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Review of Digital Bank Law in Indonesia: Challenges in the Digital Era

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Abstract

This research aims to conduct a legal review of the development of digital banks in Indonesia, with a focus on the challenges and opportunities faced by this sector. Digital banks are the latest innovation in the financial sector that combines digital technology with traditional banking services. In the Indonesian context, the growth of digital banks has reached significant levels in recent years, changing the banking landscape as a whole. This research uses notmatic legal analysis methods and literature studies to explore legal issues related to digital banks, such as applicable regulations, consumer protection, and tax implications. From the research results, it was found that the regulations regarding digital banks in Indonesia have been stipulated in the Financial Services Authority Regulation (POJK) Number 12/POJK.03/2021 concerning Commercial Banks. Furthermore, in order to complete the provisions for digital banks, the OJK has also successively issued POJK Number 13/POJK.03/2021 concerning the Implementation of Commercial Bank Products and POJK Number 14/POJK.03/2021 as an Amendment to POJK Number 34/POJK.03/2018 concerning Assessment Again, the Main Parties are Financial Services Institutions, where in essence these regulations regulate in detail the digital banking law in Indonesia which is still guided by banking law. Research also shows that the development of digital banks in Indonesia is accompanied by a number of challenges, the need to maintain a balance between innovation and security in the digital banking business model, must be prudent and sustainable, have adequate information technology capabilities for bank managers or leaders, effective risk management, protection customer data, as well as the role of digital banks in financial inclusion.

Keywords: *Digital Bank, Digital Bank Law, Financial Services Authority, Indonesian Legal Entity (BHI), Customer Data Security, Risk Management.*

1. INTRODUCTION

The advent of globalization has emerged as the primary catalyst for the inception of the era characterized by the advancement of information technology and telecommunications. The global dissemination of information and telecommunications technologies has been observed as a notable occurrence (Kato, 2019). Technological advancements offer various advantages to nations globally, primarily by stimulating economic expansion through the facilitation of business transactions. This is particularly evident in the financial sector, where conventional methods are being replaced by electronic transactions, resulting in enhanced effectiveness and efficiency (Steadman et al., 2000).

The application of this technology is currently employed within the banking industry to

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facilitate financial transactions for consumers, eliminating the need for physical presence at the bank (Koenig-Lewis et al., 2010). The extensive range of services provided by various banks contributes to a heightened level of competition, particularly in the pursuit of customer acquisition (Vandermerwe & Rada, 1988). The advent of technology has prompted banks to offer financial services that leverage financial technology, hence introducing novel developments in the realm of bank financial services. According to Phophalia (2018)

The successful implementation of these operations in the banking industry necessitates the presence of accompanying rules that provide support and ensure their seamless execution. The objective of this endeavor is to guarantee that all banking operations are conducted in alignment with prevailing societal standards (Tsindeliani et al., 2022). The implementation of technological advancements in banking services necessitates the establishment of a legislative framework to safeguard the interests of both clients and banks, hence mitigating potential future issues (Giannakoudi, 1999).

Digital banks have become one of the leading innovations in the global financial sector, changing the way we interact with traditional banking services. Throughout the world, the development of digital banks has reached its peak in recent years (Yildirim & Erdil, 2023). This phenomenon creates a new paradigm in the banking ecosystem and has a significant impact on various economic and legal aspects. Digital banks offer the potential to overcome various problems in the traditional banking sector (Balkan, 2021). The growth of digital banks opens the door to wider financial inclusion, enabling access to financial services that were previously difficult to reach for the majority of society (Sapovadia, 2018). However, while there are great opportunities, the sector is also faced with various challenges that require special attention.

The utilization of digital banking innovations necessitates prompt legal action to establish a framework that ensures legal certainty (Ringe & Christopher, 2020). The banking legislation in Indonesia establishes distinct regulations for conventional banking, which is governed by Law Number 7 of 1992 on Banking as revised by Law Number 10 of 1998, and sharia banking, which is based on Law Number 21 of 2008 on Sharia Banking. The two banking systems in Indonesia oversee different areas related to their distinct legislative structures, which are based on traditional banking procedures or mechanisms (Sembiring, 2000).

