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**THE ROLE OF THE FINANCIAL SERVICES AUTHORITY (OJK) AS A SUPERVISOR IN DIGITAL FINANCIAL INSTITUTIONS (FINANCIAL TECHNOLOGY) IN INDONESIA**

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**ABSTRACT**

Nowadays, technological developments are increasingly rapid, extending to digital-based financial institution services or financial technology (fintech). Fintech emerged to provide financial services easily and efficiently to receive a product or related loan funds. The Financial Services Authority (OJK) as an independent institution that supervises the financial sector has an important role in expanding and improving its supervision of digital-based financial institutions as an effort to protect consumers. This research uses normative juridical research methods, namely analyzing positive legal rules and norms related to OJK such as Law no. 21 of 2011 concerning the Financial Services Authority and Financial Services Authority Regulations (POJK) and this research is descriptive because it explains the picture regarding the role of the OJK as a supervisory institution regarding the growth of innovation in technology-based financial services. In carrying out its role, OJK uses two methods, namely pre-operational business methods which are related to before fintech is created and methods during business operations which are related to fintech when it has been implemented. In such a way, the regulations that have been made must be carried out appropriately to protect the interests and security of users.

**Keywords:** Fintech; Role; Supervision; Financial Services Authority.

**INTRODUCTION**

The era of globalization has resulted in rapid developments in all aspects of life, such as in matters of Science and Technology (IPTEK), so it does not rule out the possibility of technological developments in the financial sector, both in banking and non-banking environments, coupled with the emergence of the Industrial Revolution 4.0 which integrates all aspects into online systems. included in the scope of financial services. One proof that technological developments in the scope of financial services, especially in non-bank financial services, are real is the presence of digital financial institutions (financial technology) which have become popular recently. With The existence of fintech increases the OJK's duties in supervisory and regulatory functions because basically the OJK's task is to supervise and regulate all aspects within the scope of financial services such as fintech.

The supervisory and regulatory functions that have been given to OJK according to Law no. 21 of 2011 concerning the Financial Services Authority has the aim of realizing legal certainty for the public. 1 With the emergence of fintech and the ease of accessing the internet, people feel they are benefiting more, but quite a few people feel disadvantaged due to the rapid development of fintech, especially in relation to the security of people's personal data. To be able to provide legal certainty for the community as mandated by Law no. 21 of 2011, both the public as consumers and fintech providers must create several regulations that will regulate and condition the two. By making several regulations regarding the above, it is hoped that there will be legal certainty for consumers and fintech operators so that they will be more responsible.

## RESEARCH METHODS

This research uses a normative juridical approach method where analyze and review regulations or norms in positive law relating to the OJK which has the authority to supervise the financial sector independently. The basic regulations used in this research include Law no. 21 of 2011 concerning the Financial Services Authority, Financial Services Authority Regulation no. 13/POJK.02/2018, Financial Services Authority Regulation no. 77/POJK.01/2016.

This research is descriptive in nature with a focus on examining the reality of increasingly rapid technological developments including the emergence of fintech with the role of the OJK as the authority body that regulates all financial sector activities in Indonesia. Then, the data collection method in this case uses an inventory and identifies data from legal literature materials in the form of books, articles, journals and statutory regulations that are relevant to the topic under study.

## RESULTS AND DISCUSSION

### A. Understanding the Financial Services Authority (OJK)

OJK is a State Institution formed from Law no. 21 of 2011, namely an independent institution that carries out a regulatory and supervisory system by combining all activities in the financial services division such as banking, capital markets and non-bank financial services divisions.<sup>2</sup>

OJK was formed based on the principles of good governance, namely responsibility, transparency, independence, accountability and fairness. OJK has a vision and mission in carrying out its institutional duties. The vision of the OJK is to be a trusted supervisory institution in the financial services industry, protecting everyone's interests, capable of realizing a financial services industry that is a cornerstone of the national economy that can compete on the global stage as a whole and most importantly, advancing general welfare. The mission of the OJK itself is that all activities within the financial services division must be realized in an orderly, fair, transparent and accountable manner, a financial system that grows sustainably and stably must be implemented, and the interests of consumers and society must be safeguarded.<sup>3</sup>

### B. OJK Functions and Authorities

As a consequence of the enactment of Law no. 21 of 2011 concerning OJK makes all functions and duties of Bapepam-LK move into the hands of OJK. <sup>4</sup> In realizing a stable and sustainable Indonesian economy, OJK has the functions, duties and authority regulated in Law no. 21 of 2011 in the third chapter.

