



Research Paper

Banking Law Issues in Indonesia The Development of Digital Technology

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ABSTRACT: This study explores legal issues in the Indonesian banking context, focusing on regulatory adaptation to modern banking dynamics. Through a descriptive qualitative approach, this article analyzes the legal framework of banking, identifies legal loopholes, and evaluates the legal implications of technological developments on banking services. The purpose of the research is to contribute a deep understanding of banking legal problems and formulate solutions that are in accordance with today's needs. The results show the need to strengthen consumer protection regulations, improve data security, and adapt policies to fintech developments to ensure the stability of the banking sector, provide optimal protection to consumers, and create an adaptive legal environment. This research seeks to make a positive contribution to the development of banking regulations in Indonesia, which are able to answer today's challenges and support the growth of the banking sector in the era of digital technology.

KEYWORDS: Banking Law, Technology Development

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I. INTRODUCTION

Law, in its broad dimension, covers various aspects, not only limited to laws and regulations, but also involves the apparatus that implements them, principles, and other elements. However, in this context, the understanding of law will be narrowed to the extent of laws and regulations. In Indonesia, banking law is an integral part of the country's financial system. This reflects the complexity of regulations designed to regulate banking activities to conform to the principles of fairness and efficiency. Banking law has several main objectives, one of which is securing the provision of credit for special purposes[1]. This objective aims to ensure that banks can effectively channel their credit to those in need, such as weak entrepreneurs, people in need of housing, farmers, and exporters. Thus, banking law serves not only as a regulatory instrument, but also as a tool to create a fair and sustainable balance of credit distribution. Banking law also aims to protect customers. Efforts are made so that banking law can keep customers treated fairly by banks, creating balanced conditions in the relationship between banks and customers. This is important because customers are often in a weak bargaining position, and as such, the existence of regulations that protect their rights is necessary[2]. The concept of *fair play* is the foundation for ensuring that the relationship between banks and customers does not deviate from moral principles and business ethics. Banking law has a strategic objective in creating a conducive atmosphere for monetary policy making. The efficiency of banking law is key in determining the institutions that play a role in making monetary policy. Along with economic growth and technological advancements, regulations in the banking sector are undergoing dynamic changes[3]. Therefore, understanding of banking law issues in Indonesia is a necessity to understand and analyze these developments.

The importance of the strategic role of banks in supporting the national economy requires effective and fair regulations to be the key to maintaining banking system stability, protecting consumers, and preventing potential risks that can harm all parties involved. Therefore, the purpose of this study is not only to find solutions to banking law problems, but also to make a positive contribution to the development of regulations in accordance with modern banking dynamics. Banking law in Indonesia is not just a set of legal rules, but an instrument that leads to the creation of a healthy, fair, and efficient banking environment to support sustainable economic growth[4]. However, in exploring the *research gap*, this study highlights aspects that have not been occupied by previous studies. The focus is on analyzing existing legal frameworks, with the aim of identifying

legal loopholes that may need further attention. This is in line with the spirit of dynamic changes in banking regulations in Indonesia, which demand a deep understanding of existing regulations and finding solutions to emerging problems. This research makes a valuable contribution by looking at the background of previous studies. His analysis provides a deeper insight into the development of banking law in Indonesia and shows that, in addition to the need for protection for consumers and banks as creditors, the identification of legal loopholes is an important aspect that needs further attention in the modern banking context.

The problems cover several crucial aspects in the context of banking law in Indonesia. What is the current legal framework of banking in Indonesia? The analysis will detail the regulatory structure governing the operations of the banking sector, highlight recent changes, and provide a comprehensive understanding of the legal framework guiding banking activities in the country. Next is, what are the legal loopholes that may arise in banking practice? The identification of these legal loopholes is a key focus for understanding regulatory uncertainties or vacancies that may affect the stability and integrity of the banking sector. What are the legal implications of the development of digital technology on banking services? The research will also discuss the legal implications of the development of digital technology on banking services. Finally, what is the legal protection for banking consumers? This includes an understanding of consumer rights, bank responsibilities, and dispute resolution mechanisms involving consumers and banking institutions.

II. RESEARCH METHODS

The research method used in this study is a normative research method using a *statute approach* related to Banking Law Issues in Indonesia in the Development of Digital Technology. The *statute approach* is a method of legal interpretation that emphasizes the text of the law itself. The *statute approach* focuses on the words and sentences used in legislation. Interpreters try to understand the meaning of these words in the context of applicable law.