According to Astrini (2015), the incorporation of digital aspects into the banking industry has not been addressed in the reformation of Law Number 10 of 1998. In contrast, the government has implemented policies in the form of rules established by Bank Indonesia and the Financial Services Authority as a measure to ensure legal certainty and protection (Sitompul, 2018). In this instance, the OJK has enacted OJK Regulation Number 12/POJK.03/2018 pertaining to the Execution of Digital Banking Services by Commercial Banks. The General Explanation of this regulation elucidates, among other matters, that the augmentation of Information Technology employment in enhancing customer services propels the Bank into a novel epoch, specifically the era of digital banking. This transformation is manifest from the initiation to the termination of the customer's affiliation with the Bank. According to a publication by Occult in 2019, The procedure of initiating a savings account, conducting financial transactions, and terminating a savings account can be accomplished through the utilization of Information Technology (Tarigan & Paulus, 2019).

There are problems related to various digital banking sectors being able to operate efficiently and in accordance with international standards. Therefore, this research aims to examine legal aspects relevant to the development of digital banks, as well as to identify challenges and opportunities that may influence the development of this sector in the future. With a deeper understanding of the legal issues related to digital banks, we can help develop a more solid legal framework for the sector. This will be useful for regulators in formulating appropriate policies, industry players in identifying sustainable business opportunities, and consumers in understanding their rights and obligations in interacting with digital banks. Additionally, this research can provide a comprehensive view of how digital banks can contribute to economic growth and greater financial inclusion in Indonesia.

2. LITERATURE REVIEW

In recent years, the development of digital banks has experienced significant growth. One important factor in this growth is the convenience and speed offered by these services (Laforet & Li, 2005). Even though digital banks have been present in Indonesia for quite a long time, technological innovations, especially in devices such as smartphones, have opened up great opportunities to provide banking services that are more personalized and suit the needs of diverse customers (Auta, 2010). This rapid growth has resulted in many new digital banks emerging in the market.

Hence, the Financial Services Authority (OJK) has formulated specific regulations to govern the operations of digital banks. The primary objective of these regulations is to mitigate risks for Indonesian residents, ensuring their seamless and efficient utilization of digital banking services. The definition of a digital bank has been elucidated by OJK in OJK Regulation number 12/POJK.03/2021 (Fachrurrazy & Siliwadi, 2020). As per the stipulations outlined in this rule, a digital bank is defined as a banking institution that possesses a legal entity within the jurisdiction of Indonesia. This digital financial institution is designed to offer and facilitate banking services through electronic channels, eliminating the need for a physical branch network, except for a central headquarters or a limited number of physical locations. According to Dewantara and Sitorus (2022), the provision of digital banking services can be undertaken by both newly founded banks and conventional banks that are undergoing a transition towards becoming digital banks.

In order for a digital bank to operate in Indonesia, it is required to fulfill a number of requirements (Ngamal & Perajaka, 2022). These conditions include:

a. have a business model that uses innovative and safe technology to serve customer needs;

b. have the ability to manage a prudent and sustainable digital banking business model;

c. have adequate risk management;

d. fulfill governance aspects including meeting directors who have competence in the field of information technology and other competencies in accordance with OJK provisions regarding fit and proper test for the main parties of financial services institutions;

e. carry out protection for customer data security; And

f. provide efforts that contribute to the development of the digital financial ecosystem and/or financial inclusion.

Banking services in digital banks operate the process completely online. This means that all customer activities that were previously carried out at branch offices, such as opening savings accounts, deposits, printing bank statements, applying for credit, or getting assistance from customer service, can now be carried out by digital banks without the need for direct physical meetings between customers and the bank (Acar & Citak, 2019). To provide satisfactory service, digital banks must actively develop existing online technology so that they can provide convenience to customers or digital bank application users (Singh & Srivastava, 2020)

Technological innovation is also an important requirement in providing digital banking services. In OJK regulations, it is explained that digital banks must have a business model that uses innovative and safe technology to meet customer needs (Novendra & Aulianisa, 2020). Apart from that, digital banks must have good capabilities in managing the digital banking business model wisely and sustainably as a condition for operating as a digital bank (Rahman & Islam, 2022)

As a form of technological innovation, digital banks offer a variety of benefits that customers can enjoy. Here are some of the advantages, including:

- 24 hour service . By operating via online methods, of course digital banking services must be able to be utilized by users or customers anytime and anywhere according to their needs. Therefore, in order to meet customer needs, digital banks offer banking services that can be accessed 24 hours a day.

