

## Reconstruction of the Role of the Financial Services Authority in Overcoming Fraud in the Business Sector in Indonesia

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**Abstract.** The objective of this study is to investigate how the Financial Services Authority (OJK) is actively tackling fraud within the Indonesian business community. Fraud is a criminal act that poses a significant threat to corporate finances and undermines public confidence, ultimately jeopardizing the credibility of financial markets. Therefore, this research focuses on analyzing the role of the OJK in detecting, preventing, and overcoming fraudulent practices in the business environment. The research results indicate that the OJK's role should be reconstructed by increasing inter-agency cooperation, strengthening regulations, and implementing innovative financial technology. This research highlights the importance of enhancing OJK's capacity in several key areas such as fraud detection, employee training, and promoting awareness among stakeholders. It is essential to increase transparency, accountability, and active involvement of the private sector to mitigate the risk of fraud.

**Keywords:** OJK, Fraud, Business

### INTRODUCTION

The Financial Services Authority or what is known as OJK is a financial institution and has a significant contribution to controlling and overcoming fraud issues in businesses in society. The formation of the OJK has the aim of ensuring that all activities in the financial services sector can be carried out with transparency, orderliness, accountability, and justice or realizing a financial system that has stability and also has sustainability in growth. (Sundari, 2021) OJK also has the function of defending the welfare of consumers and the public, which is implemented by establishing a system that provides mutual support for every activity in the financial services sector to carry out supervision and regulation. (Sutedi, 2014)

OJK is an institution that has independence and freedom regarding the role and participation of other parties who have functions, duties, and authority to regulate, supervise, examine, and investigate. (Nasution, 2013) The legal basis for the establishment of the OJK is contained in Law Number 21 of 2011 concerning the Financial Services Authority, which is then known as the OJK Law. This law reorganizes the supervisory system in the financial services sector in Indonesia. OJK has a very extensive role in supervising, preventing, and dealing with illegal fundraising activities or fraud that occur in Indonesian society. (Shadily, 2013)

Currently, the practice of fraud is a practice that often occurs and is a criminal act with a fairly high number in Indonesia.

**Table 1.** Fraud Data that Brings Losses in Indonesia

No	Types of Fraud	Total Cases	Percentage
1.	Corruption	178	77%
2.	Misuse of organizational assets or wealth	41	19%
3.	Financial statement fraud	10	4%

Source: ACFE Indonesia in 2018

Viewed from a juridical perspective, fraud in the business sector can be prosecuted based on civil law and criminal law. In the civil law aspect, solving fraud problems will prioritize peace between the parties experiencing the dispute, while in the criminal law aspect, it will refer to how this can harm the interests of society in public. The problem of fraud in business itself is a new criminal problem because the current form of action often uses current technological and information developments. (Atmasasmita, 2014)

So, the OJK is an institution that is needed by business people today as a form of existing legal protection that can provide preventive and repressive protection. OJK has a crucial contribution in supplying legal protection for business people and investors who will invest their capital in the business sector in Indonesia as a means of preventing detrimental fraud. (Hadad, 2016)

However, implementing OJK's authority still requires proper reconstruction because as a financial institution that supervises financial activities, the financial supervision system is still weak, inter-institutional supervision is not yet strong, and there is still no institution that supervises OJK itself. So, this paper desires to provide a legal reconstruction regarding the role of the OJK in tackling fraud in the business sector in Indonesia.

## RESEARCH METHOD

This examination uses a normative juridical method with a statutory approach where the regulations governing the role of the OJK in overcoming fraud in the business sector in Indonesia will be studied. The statutory approach is the basis for evaluating the legal framework that regulates the OJK's role in dealing with fraud. (Bungin, 2019)

## **RESULT AND DISCUSSION**

### **Powers and Functions of the Financial Services Authority**

The Financial Services Authority is an institution established based on the OJK Law which exists to carry out supervision over the financial services industry in an integrated manner. (Juliana, 2015) In Article 1 Point 1 of the OJK Law, OJK is interpreted as an institution that has independence and freedom regarding the role of external parties who have the functions, duties, and authority of regulations in supervising, examining, and investigating. (Mustaqim, 2020) The aim of establishing the OJK is that all activities in the financial services sector can be carried out in an orderly manner, with justice, transparency, and accountability, capable of realizing a financial system that grows sustainably and stably and can provide urgent protection for consumers and the public, which is given realization through the existence of a regulatory system, and integrated supervision of all activities within the financial services sector. (Amina, 2014)

In taking out its duties and authority, OJK must be based on principles which include: (Samsul, 2016)

1. Principle of Independence

This principle means independence in making decisions and carrying out the functions, duties, and authority of the OJK by current rules and regulations.

2. Principle of Legal Certainty

This principle establishes laws, regulations, and policies for the OJK, ensuring justice and organization.

3. Principal of General Urgency

This principle provides urgent defense and protection for consumers and the people to promote a sense of prosperity for the public.

4. Principle of Openness

This principle provides self-disclosure regarding the public's right to obtain information correctly, with honesty, and without discrimination.

5. Principle of Professionalism

This principle provides the main idea of expertise in carrying out the duties and authority of the OJK by statutory regulations.

6. Principle of Integrity

This principle upholds the value of morality in every action and decision taken in organizing the OJK.