The function of OJK is stated in article 5 of Law no. 21 of 2011, to carry out regulatory and supervisory functions in harmony with all activities in the financial services sphere. <sup>5</sup> And in article 6 it is explained what scope is included in the OJK's domain in carrying out the tasks set out in article 5, namely regulatory and supervisory tasks, namely :

1. Financial services affairs in the Banking sector;
2. Financial services affairs in the Capital Markets sector; And
3. Financial services affairs in the Insurance, Pension Fund, Financing Institutions and Other Financial Services Institutions sectors.<sup>6</sup>

Apart from having regulatory and supervisory functions, OJK also has the authority to carry out regulatory functions, as mandated by article 9 of Law no. 21 of 2011, namely compiling regulations in the scope of financial services, issuing, refusing and revoking permits, obtaining reports and information regarding the financial services sector, reducing crime rates in the financial environment, and controlling other financial institutions.<sup>7</sup>

The development of fintech itself has entered Indonesia, one example of a fintech company that is very often used by Indonesian people is shopeepay, ovo, and don't forget mobile banking. The objectives of OJK's supervisory duties regarding fintech are:

1. The company does all the things previously agreed in several aspects;
2. Prevent all possibilities for fraud to occur;
3. Reducing the number of irregularities that occur among employees; And
4. Cost monitoring.<sup>8</sup>

It is hoped that the existence of several functions, duties and authorities of the OJK can balance the OJK with the many innovations caused by developments over time.

### C. Understanding Digital Financial Institutions (Fintech)

Fintech is a combination of financial services and technology that changes traditional forms of transactions into remote transactions that enable fast access to fund distribution. Fintech was born following changing times where humans are required to always move quickly. Fintech helps buying and selling transactions and payment systems become more efficient and cost-effective but still effective.<sup>9</sup> E-Commerce and Fintech are growing rapidly in Indonesia. Where e-commerce is a company that provides online buying and selling services and fintech is a company that has innovations in the field of technology-based financial services that help the buying and selling process. So that the two become like one unit that can serve the needs of consumers and society at large quickly and efficiently.

According to OJK, there are several benefits of fintech, including services to the Indonesian people that cannot be provided by the traditional financial services sector, facilitating the export capacity of MSMEs which is currently still limited, increasing financial inclusion in this country, as well as stability of people's welfare, and helping to meet financial pressures. quite a lot of countries.<sup>10</sup> Bank Indonesia also stated that the rapid development of fintech in Indonesia could bring many benefits to Indonesian borrowers, investors and banks.

### D. Developments and Types of Fintech in Indonesia

Fintech is an innovation that emerged in the financial services industry by utilizing technology to facilitate people in making transactions.<sup>11</sup> Fintech is a technology solution feature that initially appeared as a means of digital payment in digital transactions or other online transactions, but is now growing in size. As of March 9 2023, there are 102 companies that have received OJK permission to provide fintech peer to peer lending or fintech lending.<sup>12</sup>

In Indonesia, the presence of fintech has helped people solve various problems. Following are several types of fintech in Indonesia:

#### 1. Crowdfunding

Fintech This exists to meet the needs of people who want to carry out social programs such as fundraising.

#### 2. Peer to Peer lending (P2P)

P2P is fintech that connects investors with borrowers through an online platform where the interest from loan proceeds will become profit for investors.<sup>13</sup>

#### 3. Securities and Investment Management

Fintech This is a financial planner in digital form. We will be helped to recognize our financial situation and carry out financial planning easily and quickly, so we don't need a financial planner, but simply open our cell phone to open the application and provide the required financial information.

#### 4. Payment, Settlement, and Clearing

Fintech This is within the scope of BI, for example e-wallet and payment gateway. This fintech can simplify and streamline digital deposits or payments. So, people only need to use one portal when making payments.

#### 5. Market Aggregator/E-aggregator

Fintech It collects and stores financial information to be provided to its users. Various financial information is provided so that users can choose from price, features to benefits to choose the best financial product. With this facility we can get more selective financial decision results.

#### E. OJK's Role as Supervisor of Digital Financial Institutions (Fintech)

OJK, in carrying out its duties and authorities, has issued several regulations to support the duties and authorities carried out, one of which is Financial Services Authority Regulation Number 13/POJK.02/2018 concerning digital financial innovation which requires direction so that it can prioritize consumer protection, responsibility responsible and provide a sense of security to its users, as well as provide good solutions when risks are experienced.