- Affordable admin fees. One of the other advantages offered by digital banking services is the affordable administration fees offered. If you usually make inter-bank transfers or pay bills via an ATM machine, you will get an administration fee charged to the funds in your account. However, if you carry out banking activities through a digital bank, there are usually promos or services free of admin fees. This advantage is certainly a good solution for those of you who want to save on expenses from the funds in your account.

- Inclusive financial services. Based on regulations issued by the OJK, digital banks are required to provide inclusive financial services. Inclusive financial services mean that digital banks are obliged to provide services to reach a wider community. In other words, digital banks can continue to provide optimal banking services even if there are customers who are in rural residential areas. This inclusive financial service is successful thanks to internet services.

Currently, there are many Indonesian digital bank players who offer various programs. And the following is a list of digital banks operating in Indonesia.

1) Jago Bank

Bank Jago is a product of PT Bank Jago Tbk. Which was founded on May 1, 1992. Bank Jago obtained an operating license on July 10, 1992. Initially, Bank Jago was called PT Bank Artoz Indonesia which carried out banking practices on December 12, 1992. After 30 years of operation, PT Bank Artoz Indonesia changed its name to PT Bank Jago Tbk. Then launched Bank Jago as a digital bank.

2) Blu

Blu is a digital bank product from Pt Bank Digital BCA, a subsidiary of PT Bank Central Asia Tbk. This digital bank was launched in July 2021. Blu is the best digital bank in Indonesia 2022. This is because BLU BCA's appearance is very user friendly, has complete features, and its products are in line with today's needs.

3) Genius

Jenius is a digital banking product from Bank BTPN. This digital application was launched in 2016. What's interesting about Jenius is the marketing strategy that is spread in public places. Jenius is connected to international payment systems. That way, you can make international transactions directly through the application.

4) Livin

Livin is an Indonesian digital bank from Bank Mandiri. The emergence of Livin makes it easier for customers to carry out transactions. Apart from that, customers can save money and save deposits in one place. There is a transaction history, financial recap to check the transactions you have made.

5) Neo Bank

Neo bank is a digital bank that makes it easy for customers to carry out transactions from anywhere. Neo bank transactions can be done from home. Even though it is online-based, Neo Bank still protects its customer data so that it is safe to use. Neo Bank is a digital banking product from PT Bank Neo Commerce Tbk.

6) Allo Bank

Allo Bank from PT Allo Bank Indonesia Tbk is a digital bank which will be released in 2022. In the past, Allo Bank was still called Bank Harda Indonesia before being acquired by Chairul Tanjung. Allo Bank stole attention by holding the Allo Bank Festival 2022 on 20-22 May 2022. This event is also a form of promotion from Allo Bank.

7) Line Bank

Line Bank is one of Indonesia's digital banks which was released on June 10 2021. This digital bank is the result of an acquisition from Line Corporation. Previously a chat application, now Line provides digital banking services for the younger generation. Uniquely, Line Bank does not set monthly fees for customers.

8) Motion Banking

MNC has permission to become a digital bank through Motion Banking. Digital banking services have been operating since May 2021. MNC Bank is a product of PT MNC Kapital Indonesia Tbk, a subsidiary of PT Bank MNC Internasional Tbk. Motion Banking has features for customer convenience in online transactions. One of them is the full biometric digital onboarding feature which can verify using fingerprints and facial recognition. With this, customers can log in using fingerprints or facial recognition. Apart from that, the digital wallet feature is available for cashless transactions. Motion's e-wallet is capable of top ups, payments and transfers, especially for MNC products.

9) Raya Bank

Bank Raya is a digital bank from a subsidiary of PT Bank Rakyat Indonesia. Previously, Bank Raya was called Bank Argo. Until 2021, this company changed its name to Bank Raya. Similar to conventional banks, Bank Raya offers savings and loan services for its customers. And become the first company to accelerate digital loan disbursement through the first full-service digital loan product (Pinang).