III. RESULTS AND DISCUSSION

3.1. Current Banking Legal Framework in Indonesia

The current banking legal framework in Indonesia reflects the complexity of regulations designed to regulate and supervise various aspects of banking activities. This legal system not only forms the basis for bank operations, but also lays the foundation for stability and confidence in the national financial sector. Along with economic developments and changing market demands, this legal framework undergoes continuous evolution to respond to new challenges that arise. One of the main pillars in Indonesia's banking legal framework is the latest Banking Law, namely Law Number 10 of 1998. This law provides the legal basis for the existence, operation, and supervision of banking institutions in Indonesia[5]. In addition, a number of implementing regulations were also issued to provide further details regarding the provisions contained in the law. Bank Indonesia (BI) as the central bank has a key role in regulating and supervising the banking system in Indonesia. Its existence is regulated by Law Number 23 of 1999. BI is responsible not only for maintaining currency and financial system stability, but also for developing and implementing an efficient payment system. In addition to the Banking Law and Bank Indonesia regulations, banking supervisory institutions also have an important role in ensuring bank compliance with applicable regulations and standards. The Financial Services Authority (OJK) was established based on Law Number 21 of 2011 concerning the Financial Services Authority. OJK acts as the sole supervisory institution in the field of financial services, including banking. Its functions include regulating, supervising, and monitoring banks as well as involving itself in the licensing process, risk supervision, and banking consumer protection[6].

In addition to this regulatory framework, Indonesia also has regulations related to Islamic banking. Islamic financial institutions are regulated by Law Number 21 of 2008 concerning Sharia Banking, which provides a legal basis for the development and management of sharia-based financial institutions in Indonesia. Bank Indonesia as the authority in the banking sector also has a role in supervising and regulating Islamic banking. It is important to note that the banking legal framework in Indonesia not only covers macro regulatory aspects, but also involves more specific provisions related to the day-to-day operations of banks. For example, regulations regarding procedures for opening accounts, providing credit, and risk management are regulated in detail in various regulations issued by Bank Indonesia and OJK. Technological developments have also influenced the legal framework of banking. The increasing use of information technology in banking services demands regulations that are responsive to this dynamic. Therefore, aspects of data protection, security of electronic transactions, and financial technology innovation become an integral part of the banking legal framework. However, within the Indonesian banking legal framework, there are still several challenges and issues that require further attention. One of them is the inequality and legal uncertainty between conventional banks and Islamic banking. Although there are regulations governing Islamic banking, it is necessary to pay attention so that there is no gap in legal treatment between these two types of banks.

In addition, legal issues related to technological innovation and *fintech* are also the focus of attention. The rapid development of *fintech* raises questions regarding consumer protection, legal responsibility, and security risks. The banking legal framework must be able to accommodate technological developments without compromising security and protection for all parties involved. The importance of a solid and responsive banking legal framework is key to maintaining banking sector stability, protecting consumer interests, and promoting sustainable economic growth. Therefore, continuous efforts in evaluating, refinement, and regulatory alignment are a must to respond to the dynamics of changes in the economy and technology, so that Indonesia can remain a conducive place for the development of the banking sector.

3.2. Legal Loopholes That May Arise in Banking Practices

In banking practice, there are a number of legal loopholes that may arise as a result of industry dynamics, technological developments, and policy changes. Identification and understanding of these loopholes is crucial in maintaining the integrity of the banking sector, protecting the interests of all parties involved, and formulating efforts to improve regulation. One of the legal loopholes that may arise is related to discriminatory practices in the delivery of banking services. Although the law prohibits discrimination of any kind, this practice can still arise in the process of granting credit or handling customers based on certain personal characteristics such as gender, age, or ethnic background. Therefore, special attention is needed in determining the criteria and procedures for providing banking services to ensure that each individual or group receives fair and equal treatment in the banking sector. Legal loopholes can also arise in the context of consumer protection. Although consumer protection laws exist, there is still potential for practices that harm consumers, such as vague or inaccurate information, hidden costs, or unethical billing practices. Limited access or consumer understanding of their rights can also be a loophole that allows exploitation[7]. Therefore, there is a need to review and strengthen consumer protection regulations to ensure that banking consumers are truly protected from harmful practices. Legal loopholes can be seen in the aspect of transparency and clarity of banking information. In the era of information technology, the existence of accurate and easily understood information by consumers is becoming increasingly important. However, there may still be gaps in the transparent and clear delivery of information related to products, services, and associated costs. This can give rise to information inequality between banks and consumers, which in turn can result in bargaining power inequality in business relationships.

