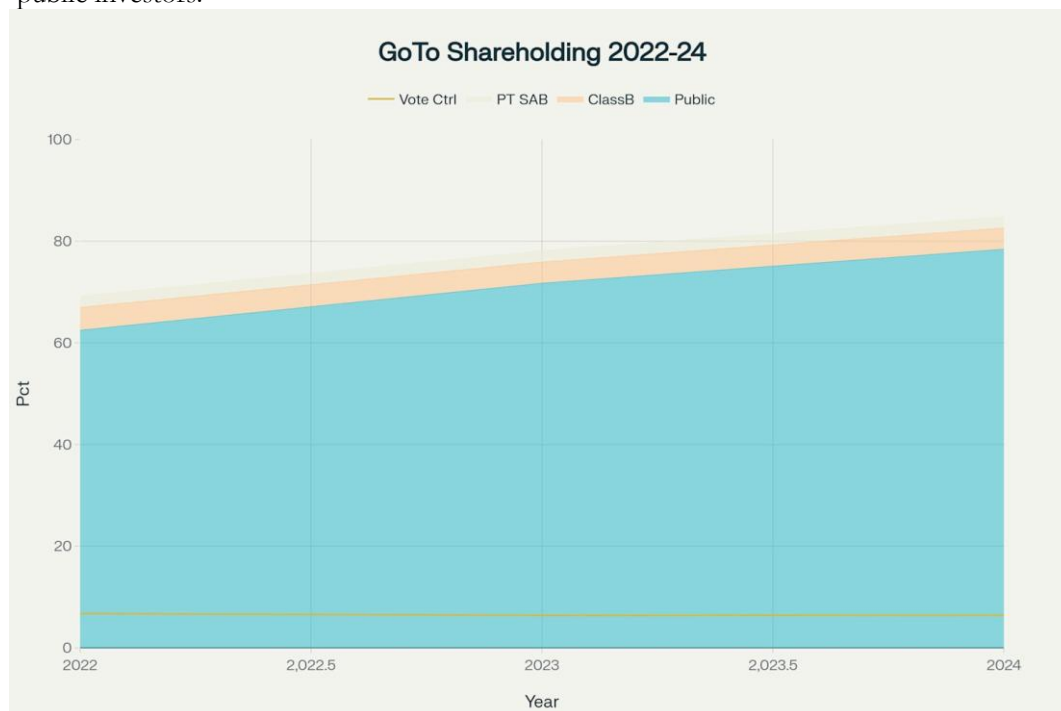
The 2.44% minimum threshold appears calibrated to ensure meaningful economic exposure while permitting significant control retention. The 47.36% maximum suggests regulatory intent to prevent majority economic ownership from coinciding with excessive voting control. This graduated approach contrasts with fixed-ratio systems common in other jurisdictions and may represent a more nuanced response to proportionality concerns.

The Indonesian framework mandates enhanced transparency through prospectus disclosures, ongoing reporting requirements, and distinct stock identification mechanisms¹. These requirements align with international best practices emphasizing market-based discipline through information transparency. However, the effectiveness of disclosure-based protection depends on investor sophistication and enforcement mechanisms.

Corporate governance enhancements include restrictions on multiple voting share holders in conflict-of-interest transactions and requirements for independent director involvement in key decisions¹. These provisions reflect recognition that traditional board governance mechanisms require adaptation in dual-class environments where minority shareholders lack meaningful voting influence.

Case Study: PT GoTo Gojek Tokopedia

PT GoTo Gojek Tokopedia's 2022 IPO represents the first major implementation of Indonesia's dual-class framework. The company adopted a 1:30 voting ratio for Series B shares, positioning itself within POJK 22/2021's most restrictive tier. The IPO structure allocated Series B shares to founders and strategic investors while offering Series A shares to public investors.



Evolution of PT GoTo Gojek Tokopedia shareholding structure and voting control (2022-2024), demonstrating share dilution effects and concentration of voting power despite dispersed economic ownership

The evolution of GoTo's shareholding structure from 2022-2024 demonstrates both the intended function and unintended consequences of the dual-class framework. Public shareholding increased from 62.48% to 78.43%, while superior voting holders maintained approximately 55% voting control despite holding only 6.42% of economic interests by 2024. This divergence illustrates the fundamental tension between economic and voting rights inherent in dual-class structures.