10) D-Save

D-Save by Bank Danamon is one of the digital banking products made by Bank Danamon. One of the features is cash withdrawal without an ATM card. D-Save has attractive interest rates for its customers. With an initial deposit of IDR 0, D-Save by Danamon features free ATM fees, free card fees and free admin fees.

3. METHOD

The approach employed in this scholarly essay is a form of normative legal research. The study methodology employed in this work encompasses both a legislative approach and a conceptual approach, as outlined by Ariawan (2013). There exist various categories of materials. Legal resources can be categorized into three main types: primary legal materials, secondary legal materials, and tertiary legal materials. Primary legal materials refer to legislation, which includes laws, statutes, and regulations. Secondary legal materials encompass a wide range of sources such as books, journals, papers, and other scholarly publications. Lastly, tertiary legal materials consist of dictionaries and other reference materials that provide definitions and explanations of legal terms and concepts. The research employed a documentation study as the data collection technique, specifically focusing on the gathering of papers pertaining to the legal evaluation of digital banks in Indonesia. The research employed the content analysis methodology as its analytical technique. This methodology is employed for the examination of legal documents that have been gathered in order to address legal issues through the utilization of indicators. The indicators employed in this study consist of many theories and concepts that have been selected as analytical instruments in order to attain scientific veracity (Efendi & Ibrahim, 2018). The research employs a qualitative analysis approach, which yields descriptive data. In this method, the researcher assumes the responsibility of determining the veracity of the data and the ultimate conclusion of the research.

4. RESULTS AND DSISCUSSION

1. Review of Digital Bank Law in Indonesia

The popularity of digital banks in Indonesia has witnessed a significant surge in recent years. According to a poll conducted by Finder.com, Indonesia ranks second globally in terms of the highest number of individuals holding digital bank accounts. Furthermore, the findings of a survey conducted by Populix titled "Consumer Preference Towards Banking and e-Wallet Apps" indicate that a significant proportion of participants, specifically 64%, possess mobile applications related to banking and financial services, encompassing digital banking (Rahi et al., 2023). The primary factors that motivate individuals to opt for digital banking include its practicality, time-saving efficiency, and user-friendly application interface (Siswanti, 2022).

The Financial Services Authority (OJK) in Indonesia has recently implemented regulations that establish the legal framework for conducting digital banking operations. The advent of digital banking is a significant component of the ongoing industrial revolutions, namely the fourth and fifth industrial revolutions. Recently, the Financial Services Authority Regulation (POJK) Number 12/POJK.03/2021 pertaining to Commercial Banks has been introduced by the OJK. Moreover, the Financial Services Authority (OJK) has issued two regulations, namely POJK Number 13/POJK.03/2021 on the Implementation of Commercial Bank Products and POJK Number 14/POJK.03/2021 as an Amendment to POJK Number 34/POJK.03/2018 on the Assessment of Main Parties in Financial Services Institutions, in order to further establish the necessary provisions for digital banks.

The definition of digital banks, as outlined in Article 23 of POJK Number 12/POJK.03/2021, pertains to banking institutions that predominantly conduct their business operations via electronic channels. These banks can take the form of Indonesian legal entities, either as newly established banks with a specific focus on digital operations or as a result of the transformation of existing conventional banks into digital banks. The aforementioned definition emphasizes that the core functions of banking have remained largely unchanged since their regulation in Law Number 7 of 1992, then altered by Law Number 10 of 1998 pertaining to the field of banking (Gayo & Taufik, 2012).

In this context, the term "digital" refers more to the way a bank operates rather than changing the function and position of the bank itself, which still refers to the legal framework of the existing Banking Law (Soderberg et al., 2022). According to Baidhowi (2018), the digital bank era reflects the transformation of bank operations from a conventional model to a model that focuses more on digital technology, and this is reflected in the three POJKs recently published by the OJK. In this way, digital banks are not only leveraging modern technology, but also adapting their business models to meet the growing demands and needs of customers in an increasingly digitally connected world.