In order for digital financial innovation to be implemented well, according to these regulations, there are three steps required before applying for a permit, including:

1. Register a financial services institution company with the OJK. Requests for recording are included in applications for automatic regulatory sandbox testing which can be proposed to supervisors in each sector of financial services institutions.
2. *Regulatory Sandbox* The process takes a maximum of one year and can be extended for up to 6 (six) months.
3. Carry out registration and licensing with OJK.<sup>14</sup>

Registration and permission from the OJK is important for financial institutions. This means that a financial institution has gone through a verification, analysis and evaluation process in its formation. The use of platforms that are not registered and without OJK approval will cause difficulties in resolving problems and complaints when risks are experienced.

OJK's inspection procedures for fintech have been regulated in OJK regulation Number 77/POJK.01/2016 so that implementation is divided into two stages, namely pre-business operations and during business operations.<sup>15</sup>

##### 1. Pre-Operational Business

This stage includes the stages of taking care of registration and licensing in providing Information Technology-based financial services when they will operate. Article 7 of OJK Regulation Number 77/POJK.01/2016 states that "Organizers are required to submit registration and licensing to the OJK". The overall registration procedures are regulated in Articles 8 to 10 of the POJK, with registration applications submitted no later than 6 months after the POJK takes effect to the OJK and approved no later than 10 working days after the documents are received.<sup>16</sup>

After applying for registration at the OJK, you are required to apply for a permit, the entire requirements of which are regulated in Article 11 POJK. The permit application must be made no later than 1 year after it is registered with the OJK, if within that time period the permit application is not submitted then the permit application letter will be canceled and deleted from the list at the OJK and the OJK is prohibited from proposing a permit application afterwards. <sup>17</sup>

The OJK's supervisory role in the pre-operational period of this business also includes changes in ownership which must obtain prior permission from the OJK (Article 12). Apart from changes in ownership, in article 13, the inability and plan to resolve user rights and obligations is the reason for requesting permission to be revoked to the OJK on their own accord. This permit can be revoked no later than 20 working days from the request for revocation.

##### 2. Business Operations

The supervision process by OJK during business operations is carried out through periodic reports as regulated in Article 44 POJK No. 77/POJK.01/2016, namely the obligation to provide coherent and routine reports electronically for organizers who have obtained permission from the OJK in the form of monthly and annual reports.

###### a. Monthly Report (Article 45 POJK No. 77/POJK.01/2016)

Monthly reports are submitted by the organizer to the OJK in the form of soft files and hard files. The report is given to the Chief Executive of Insurance Supervisors, Pension Funds, financial institutions and other financial service institutions no later than 10 working days in the following month.

b. Annual Report (Article 46 POJK No. 77/POJK.01/2016)

Just like monthly reports, annual reports are also provided in the form of soft files and hard files in the form of financial reports and reports on activities for providing Information Technology-Based Money Lending and Borrowing Services. Usually organizers are required to provide reports to the Chief Executive of Insurance Supervisors, Pension Funds, Financing Institutions and Other Financial Services Institutions no later than 20 working days after the reporting period ends to be submitted to the OJK for the reporting period of January 1 to December 31. 18

### CONCLUSION AND SUGGESTION

Fintech Initially it appeared to facilitate people in carrying out transactions, especially as a means of payment when transacting in e-commerce. With the development of technology and innovation, the realm of fintech in facilitating society is expanding, such as crowdfunding, peer to peer lending (P2P), securities and investment management, payment, settlement and clearing, market aggregator/e-aggregator. In order to support its supervisory duties and authority over fintech, OJK issued several regulations, one of which is Financial Services Authority Regulation Number 13/POJK.02/2018 concerning digital financial innovation. Digital financial innovation needs direction so that it can prioritize consumer protection, be responsible and provide a sense of security for its users, and provide good solutions when risks are experienced. OJK's inspection procedures for fintech have been regulated in OJK regulation Number 77/POJK.01/2016 so that implementation is divided into two stages, namely first, pre-operational business which includes the stages of taking care of registration and licensing in providing Information Technology-based financial services when they are about to operate. . The supervisory role of the OJK at this stage also includes changes in ownership which must be approved first by the OJK and the inability and plan to resolve user rights and obligations is the reason for requesting permission to be revoked to the OJK of their own accord. Second, business operations are carried out through periodic electronic reports in the form of monthly reports and annual reports.

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