GoTo's post-IPO performance reveals significant challenges in dual-class implementation. The company experienced substantial share price decline, falling approximately 75% from IPO pricing by December 2022. This performance raises questions about market acceptance of dual-class structures in emerging markets and the effectiveness of regulatory safeguards.

The absence of post-IPO share issuances through 2024 suggests that dilution concerns may have influenced corporate financing decisions¹. The reduction in total shares outstanding

from 1.184 trillion to 1.054 trillion in 2023, followed by modest recovery to 1.073 trillion in 2024, indicates share buyback activity rather than dilutive issuances.

Critical Assessment: Regulatory Effectiveness and Market Implications

Contemporary analysis suggests that mandatory safeguarding measures in dual-class regulations operate as "double-edged swords". While these measures address governance risks associated with voting-economic ownership separation, they may simultaneously undermine the fundamental benefits that dual-class structures are designed to provide. The extremely low adoption rates in Asian financial centers implementing stringent safeguards support this hypothesis.

The restrictive approach adopted in Asia reflects legitimate concerns about minority shareholder protection in concentrated ownership environments. However, the resulting regulatory complexity may deter precisely the innovative, high-growth companies that dual-class structures are intended to attract. This creates a regulatory dilemma: insufficient protection risks investor confidence, while excessive protection eliminates structural benefits.

The limited adoption of dual-class structures in Asia despite regulatory accommodation suggests need for alternative approaches to balance innovation incentives with investor protection. Research indicates that ex post enforcement mechanisms, including robust minority shareholder rights and effective judicial systems, may provide superior protection compared to ex ante structural restrictions [4].

The development of loyalty voting structures, which provide enhanced voting rights based on holding periods rather than share class, represents one alternative approach. These structures preserve fungibility while rewarding long-term investment, potentially addressing both liquidity and governance concerns associated with traditional dual-class arrangements.

Implications for Emerging Market Corporate Governance

Indonesia's experience with POJK 22/2021 provides valuable insights for emerging market regulators considering dual-class accommodations. The graduated voting ratio approach represents regulatory innovation that warrants careful monitoring and evaluation. However, the limited market uptake suggests that regulatory design must carefully balance protection and attraction.

Future regulatory development might benefit from greater emphasis on market-based solutions, including enhanced disclosure requirements, minority shareholder approval mechanisms for key transactions, and robust enforcement of fiduciary duties. The development of sophisticated institutional investor bases may also reduce reliance on structural protections.

The broader implications of dual-class regulation extend beyond individual company governance to capital market development and international competitiveness. Emerging markets face particular challenges in attracting innovative companies while maintaining investor confidence [35]. The tension between these objectives requires nuanced regulatory responses that avoid both excessive restriction and inadequate protection.

The experience of Asian financial centers suggests that regulatory accommodation alone is insufficient to drive dual-class adoption. Market infrastructure, investor sophistication, and enforcement capabilities play equally important roles in determining regulatory effectiveness.

Indonesia's implementation of dual-class share regulation through POJK 22/2021 represents a significant regulatory experiment in balancing innovation incentives with investor protection. The graduated voting ratio framework demonstrates regulatory sophistication in addressing traditional proportionality concerns while permitting founder control retention. However, limited market adoption suggests that regulatory design challenges persist.

The broader implications extend beyond Indonesia to emerging market corporate governance generally. The tension between protecting minority shareholders and attracting innovative companies requires continued regulatory evolution and market development. Future research should focus on long-term performance outcomes, comparative effectiveness of different safeguarding approaches, and the interaction between dual-class governance and market development.

The GoTo case study provides valuable empirical evidence on dual-class implementation in emerging markets, though definitive conclusions regarding regulatory effectiveness require longer observation periods and additional market examples. The evolution of Indonesian capital markets and regulatory practice will provide important insights for other emerging market jurisdictions considering similar regulatory accommodations.