Article 24 in POJK Number 12/POJK.03/2021 outlines a number of important requirements that digital banks must comply with in carrying out their operations. These requirements reflect OJK's commitment to ensuring that digital banks operate safely, innovatively and provide added value to customers and the digital financial ecosystem as a whole. First of all, digital bank transformation must include the use of innovative and safe technology in serving customer needs (Prastika, 2019). This reflects the importance of adapting to the latest technology to provide a better and safer banking experience for customers. In an era where cyber threats are increasing, security aspects are very important to pay attention to (Ahmad et al, 2021).

Furthermore, digital banks are required to have mature capabilities in managing banking business models in a prudent and sustainable manner. This includes effective risk management, including identifying, assessing and mitigating risks that may occur in digital bank operations. This capability is very important to maintain the stability and sustainability of the bank's business (Brugmann & Prahalad, 2007). Another point that is no less important is good governance, including the provision of directors who have competence in the field of information technology. In the era of digital banks, a deep understanding of information technology is very necessary to make the right decisions and ensure appropriateness in managing digital banks (Rick et al, 2020).

Lastly, digital banks also have a responsibility to protect the security of customer data. This includes efforts to maintain the confidentiality of customers' personal and financial information, as well as protecting this data from cyber threats (Abomhara & Koien, 2015). Data security is one of the key aspects in building customer trust in digital banks. Apart from that, digital banks are also expected to make a positive contribution to the development of the digital financial ecosystem and financial inclusion. In this case, digital banks are expected to become active players in advancing more inclusive financial services, which can be accessed by various levels of society.

2. Legal Challenges of Digital Banks in Indonesia

As explained previously, the implementation of digital banking in Indonesia faces a series of challenges that cannot be ignored. The legal challenges faced in this context are evident in the regulatory framework described in Article 24 POJK Number 12/POJK.03/2021. This article details at least six legal issues and regulatory aspects that pose significant obstacles to the operation of digital banks. Here are the six challenges:

a) Digital Bank Business Models must be innovative and secure

The requirement that digital bank business models be innovative and secure is a very important aspect in facing legal challenges in digital banking. In this context, the main challenge is the extent to which digital banks can improve services to customers without compromising the security of customer transactions, both those who deposit funds (depositors) and those who use financing facilities. Transaction security is a very crucial concept in digital banking, and this requirement reflects the need to maintain customer trust in the digital platform.

The importance of maintaining innovation in the digital banking business model is so that banks can continue to develop services that are better, more efficient and more in line with customers' changing needs. This includes the introduction of new products, technology updates, and operational process improvements that enable customers to receive better banking services overall. However, this innovation must also be in line with transaction security. Customers must feel confident that their data and money are safe when making transactions via digital platforms. This includes protection against potential risks such as identity theft, fraud, and cyberattacks. Transaction security must be a top priority for digital banks, as a single security incident can damage a bank's reputation and result in financial losses for customers.

In a legal context, customer protection in digital banking needs to be strengthened through special rules that regulate aspects such as personal data protection, bank responsibilities in securing customer transactions, and dispute resolution procedures. This is part of the concept of “lex specialis,” where generally applicable regulations may need to be detailed in more specific regulations to address unique challenges and risks in digital banking. Thus, to run a digital bank successfully and comply with relevant legal aspects, banks need to combine innovation with a high level of security, while complying with relevant regulations, including digital banking consumer protection. This will help create a healthy, safe and reliable digital banking ecosystem for customers.

b) Digital bank business models must be prudent and sustainable

These two aspects have very important implications in facing legal challenges in digital banking. First, the “prudent” aspect emphasizes the need for digital banks to manage risks wisely. This includes the introduction of robust procedures and policies to identify, assess and control risks that may arise in bank operations, such as credit, operational and liquidity risks. The importance of proper risk management is so that banks can avoid failures or crises that could harm customers and the financial system as a whole. Second, the "sustainable" aspect emphasizes the importance of digital banks having a business model that is able to run sustainably. In this context, sustainability includes a bank's ability to continue operating and providing services to customers in the long term, without experiencing significant disruption. This reflects the need for careful planning, efficient resource management, and the ability to deal with external changes that may impact digital bank operations.