Security and data privacy aspects are also areas where legal loopholes can form. Information technology provides ease of access and management of data, but along with it, security and privacy risks also increase. Loopholes in regulations or policies that do not anticipate cybersecurity or data protection threats can compromise sensitive customer information and harm public trust in the banking sector. Related to technology, the emergence of innovations such as *fintech* can create legal loopholes in traditional banking regulations[8]. Regulations that have not fully aligned themselves with fintech developments can provide loopholes for practices that are not fully regulated, such as *peer-to-peer lending* or crypto-assets. Therefore, regulatory adjustments to accommodate and regulate this innovation are a must so that the stability and integrity of the banking sector is maintained[9]. Issues of inequality and gender gaps can also arise in banking practices. The provision of credit or banking services that do not consider gender roles fairly can result in inequality of access to financial services and financial decision-making. Therefore, special attention is needed in ensuring that banking practices do not only rely on traditional aspects, but are also able to provide equal opportunities for all parties regardless of gender. Meanwhile, legal loopholes may arise in cases of misuse of funds or money laundering. Despite strict regulations to prevent these practices, there are still potential loopholes in enforcement and enforcement. Increased cooperation between supervisory agencies, law enforcement, and the banking sector is needed to minimize risks and maintain the integrity of the banking sector from the threat of illegal activities.

In the international context, legal loopholes can also be seen in the framework of cross-border regulation. Banking practices involving transactions or business between countries require good regulatory coordination and alignment between different jurisdictions. Misalignment or vacancies in international regulations can create loopholes that are exploited by harmful practices and can hinder effective monitoring efforts. In response to these legal loopholes, authorities need to conduct a continuous review of existing regulations, strengthen legal frameworks to accommodate industrial and technological developments, and improve oversight and enforcement mechanisms. Active participation from banking institutions, consumers, and other stakeholders is needed to ensure that these gaps can be effectively identified and addressed to create a sound and integrity banking environment.

3.3. Legal Implications of Technological Development on Banking Services

The development of digital technology has significantly changed the landscape of banking services, and this has profound legal implications for regulation, data security, customer privacy, and the structure of the banking industry as a whole. This transformation creates new challenges that require legal adaptation to remain relevant and effective in the face of increasingly complex banking industry dynamics. One of the most striking

legal implications of technological developments in the banking sector is related to data security. With more and more customer data being stored digitally, the protection of personal information and financial transactions is crucial. Regulations regarding cybersecurity and data protection are critical to prevent unauthorized access, identity theft, and misuse of customer information. Therefore, privacy and data security laws in various jurisdictions must be constantly adapted to technological developments to provide adequate protection.

The growth of digital banking services and electronic transactions raises legal issues related to customer identification and authentication. The determination of safe and effective methods for identifying individuals in the digital environment requires special legal attention. Laws governing the use of digital identification, electronic signatures, and authentication technologies are crucial to ensure the validity and security of electronic banking transactions. Consumer protection aspects are also central to the legal implications of technological developments in banking services. In an era where consumers are increasingly dependent on digital banking services, consumer protection laws must be updated and strengthened to ensure that customers' rights remain protected. This involves an obligation for banking service providers to provide clear and transparent information, as well as protection against unfair or misleading practices[10]. The legal implications of the technology also cover issues related to Anti-Money Laundering (AML) policies and countering the financing of terrorism. The speed and volume of transactions in the digital environment poses an increased risk of illegal activities, such as money laundering. Therefore, AML laws and counterterrorism financing regulations should ensure that banking institutions have adequate systems and controls in place to detect, report and prevent suspicious financial transactions. The development of technology in the form of *fintech* (*financial technology*) also carries significant legal implications. Innovations such as *peer-to-peer lending*, *robo-advisors*, and *blockchain* technology present new challenges in regulation and supervision. Alignment between technological innovation and banking regulation is essential to create an environment that supports the growth of the *fintech sector* without abandoning the principles of security and compliance. The expansion of the regulatory framework to include *fintech* requires close cooperation between regulatory agencies, banking institutions, and financial technology industry players. Progressive and responsive regulations are needed to not only protect consumer interests and financial system stability, but also encourage positive innovation in the banking sector[11].