As global capital markets continue evolving, the Indonesian experience contributes to the broader understanding of how legal frameworks can adapt to support innovation while maintaining investor confidence. The success of these regulatory innovations will ultimately depend on their ability to facilitate capital formation while preserving market integrity and investor protection.

5. Discussion

The analysis of Indonesia's Financial Services Authority Regulation No. 22/POJK.04/2021 (hereafter POJK 22/2021) reveals a comprehensive legal framework that seeks to balance innovation incentives for high-growth technology issuers with robust protections for minority shareholders. POJK 22/2021 introduces quantitative limits on superior voting rights holders capping aggregate voting power at 90% and mandates minimum participation thresholds for ordinary shareholders at general meetings, thereby ensuring meaningful minority engagement in key corporate decisions. Temporal constraints on multiple voting rights (MVR) shares limited to ten years with a single renewal requiring independent shareholder approval reflect the "sunset provisions" advocated in dual-class literature to mitigate entrenchment risks [3][36]. Equally, the requirement of one-share-one-vote for critical corporate actions, such as the appointment of independent commissioners and auditor selection, aligns with best practices observed in restrictive accommodation regimes in Singapore and Hong Kong [37].

Despite these formal safeguards, the practical efficacy of POJK 22/2021 hinges on enforcement capacity and market dynamics. Empirical evidence from global markets suggests that institutional vigilance and ex post remedies often play a more significant role than ex ante structural limits in protecting minority interests. Studies of US dual-class IPOs demonstrate that while dual-class firms may command valuation premiums at listing driven by managerial flexibility in research-intensive sectors these advantages tend to erode over time as agency costs become salient, with mature dual-class firms trading at discounts relative to single-class peers [3]. The case of PT GoTo Gojek Tokopedia, which adopted a 1:30 voting ratio for Series B shares under POJK 22/2021, illustrates market skepticism: GoTo's share price fell approximately 75% from IPO levels by late 2022, despite maintaining buyback-driven control of voting power with minimal dilution to economic stakes. This outcome parallels findings that dual-class structures can exacerbate misalignment between cash flow and voting rights, especially when enforcement and disclosure regimes are untested.

Comparative analysis underscores that Indonesia's graduated voting ratio mechanism linking lower ownership percentages to higher voting premiums is a regulatory innovation distinct from fixed-ratio models abroad. However, low adoption rates in Asian markets implementing stringent safeguards (0.9% in Hong Kong, 0% in Singapore) suggest that overly restrictive designs may deter the very issuers they aim to attract. Indonesia's approach, while sophisticated, may face similar tensions: excessive procedural and disclosure requirements risk undermining the appeal of MVR equity for high-growth firms. Moreover, the complexity of beneficial ownership structures in Indonesia characterized by pyramidal holdings and cross-shareholding potentially weakens disclosure-based protections, calling for enhanced transparency requirements that extend beyond direct shareholdings.

Agency theory and the flexibility versus entrenchment debate provide critical lenses for assessing POJK 22/2021. While agency theory warns of private benefit extraction by controlling insiders, the flexibility hypothesis posits that founder-led firms benefit from insulation against short-term market pressures. POJK 22/2021's multi-layered safeguards attempt to capture flexibility benefits while curbing entrenchment, yet the ultimate regulatory effectiveness depends on consistent enforcement and the evolution of Indonesian institutional capacities. Comparative research in emerging markets reveals that legal frameworks must be paired with credible sanctions, active regulatory oversight, and judicial recourse to realize minority protection in practice.

The intersection of dual-class structures with share dilution dynamics merits focused empirical inquiry. Preemptive rights, while central to classical anti-dilution protections, may offer limited recourse in concentrated ownership environments without complementary governance mechanisms. Indonesia's single major MVR issuance to GoTo, followed by share buybacks rather than dilutive secondary offerings, suggests that dilution risks in MVR contexts may manifest differently than in single-class frameworks and warrant bespoke study. Comprehensive data on post-IPO equity issuances, stock option exercises, and convertible

securities conversions in MVR firms remain scarce in Indonesia, highlighting a pressing research gap.

