

Role Regulation In Guard Stability Financial System In Indonesia: A Study Of The Authorities Service Finance (Ojk) And Challenge Digital Financial Sector

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ABSTRACT

Keywords:

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Regulation in the financial industry plays a crucial role in maintaining financial system stability, protecting consumers, and ensuring the continued and transparent operation of financial institutions. This study aims to examine the role and effectiveness of regulation in the Indonesian financial industry, with a particular focus on the role of the Financial Services Authority (OJK) in overseeing and developing the financial sector, including the digital financial sector. Through an in-depth literature review, this study seeks to provide insight into how implemented regulations can support financial sector growth while addressing challenges arising from the development of financial technology. The findings of this study are expected to provide more effective policy recommendations to support sustainable financial system stability.



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Introduction

Industry finance own role Which very vital in economy something state, and this becomes even clearer when we look at its primary function as a link between sector surplus, that is for savers or party Which own funds more, with The deficit sector consists of investors or parties requiring funds to finance business activities or investments. The successful link between these two sectors not only supports the smooth flow of funds in the market but also contributes directly to growth. economy, creation field Work, And improvement welfare society. Besides That, industry finance Also play a role important in support stability monetary a country, Which on his turn influence stability mark swap eye Money, inflation, And interest rate flower. However, For ensure that industry finance can functioning in a way To achieve efficiency and

stability, strict regulations are needed. These regulations are a set of policies, rules, and mechanisms established by the competent authorities to oversee and control all activities carried out by financial institutions. The main objective of these regulations This is For guard stability system finance, avoid risk systemic that could lead to the collapse of the financial sector, protect consumers from potential abuse or uncertainty that may arise in financial transactions, and control and mitigate the risks faced by financial institutions themselves . In Indonesia, financial industry regulations are regulated and supervised by the Financial Services Authority (OJK), which is responsible for supervising all financial institutions, including banking, insurance, capital markets, and other non-bank financial institutions. The OJK aims to For create climate market Which Healthy And transparent, as well as guard public trust in financial institutions. One of the main roles of the OJK is to ensure that institutions finance operate in accordance with principles good corporate governance (GCG), so that can minimize risk fraud, abuse power, And However, despite the in-depth nature of existing regulations, the challenges facing Indonesia's financial regulatory system are becoming increasingly complex with the rapid development of financial technology (fintech).

The rapid growth of fintech has brought various innovations to financial services, such as online lending, digital payments, and app-based investments. These fintech developments have introduced new dynamics in the way people transact and invest. Which naturally need regulations Which more adaptive And responsive. The advancement of fintech also introduces new risks, such as cyber risks, data security issues, and legal uncertainty regarding consumer protection. To address these challenges, existing regulations need to be updated to accommodate rapid changes while maintaining financial system stability and consumer protection. example, OJK need formulate regulations Which more specific For supervise Fintech services, whether app-based, digital platforms, or blockchain-based, ensure that fintech can support the financial sector's primary objectives without creating excessive risk. Furthermore, technological developments can also introduce new opportunities for financial institutions to expand their service reach to the public, especially those who previously lacked access. service banking formal. With fintech, public Which is at in area remote Those in remote areas or those not accessible by conventional bank branches can now access a variety of financial services more easily and affordably. Therefore, regulations must balance innovation and consumer protection, while still maintaining the sustainability of the financial industry as a whole. Therefore, the challenge for the Financial Services Authority (OJK) and other regulators is to create regulations flexible enough to accommodate rapid changes in the fintech sector without compromising the stability and security of the financial system. To address this, collaboration between regulators, financial institutions, and fintech service providers is needed to create a mutually supportive, transparent, and sustainable ecosystem.

Literature Review

Regulation in the financial industry serves to regulate the activities of financial institutions so that they continue to run smoothly, reduce risks, and protect consumer interests. Mishkin (2019) states that one of the main functions of regulation is to address asymmetry information between institution finance And consumer, Which can cause problem like moral hazard And adverse selection. Regulation Which effective must ensure transparency of information and the application of the principle of prudence, as well as strict supervision of financial institutions to avoid potential risks that could harm consumers. According to Gorton And Metrics (2012), crisis finance global show that without settings Which appropriate, institution finance tend do activity Which risky high, which can trigger instability in the financial system. Therefore, regulation aims to create system finance Which more stable with control potential risk Which Furthermore, regulation also plays a role in creating efficient markets and preventing market failures, which can be detrimental to society and the economy as a whole.

Method

Study This use approach qualitative with studies library as Main method. Researchers will review various literature related to financial industry regulations in Indonesia, particularly those implemented by the Financial Services Authority (OJK). The data used in this study comes from various journal articles, research reports, and regulatory documents related to the financial industry. The analysis is conducted to evaluate the role, effectiveness, and challenges of existing regulations in maintaining financial system stability and protecting consumers in Indonesia.