The notion of 'prudence' discussed here is derived from Article 2 of the Banking Law, which mandates Indonesian banks to conduct their activities in accordance with the principle of prudence. Despite deriving its legal foundation from Article 2 of the Banking Law, Article 24 letter (b) of POJK Number 12/POJK.03/2021 can be regarded as a more precise regulation or lex specialis due to its clear provisions pertaining to the operational prerequisites of a digital bank. Nevertheless, it is imperative to recognize that further refinement is necessary for Article 24 letter (b) of POJK Number 12/POJK.03/2021 in order to establish more comprehensive criteria and measures for assessing the appropriateness of prudent risk management in the realm of digital banking activities. In an alternative perspective, it is imperative to provide a more precise delineation of the term 'prudent' within the framework of digital banking.\.

Further development of these 'prudent' criteria and measures will help define more concrete standards for digital banks to effectively manage risks and avoid potential problems that could harm customers and the stability of the financial system. This includes parameters such as risk identification methods, risk control procedures, minimum capital levels that must be maintained, as well as monitoring and reporting required to ensure that digital banks operate sensibly. By adding more detailed provisions regarding 'prudence' in the operation of digital banks, regulations will become more comprehensive and provide clearer guidance for digital banks in carrying out their operations. This will also help improve compliance and reduce legal risks in the growing digital banking industry in Indonesia.

c) Must have adequate information technology capabilities for bank managers or leaders.

In an era where information technology plays a key role in all aspects of business, leadership that understands and is competent in information technology is essential. Adequate information technology capability refers to sufficient understanding and skills in managing technology infrastructure, cyber security, software development, data analysis, and various other aspects of information technology relevant to digital banking. Digital bank leaders must be able to make strategic decisions based on data and technology to improve operational efficiency, provide better services to customers, and manage technology risks that may arise.

The success of digital banks in meeting the demands of information technology can also influence their competitiveness in an increasingly competitive market. Banks that have leaders with strong information technology capabilities can adapt more quickly to market changes and face evolving technological challenges. However, in a legal context, these requirements can also create challenges in terms of ensuring that bank leaders have sufficient competence in information technology. This may require more specialized education, training, or certification requirements in information technology for digital bank leaders. Relevant regulations should provide clear guidance on these requirements to ensure that digital banks can meet the necessary criteria.

Article 24 letter (d) POJK Number 12/POJK.03/2021 underlines the importance of governance and special information technology capability requirements for digital bank directors. This indicates that the OJK, as the institution responsible for the due diligence of bank directors, needs to issue special and different regulations regarding the implementation and standards for passing the due diligence for digital bank director candidates. In this context, there is no similarity in graduation standards between conventional banks and digital banks, considering the differences in governance between the two. Regulations specific to digital banks will include requirements relevant to the director's role in managing digital banks. This includes the information technology capabilities needed to understand and make strategic decisions in the use of technology in digital bank operations. Digital bank directors must have a deep understanding of information technology applied in digital banking, including aspects of cyber security, data analysis, and management of technological infrastructure that supports digital banking services.

d) Protection and security of customer data

Requirements regarding the protection and security of customer data are very important in digital banking. This refers to the obligation for digital banks to maintain the confidentiality and integrity of customers' personal data in their possession, as well as protect this information from unauthorized access or unauthorized use. Customer data security is a top priority in digital banks because the bank manages very sensitive information, including financial data and customers' personal identities. Protection and security of customer data includes various aspects, such as data encryption, use of a strong security system, monitoring suspicious activity, as well as clear policies regarding the use and storage of customer data.

Apart from maintaining customer trust, this requirement also has significant legal implications. Digital banks must comply with relevant laws and regulations relating to the protection of personal data, such as the Personal Data Protection Act. Violations in customer data protection can result in serious legal consequences, including sanctions and lawsuits that can harm banks financially and reputationally.