In sum, POJK 22/2021 represents a nuanced regulatory experiment in balancing innovation incentives with investor protection in an emerging market. Its multi-tiered design incorporates best practices from global jurisdictions, yet its ultimate success will depend on enforcement rigor, institutional development, and market receptivity. Future research should employ quantitative analyses of MVR firm performance, minority shareholder litigation outcomes, and disclosure enforcement actions to evaluate POJK 22/2021's real-world impacts. Empirical assessments of post-IPO dilution events in MVR firms, comparative case studies of enforcement under POJK 22/2021 versus mature markets, and investigations into the role of institutional investors in MVR contexts will yield actionable insights for policymakers and market participants seeking to optimize dual-class share regimes in emerging economies.

6. Conclusions

This study demonstrates that OJK Regulation No. 22/POJK.04/2021 establishes a multifaceted legal framework designed to balance founder control with minority shareholder protection in technology-sector IPOs. Key safeguards include a 90 percent cap on aggregate superior voting rights, mandatory participation thresholds for ordinary shareholders, time-limited multiple voting rights with independent renewal approval, and one-share-one-vote requirements for critical corporate decisions. These provisions align with global best practices by integrating quantitative limits, procedural safeguards, and enhanced transparency. However, the efficacy of these mechanisms remains conditional on robust enforcement, comprehensive disclosure of indirect ownership, and the evolution of Indonesia's institutional capacities. The case of PT GoTo Gojek Tokopedia illustrates both the potential of graduated voting ratios to preserve strategic control and the persistent risks of misalignment between economic and voting rights, as reflected in market skepticism and share price volatility. While normative analysis confirms the regulation's innovative approach, empirical research is needed to evaluate real-world outcomes, including post-IPO dilution patterns, minority shareholder litigation trends, and enforcement actions under POJK 22/2021. Future studies should employ quantitative methodologies and comparative case analyses to assess the long-term effects of multiple voting rights structures on innovation, capital formation, and investor welfare in emerging markets.

References

- [1] R. Rikah, "Corporate Governance Research Mapping with Bibliometric," *J. Ekuisci*, vol. 1, no. 3, pp. 124–134, Jan. 2024, doi: 10.62885/ekuisci.v1i3.168.
- [2] M. C. Burkart and S. Lee, "The One Share - One Vote Debate: A Theoretical Perspective," *SSRN Electron. J.*, 2007, doi: 10.2139/ssrn.987486.
- [3] U. Lel, J. Netter, A. Poulsen, and Z. Qin, "Dual-Class Shares and Firm Valuation: Market-Wide Evidence from Regulatory Events," *Financ. Rev.*, Apr. 2025, doi: 10.1111/fire.12446.
- [4] D. Aggarwal, O. Eldar, Y. V. Hochberg, and L. P. Litov, "The rise of dual-class stock IPOs," *J. financ. econ.*, vol. 144, no. 1, pp. 122–153, Apr. 2022, doi: 10.1016/j.jfineco.2021.12.012.
- [5] T. Vos, "Multiple voting shares in listed companies in Belgium," Corporate Finance Lab. Accessed: Jul. 01, 2025. [Online]. Available: <https://corporatefinancelab.org/2025/05/08/multiple-voting-shares-in-listed-companies-in-belgium/>
- [6] D. Lemstra, N. Offergelt, P. Schütte, and L. de Vries, "European capital markets: multiple-vote share structures," Stibbe.
- [7] Gide, "Enshrining multiple voting rights in listed companies," Gide. [Online]. Available: <https://www.gide.com/en/news-insights/enshrining-multiple-voting-rights-in-listed-companies/>
- [8] A. R. Wijaya, "Analisis Hukum Atas Penerapan Klasifikasi Saham Dengan Hak Suara Multipel Di Pasar Modal Indonesia," *Al-Adl J. Huk.*, vol. 14, no. 2, p. 367, Jul. 2022, doi: 10.31602/al-adl.v14i2.6935.
- [9] Larasati Anyufa, Lastuti Abubakar, and Pupung Faisal, "Legal Consequences For Investors In A Public Limited Liability Company That Applies Multiple Voting Sharing System," *KRTHA BHAYANGKARA*, vol. 18, no. 2, pp. 474–485, Feb. 2025, doi: 10.31599/krtha.v18i2.2627.
- [10] Y. Zeng, "Protection of Minority Shareholders' Rights under Dual-Class Share Structure," *Front. Sustain. Dev.*, vol. 5, no. 3, pp.