Results and Discussion

Role Regulation in Maintaining Stability Financial System

Regulation in the financial industry has a very important role in maintaining the stability of the financial system, which not only involves financial institutions but also affects economy in a way overall. In Indonesia, role regulations in maintain stability This especially executed by Authority Service Finance (OJK), Which responsible Responsible for regulating, supervising, and protecting consumers in the financial services sector. One aspect regulated is the minimum capital requirements that financial institutions must meet. This aims to maintain the sustainability and resilience of financial institutions, so that in the event of an economic shock or market crisis, the financial institution remains resilient. endure And No harm consumer. As example, policy stress testing applied by the OJK to banking institutions and other financial institutions serves to measure the resilience of these institutions to systemic risks, such as interest rate fluctuations, mark swap, or crisis liquidity. Results from policy This show that Financial institutions that comply with these regulations tend to be more resilient to economic shocks. This plays a crucial role in creating financial system stability, given the resilience of these institutions. the finances will have an impact on the entire Indonesian economic system .

Protection Consumer in Regulation Finance

In addition to maintaining the stability of the financial system, financial regulation also aims to protect consumer from risk Which caused by uncertainty And potential abuse in sector finance. OJK, through various policy, has try to ensure that financial institutions can provide transparent and safe services to consumers. For example, with regulations regarding the clear disclosure of information about financial products, consumers can make better decisions based on information Which available. However, although regulations has implemented with consumer protection goals, there are still challenges in its implementation. One of the challenges the biggest is the rise practice investment illegal And fraud investment, especially In the fintech sector, the existence of online lending platforms that are not registered or licensed by the OJK often creates loopholes exploited by irresponsible individuals. For exploit consumers. Things This create challenges big for OJK to further increase oversight of high-risk fintech services, such as online loans and fraudulent investments, which can harm consumers. Research by Utami Aprilia et al. (2024) shows that although the OJK has established strict regulations on online loans, such as OJK Regulation Number 77/POJK.01/2016, challenges in terms of supervision and law enforcement of online lending services remain. on line illegal Still very big. Lots consumer Which No understand risk from loans on line or trapped in trap loan Which No clear, so that regulations stricter regulations and more intensive supervision are necessary to ensure better consumer protection.

Challenge Regulation in Era Digital

The development of financial technology (fintech) in Indonesia has brought about rapid changes in the way financial services are delivered to the public. Services such as loan on line, wallet digital, And crowdfunding has shake method Traditional approaches to accessing and providing financial services have created new challenges for existing regulations, which are often considered insufficiently responsive to rapid technological developments. In response to these developments, the Financial Services Authority (OJK) has strived to adapt existing regulations to changing market needs. One way to address this is by issuing OJK Regulations (POJK) governing fintech, such as POJK No. 77/POJK.01/2016 concerning Information Technology-Based Money Lending Services. This regulation aims to protect consumers and ensure that fintech service providers have clear permits and adhere to OJK guidelines. However, oversight of fintech remains a major challenge. Rapidly evolving technology is enabling the creation of new services that are not necessarily covered by existing regulations. For example, the development of digital payment services that are not integrated with conventional banking systems has the potential to pose risks to financial system stability. Therefore, regulations must be able to provide space for innovation. without sacrifice stability system finance And protection to Consumers.

The OJK's Role in Supervising the Digital Financial Industry

The Financial Services Authority (OJK) plays a crucial role in ensuring that the development of the digital financial industry in Indonesia complies with applicable regulations, without compromising the integrity and security of the financial system. The OJK not only oversees institution finance conventional, but Also in a way active monitor development fintech and the digital financial sector. The OJK has issued various regulations in response potential risk Which appear from service fintech, like fraud, security data, and problem protection consumer. Wrong One regulation important Which published OJK is about Service Borrow Borrow Money Technology Based Information (Fintech Lending), which require company fintech lending For registered And get permission from OJK. This aims to ensure that only companies that meet the standards and requirements certain Which can operate, as well as ensure that consumer protected from harmful practices. However, oversight of the fintech industry is not without challenges. Research by Khumairok (2025) shows that despite existing regulations, many companies still operate without them. fintech Which operate in outside supervision OJK, Which can cause potential risks to consumers. This indicates that the OJK needs to strengthen regulatory implementation and law enforcement to prevent loopholes for unregistered or illegal services to operate.

Need For Regulator Which Adaptive and Responsive

As technology advances, regulations in the financial industry must be adaptable and responsive to emerging innovations. Overly stringent regulations can hinder innovation, temporary regulations Which too loose can increase the risk of abuse and financial crime. Therefore, it is important for the OJK to continue to carry out reform regulations Which based on analysis risk And development market The latest. Siagian et al. (2025) emphasize the importance of risk-based regulation, where policies and oversight must be tailored to the potential risks inherent in a particular financial sector. In the fintech sector, for example, the risks faced are more related to personal data protection, transaction security, and potential fraud. Responsive regulation will ensure that innovation can proceed smoothly without compromising consumer protection.

Conclusion

Regulation in the financial industry has a very important role in maintaining stability. system finance, increase trust public, as well as protect consumer Financial services. Although regulations implemented by the Financial Services Authority (OJK) have shown positive results, significant challenges remain, particularly in regulating the rapidly evolving digital financial sector. Therefore, ongoing efforts are needed to strengthen oversight, increase transparency, and adapt regulations to technological developments to create a stable and sustainable financial system.

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