The development of digital technology also carries legal implications related to competition and market penetration. Traditional banking service providers and big tech companies are competing to dominate the digital financial services market. In this regard, competition and antitrust laws must ensure that there are no monopolies or business practices that harm consumers. This regulation must be able to balance innovation and industry sustainability with the protection of consumer interests. Technological developments in banking services create diverse challenges to the existing legal framework. Continuous adaptation of banking regulations and related laws is essential to maintain a balance between innovation and protection of customer interests. The law must be a responsive and progressive tool to accommodate the rapid changes in the banking industry, maintain the integrity of the financial system, and ensure that banking services can develop safely and sustainably in the digital age[12].

3.4. Legal Protection of Banking Consumers

Legal protection of banking consumers has a central role in maintaining balance and fairness in the relationship between customers and financial institutions. Along with the development of banking services and changing dynamics of the financial industry, consumer protection regulation has become a critical aspect to ensure that customers' rights are respected and their interests are protected. One of the main measures in banking consumer protection is the provision of clear and transparent information. Regulations require banking institutions to provide customers with accurate, complete, and easy-to-understand information about products, services, and associated costs. This includes information on interest rates, administrative fees, cancellation terms, and customer rights and obligations[13]. Thus, customers can make informed and knowledge-based financial decisions. In addition, the rights of banking consumers are also protected through regulations on fair and non-misleading business practices. Practices such as forgery, fraud, or neglect of legal obligations by banking institutions may be subject to sanctions and legal action. This protection includes provisions regarding honest and non-misleading advertising, as well as the obligation of banking institutions to provide accurate and timely information to customers. In the context of consumer rights, consumer protection law also includes regulations regarding procedures for handling complaints and disputes. Banking institutions are required to have effective and efficient mechanisms to respond to customer complaints. If the dispute cannot be resolved amicably, the customer has the right to file a lawsuit with the banking ombudsman or consumer dispute resolution body[14]. With this dispute resolution procedure, banking consumers have guaranteed access to justice and can avoid unilateral dispute resolution by banking institutions.

Legal protection for banking consumers also includes regulations that emphasize the importance of privacy and security of customer data. In an era where information and digital technologies play a huge role in

banking services, banking institutions have a responsibility to protect customers' personal information from unauthorized access or misuse. Therefore, data privacy and cybersecurity laws are essential to prevent data breach incidents and maintain customer trust in banking institutions. The regulation also includes consumers' right to fair and equal access to banking services. Discrimination in the provision of credit or banking services based on sex, age, ethnicity, or other personal characteristics is prohibited by law[15]. Diversity and inclusivity must be considered in banking practices to ensure that all levels of society have equal and fair access to financial services.

In an effort to improve consumer protection, the implementation of consumer protection regulations is not only the responsibility of banking institutions but also regulators, such as the Financial Services Authority (OJK) in Indonesia. OJK has an important role in developing, reviewing, and enforcing regulations related to banking consumer protection. Increased cooperation between banking institutions, regulators, and banking ombudsmen is key to creating a fair, transparent, and reliable banking environment for all parties involved. With this regulation, banking customers have a strong legal basis to protect their rights. This comprehensive regulation not only creates legal certainty but also promotes public confidence in the banking sector. Therefore, legal protection of banking consumers is a key element in building a balanced and equitable relationship between banking institutions and customers.

IV. CONCLUSION

In exploring banking law issues in Indonesia, this article highlights the importance of regulatory adjustment to modern banking dynamics. Through a descriptive qualitative approach, this article analyzes the current banking legal framework, identifies legal loopholes that may arise, and outlines the legal implications of technological developments on banking services. In order to provide solutions to this problem, this article recommends the need to strengthen consumer protection regulations, increase data security, and adapt policies to *fintech* developments. Thus, this article seeks to make a positive contribution to the development of banking regulations that are in accordance with the demands of the modern era, maintain the stability of the banking sector, and provide optimal protection to consumers. In the face of the evolving dynamics of the financial industry, joint efforts between banking institutions, regulators, and other stakeholders are key to creating a legal environment that is adaptive, progressive, and able to respond to today's challenges.

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