- 158–164, Mar. 2025, doi: 10.54691/23k4ch07.
- [11] N. Yan, A. Zepka, E. Allenstein-Lyon, and J.-C. Plagge, “Does the Dual-Class Share Structure Harm Investor Return? Not Really,” 2025. doi: 10.2139/ssrn.5063110.
- [12] T. Li and N. Zaiats, “Corporate governance and firm value at dual class firms,” *Rev. Financ. Econ.*, vol. 36, no. 1, pp. 47–71, Jan. 2018, doi: 10.1016/j.rfe.2017.07.001.
- [13] M. Wadhwa, “Differential Voting Right Shares in India - Legal and Valuation Perspective,” *SSRN Electron. J.*, 2018, doi: 10.2139/ssrn.3210154.
- [14] M. K. Anser, M. A. Khan, M. A. Khan, W. Huizhen, and A. Haider, “The effectiveness of emerging markets’ legal structure in explaining financial development,” *PLoS One*, vol. 19, no. 4, p. e0299831, Apr. 2024, doi: 10.1371/journal.pone.0299831.
- [15] S. Hu and Y. Wang, “Quality of Financial Information Disclosure and Efficiency of Resource Allocation Under Dual-Track System: Empirical Evidence of Registration System Reform in China,” *Emerg. Mark. Financ. Trade*, vol. 59, no. 11, pp. 3438–3467, Sep. 2023, doi: 10.1080/1540496X.2023.2223935.
- [16] B. V. Reddy, “Up the hill and down again: Constraining dual-class shares,” *Camb. Law J.*, vol. 80, no. 3, pp. 515–551, Nov. 2021, doi: 10.1017/S000819732100101X.
- [17] M. C. Jensen and W. H. Meckling, “Theory of the firm: Managerial behavior, agency costs and ownership structure,” *J. financ. econ.*, vol. 3, no. 4, pp. 305–360, Oct. 1976, doi: 10.1016/0304-405X(76)90026-X.
- [18] L. M. Friedman, “4. On Regulation and Legal Process,” in *Regulatory Policy and the Social Sciences*, University of California Press, 1985, pp. 111–140. doi: 10.1525/9780520313651-006.
- [19] M. Reza Saputra and Wicipto Setiadi, “Implementation Of General Principles Of Good Government In The Organization Of The 2024 Elections,” *Int. J. Law Soc.*, vol. 1, no. 3, pp. 94–112, May 2024, doi: 10.62951/ijls.v1i3.65.
- [20] T. T. Phuong, L. D. Hoang, T. M. Tuan, and T. M. Van, “Minority shareholder protection and dividend policy: Evidence from the material industry,” *J. Gov. Regul.*, vol. 12, no. 3, pp. 163–170, Aug. 2023, doi: 10.22495/jgrv12i3art17.
- [21] J. Hardman, “An institutional analysis of UK ostensible minority shareholder protection mechanisms,” *J. Corp. Law Stud.*, vol. 23, no. 2, pp. 397–436, Jul. 2023, doi: 10.1080/14735970.2023.2287430.
- [22] F. Huang, L. Ge, and S. Wu, “Minority shareholder protection, corporate governance, and investment efficiency,” *Financ. Res. Lett.*, vol. 58, p. 104506, Dec. 2023, doi: 10.1016/j.frl.2023.104506.
- [23] G. Cai, P.-H. Hsu, X. Xu, T. Zhou, and Y. Zhu, “The bright and dark sides of minority shareholder protection: Evidence from the separate vote counts disclosure rule in China,” *Pacific-Basin Financ. J.*, vol. 82, p. 102185, Dec. 2023, doi: 10.1016/j.pacfin.2023.102185.
- [24] S. Sarı Aytekin, “Yönetim Kurullarını Vekâlet Teorisi Perspektifiyle Ele Alan Araştırmaların Bibliyometrik Analizi,” *J. Int. Sci. Res.*, vol. 7, no. 3, pp. 317–335, Oct. 2022, doi: 10.23834/isrjournal.1166089.
- [25] A. Sya’bani, “Minority Shareholders’ Protection in the Indonesian Capital Market,” *Indones. Law Rev.*, vol. 4, no. 1, p. 114, Sep. 2014, doi: 10.15742/ilrev.v4n1.96.
- [26] P. Iliev, K. V. Lins, D. P. Miller, and L. Roth, “Shareholder Voting and Corporate Governance Around the World,” *Rev. Financ. Stud.*, vol. 28, no. 8, pp. 2167–2202, Aug. 2015, doi: 10.1093/rfs/hhv008.
- [27] N. Cai, W. He, G. Wu, and X. Yu, “Online voting and minority shareholder dissent: Evidence from China,” *Financ. Manag.*, vol. 53, no. 2, pp. 327–352, Jun. 2024, doi: 10.1111/fima.12439.
- [28] K. J. Hopt and S. Kalss, “Multiple-voting shares in Europe -A comparative law and economic analysis -,” 2024. doi: 10.2139/ssrn.4887591.
- [29] R. La Porta, F. Lopez-de-Silanes, A. Shleifer, and R. W. Vishny, “Law and Finance,” *J. Polit. Econ.*, vol. 106, no. 6, pp. 1113–1155, Dec. 1998, doi: 10.1086/250042.
- [30] S. Yue, N. H. Bajuri, S. F. A. Khatib, N. Li, and Y. Lyu, “Navigating the Nexus of Dual-Class Share Structure and Firm Innovation: A Systematic Literature Review,” *Int. J. Acad. Res. Bus. Soc. Sci.*, vol. 14, no. 12, Dec. 2024, doi: 10.6007/IJARBSS/v14-i12/24073.