## 7. Principle of Accountability

This principle determines that every activity and result of OJK organizing activities must provide accountability to the public.

In Article 5 of the OJK Law, the OJK has the task of regulating and supervising:

1. Financial service activities in the banking sector;
2. Financial services activities in the capital market scope;
3. Financial services activities in the scope of insurance, pension funds, financial institutions, and others.

In Article 7 of the OJK Law, OJK has authority to include:

1. Regulate and supervise related banking institutions which include:
  - a. Permits are required to establish and open a bank office, determine articles of association, plan work, regulate ownership, manage management and human resources, carry out bank mergers and acquisitions, and revoke bank business permits.
  - b. One of the activities carried out by banks is looking for funding sources, providing funds, developing hybrid products, and providing various services.
2. Regulate and supervise the health and performance of the bank which includes:
  - a. Liquidity, profitability, solvency, asset quality, minimum sufficient capital ratio, maximum credit limit, loan-to-deposit ratio, and bank reserves;
  - b. Bank reports relating to the health and performance of the bank;
  - c. Debtor information system;
  - d. Credit testing (credit testing); and
  - e. Bank accounting standards;
3. Regulate and supervise the bank's prudential elements which include:
  - a. Managing risk;
  - b. Managing the bank;
  - c. Principles relating to customers and preventing money laundering;
  - d. Avoid funding terrorism and crime in the banking sector.

## 4. Bank Investigation

### **The Role of the OJK in Overcoming Fraud Crimes in Indonesia**

OJK is present as an institution that supervises the financial sector in Indonesia, which supervises things such as banking, capital markets, mutual funds, the financing industry, pension funds, and insurance. OJK has the right to carry out supervision, checks, investigations, consumer protection, and other actions against financial service agencies or supporting

financial service activities by statutory regulations. OJK is given the authority to provide administrative law to parties who violate the laws and regulations in the financial services zone. (Yuliana, 2020)

OJK has the authority to take steps to prevent losses felt by consumers. OJK has strengthened consumer protection efforts in the financial sector with the issuance of Financial Services Authority Regulation Number 6/POJK.07/2022 concerning Consumer and Public Protection in the Financial Services Sector which regulates related to the implementation of consumer protection in the financial services sector industry which can protect for the interests of every consumer from criminal acts of fraud.

OJK also has a role in limiting criminal acts of fraud in illegal investments, including:

1. Provide an outreach program containing information and reminders for the public to be vigilant about collecting and financing funds from irresponsible individuals so there are no criminal acts of fraud or illegal investment crimes.
2. Conduct dispute resolution if problems arise in the future so that the OJK is obliged to provide arrangements for consumers to resolve complaints at financial institutions where there is a disagreement between 2 (two) parties in the financial complaint service
3. Form regulations that can serve as a reference for the public to introduce themselves to the financial industry.

OJK has a role in supervising illegal investments in Indonesia where OJK has established an institution in the Investment Alert Task Force (SWI) as a preventive measure to prevent, reduce, and also eliminate all unwanted opportunities to occur in the future that could cause losses and threat to self or group.

### **Legal Reconstruction of the OJK's Role in Overcoming Fraud Crimes in Indonesia**

Reconstructing the law regarding the role of the Financial Services Authority (OJK) in dealing with criminal acts of fraud in Indonesia is a vital step to increase the effectiveness of monitoring and preventing financial crimes. OJK, as the financial sector supervisory body in Indonesia, is primarily responsible for ensuring the security and stability of the national financial system.

In legal reconstruction, it is necessary to strengthen cooperation between OJK and other law enforcement agencies, such as the Police, Prosecutor's Office, and Criminal Investigation Agency (Bareskrim). This close cooperation is needed to facilitate the exchange of information and coordination in uncovering and taking action against criminal acts of fraud involving the financial sector.

In addition, it is necessary to monitor and enhance regulations that focus on fraud prevention. OJK can design policies that encourage the adoption of optimal corporate governance practices and strong internal control systems in financial institutions. These steps can help prevent fraud from occurring early on.

Furthermore, OJK needs to have a more proactive role in detecting potential criminal acts of fraud. It involves developing sophisticated monitoring and risk analysis systems to identify suspicious transaction patterns. In addition, the involvement of technology such as artificial intelligence (AI) and big data analysis can be an effective tool in supporting fraud detection efforts.

It is also crucial to provide strict sanctions against perpetrators of fraud to provide a deterrent effect and reduce the potential for future violations. OJK needs to work together with law enforcement agencies to ensure that the legal process against fraud perpetrators runs quickly and fairly.

Overall, legal reconstruction regarding the OJK's role in dealing with criminal acts of fraud in Indonesia must consider these aspects. Strengthening cross-institutional cooperation, strengthening preventive regulations, using technology and firm law enforcement will be key steps in building a safer and more trustworthy financial environment.

## **CONCLUSION**

Legal reconstruction regarding the OJK's role in tackling criminal fraud in Indonesia is a strategic step that needs to be taken to strengthen supervision of the financial sector. Reinforcing cooperation between institutions, changing regulations that are more proactive in prevention, implementing modern technology, and strict law enforcement are the leading keys to creating a safer financial environment and avoiding the risk of criminal acts of fraud. With these steps, it is hoped that OJK can be more effective in protecting public interests and strengthening the integrity of the national financial system.

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