To strengthen the protection and security of customer data, it is important for the government to support this effort by immediately passing a draft law (RUU) on personal data protection. This bill will provide a strong legal basis to regulate the collection, processing and storage of customer personal data by digital banking entities. It will also provide a clear framework for protecting customers' privacy rights and set out actions to be taken in the event of a data breach. With the personal data protection bill passed, the government can provide stronger protection to customers and send an important message that data security is a priority . This will increase customer confidence in digital banking, drive the sector's growth, and maintain the stability of the financial system as a whole.

e) Digital Banks need to have Risk Management

Risk management in the domain of digital banking pertains to the systematic examination and evaluation of the viability of various transactions, encompassing those associated with depositors as well as financing clients. The primary emphasis of risk management, as stipulated in Article 24 letter (c) of POJK Number 12/POJK.03/2021, pertains to the evaluation and viability elements of digitally conducted transactions. To yet, there is a lack of explicit criteria governing the deployment and evaluation of the viability of digital transactions.

The main objective of adequate risk management is to ensure that digital banking transactions can be carried out without causing losses, both for customers and for the bank itself. In the context of digital banking, risks can include various things, such as credit risk (related to digital financing), operational risk (related to the smooth operation of technology), and security risk (related to potential cyber threats). The importance of effective risk management is so that digital banks can maintain a balance between providing efficient services to customers and managing risks well. This involves the careful use of technology, data analysis and monitoring to identify potential risks and take steps to reduce or avoid those risks.

One of the main results of successful risk management is keeping the banking intermediary function running well. This means digital banks can carry out their role as a link between customers and the financial system efficiently without sacrificing stability and security. By implementing appropriate risk management practices, digital banks can ensure that their transactions run smoothly, customers feel safe, and risks associated with digital banking are minimized.

f) Digital banks play a role in financial inclusion

Article 24 letter (f) in OJK Regulation Number 12/POJK.03/2021 emphasizes the importance of the positive contribution of digital banking implementation to the development of the digital financial ecosystem and financial inclusion more broadly. In this context, close cooperation and integration is needed between digital banking operations and other supporting elements in the digital financial ecosystem. This means that digital banks not only have to operate as separate entities, but also have to collaborate with digital money service providers, fintech companies, the real sector, e-commerce and other stakeholders. This collaboration aims to create a financial ecosystem that is more inclusive, efficient and provides greater benefits to society.

One of the goals that may be achieved through this collaboration is to create a society that is more inclined to carry out transactions without using cash (cashless society) or even without using physical cards (cardless society). This will help reduce dependence on physical currency and increase efficiency in various aspects of daily life, such as shopping, paying bills and carrying out other financial transactions. However, to achieve this vision, there needs to be supportive regulations and frameworks that facilitate the integration of digital banks with the broader digital financial ecosystem. This involves harmonization of regulations, development of interoperability standards, and active cooperation between all stakeholders in the digital financial ecosystem. Thus, Article 24 letter (f) POJK Number 12/POJK.03/2021 reflects the drive to create an environment that allows digital banks to act as an integral part of the transformation of a more modern and inclusive digital financial ecosystem. This will provide major benefits in improving access to financial services, improving efficiency and advancing the economy as a whole.

5. CONCLUSION

Digital banks have experienced rapid development in Indonesia, with many digital bank account holders and popular digital banking applications. OJK has issued a series of regulations (POJK) to regulate digital banks and ensure that they operate safely, innovatively, and provide added value to customers and the digital financial ecosystem, including Financial Services Authority Regulation (POJK) Number 12/POJK.03/2021 concerning Commercial banks. Furthermore, in order to complete the provisions for digital banks, the OJK has also successively issued POJK Number 13/POJK.03/2021 concerning the Implementation of Commercial Bank Products and POJK Number 14/POJK.03/2021 as an Amendment to POJK Number 34/POJK.03/2018 concerning Assessment Back to Main Parties of Financial Services Institutions. The implementation of digital banking in Indonesia faces a number of important legal challenges. These challenges include the need to maintain a balance between innovation and security in digital banking business models, effective risk management, customer data protection, as well as the role of digital banks in financial inclusion. New regulations issued by the Financial Services Authority (OJK) attempt to address most of these challenges, however, some aspects still require further clarification. The ability of digital bank leaders to manage information technology, as well as close collaboration with other digital financial ecosystems, is also key in facing this challenge. In this case, regulations and frameworks that support integration and collaboration need to be strengthened. Overall, digital banks in Indonesia have great potential to play a role in the transformation of a more inclusive and modern financial ecosystem, provided these legal challenges are managed well and appropriate measures are taken to overcome them.

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