- [31] Z. Chen, B. Ke, and Z. Yang, "Minority Shareholders' Control Rights and the Quality of Corporate Decisions in Weak Investor Protection Countries: A Natural Experiment from China," *Account. Rev.*, vol. 88, no. 4, pp. 1211–1238, Jul. 2013, doi: 10.2308/accr-50424.
- [32] B. S. Sutejo, W. R. Murhadi, and F. Octaviano, "Implementation of Corporate Governance in Emerging Markets: Indonesia Stock Exchange and Singapore Stock Exchange," *Ekonika J. Ekon. Univ. Kadiri*, vol. 9, no. 1, pp. 113–136, Apr. 2024, doi: 10.30737/ekonika.v9i1.5501.
- [33] S. Banerjee and R. W. Masulis, "Ownership, Investment and Governance: The Costs and Benefits of Dual Class Shares," *SSRN Electron. J.*, 2012, doi: 10.2139/ssrn.2182849.
- [34] P. Charlety, M.-C. Fagart, and S. Souam, "Partial Acquisitions and Dilution of Minority Shareholders' Wealth," *SSRN Electron. J.*, 2002, doi: 10.2139/ssrn.301385.
- [35] M. Yan, "The myth of dual class shares: lessons from Asia's financial centres," *J. Corp. Law Stud.*, vol. 21, no. 2, pp. 397–432, Jul. 2021, doi: 10.1080/14735970.2020.1870843.
- [36] U. K. Pati and A. M. Pratama, "Can Dual-Class Shares Thrive in Indonesia's Capital Market? A Legal Comparison with Asia's Financial Powerhouses," *Pandecta Res. Law J.*, vol. 19, no. 2, pp. 363–396, 2024, doi: 10.15294/pandecta.v19i2.4978.
- [37] A. Gurrea-Martínez, "Theory, Evidence, and Policy on Dual-Class Shares: A Country-Specific Response to a Global Debate," *Eur. Bus. Organ. Law Rev.*, vol. 22, no. 3, pp. 475–515, Sep. 2021, doi: 10.1007/s40804-021-00212-4.