



# INDONESIA'S LAW NO. 4 OF 2023 AND CONSUMER PROTECTION IN DIGITAL FINANCIAL SERVICES: ASEAN LITERACY FRAMEWORK'S PERSPECTIVE

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## ABSTRACT

In January 2023, the Indonesian government passed Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law). Replacing more than 30 provisions, the law covers lots of topics including digital financial services (DFS) and consumer protection. A big contributing factor to this is the prevalence of the financial technology (FinTech) industry that utilises DFS. Digital financial literacy (DFL) is an important component to consumer protection in DFS since P2SK Law and other legal instruments recognize the importance of the consumer's own awareness when using DFS. The Alliance for Financial Inclusion (AIF) and ASEAN Working Committee on Financial Inclusion (WC-FINC) issued a policy note in 2020 on DFL in the region. Expected to guide ASEAN member states in formulating their policies through a framework that includes four key actions. This research aims to inspect the direction in which the Indonesian government is heading with regard to its consumer protection in DFS after the enactment of the P2SK Law from ASEAN's DFL-leaning standpoint. It can be concluded that Indonesia, mainly through Bank Indonesia and the Financial Services Authority (OJK) has been a big advocate of financial literacy, including DFL, as a proponent of consumer protection in recent years. Among other things, P2SK Law further affirms this by connecting stakeholders and embedding DFL at the core of Indonesia's national strategies.

**Keywords:** asean; consumer protection; digital financial literacy.

## I. INTRODUCTION

The development of digital financial services (DFS), made popular by the financial technology or FinTech startup industry as providers of DFS, has brought many benefits to consumers and has been instrumental in boosting the economy of the country. According to Gemal, Chief Editor at Survey and Research of Duniafintech.com, the industry has made a positive contribution to economic growth of 0.45% and a gross domestic product (GDP) of more than IDR 60 trillion. According to data from the Financial Services Authority of the Republic of Indonesia (OJK), the total amount of loan disbursement has reached IDR 272.4 trillion from 104 providers. The total number of recipients reached 71 accounts and 789,000 lender accounts. Up until October 2021, lending DFS had disbursed IDR 67 trillion loans to the production sector or 53.63% of the total amount.<sup>1</sup> DFS can increase the effectiveness of international trade, and cooperative relations between countries<sup>2</sup>. DFS has an economic aspect and its relationship to law, according to Zaki, law and economics have a relationship with each other, economic

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<sup>1</sup> Noverius Laoli "Industri Fintech Turut Menopang Perekonomian Indonesia Selama Pandemi", <https://keuangan.kontan.co.id/news/industri-fintech-turut-menopang-perekonomian-indonesia-selama-pandemi?page=2>, accessed on 30 January 2023.

<sup>2</sup> Muhammad Reza Syarifuddin Zaki, "Hukum Perdagangan Internasional", Penerbit Prenada Media Divisi Kencana, Jakarta (2021), p. 249.

actors need law, for example for legal certainty in doing business<sup>3</sup>. The most dynamic national economy is the financial sector.<sup>4</sup>

According to the Legalscope Journalistic Team as quoted by Kurniawan, In recent years, DFS consumers in Indonesia has increased in number due to factors like 1) greater use of internet and smartphones that increases demand for online transactions, 2) practicality of DFS compared to more rigid conventional financial services; 3) prevalence of digitally native businesses; 4) convenience of the digital financial industry for startup entities; and 5) high social media usage that, for instance, enables industry players to profile consumers through data.<sup>5</sup>

Digital electronic transactions can occur across countries, consumers need Government support in terms of legal protection to avoid losses<sup>6</sup> According to Spiess' 2019 report that was cited by Aris Setiawan, the region's FinTech market is among the fastest growing in the world with a 2020 annual growth between USD 70 and 100 billion. Investments in FinTech startups grew by more than 30% in 2018 to reach nearly USD 6 billion while some other estimates put the number at 44% from 2017.<sup>7</sup> Cento Ventures stated the number of FinTech investments in 2021 reached USD 4.35 billion.<sup>8</sup>

A 2022 survey conducted by the World Economic Forum (WEF) on 90,000 people from six ASEAN countries showed that DFS serves a variety of personal and business functions such as cash flow management and new customer acquisition.<sup>9</sup> The survey also showed that security and safety are foundational to the success of DFS in the region but are also the biggest barriers for the digital generation to adopt DFS on a larger scale. Involving the digital generation is critical to digital financial inclusivity by tapping previously underserved groups. Thus, industry stakeholders, mainly those involved in 'gate-opener' niches like digital savings and payment gateways, need to set good precedents.<sup>10</sup>

Dato Lim Jock Hoi, former Secretary General of ASEAN, said consumer protection and welfare are important under the ASEAN Economic Community (AEC). With more than 600 million people, increasing buying power, and a majority younger demographic, the region holds much potential should consumers be empowered to make informed decisions that have the potential to influence the larger economy. ASEAN also recognizes the need to implement other steps such as increasing awareness through consumer information tools, coordinating with consumer associations through forums and events, effective consumer handling mechanisms, and developing long-term capacity building programs to assist member states in enhancing and enforcing consumer protection regimes.<sup>11</sup>

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<sup>3</sup> Muhammad Reza Syariffudin Zaki, "Pengantar Ilmu Hukum dan Aspek Hukum dalam Ekonomi", *Penerbit Prenada media Divisi Kencana*, Jakarta (2022), p. 56.

<sup>4</sup> Muhammad Reza Syariffudin Zaki, Prita Amalia, Mursal Maulana, & Ardiansyah, "Pengantar Hukum Transaksi Bisnis Transnasional", *Penerbit Refika*, Bandung (2022), p. 13.

<sup>5</sup> Itok Dwi Kurniawan, "Development of Financial Technology Investment in Indonesia Increasing Public Interest Industrial Revolution 5.0", *JHR (Jurnal Hukum Replik)* Vol. 10, No. 2 (2022): 68-74.

<sup>6</sup> Rizky Karo Karo, "Penegakan Hukum Kejahatan Dunia Maya (Cybercrime) Melalui Hukum Pidana", *Penerbit Fakultas Hukum, Universitas Pelita Harapan*, Karawaci (2019), also see Rizky Karo Karo & Teguh Prasetyo, "Pengaturan Perlindungan Data Pribadi di Indonesia", *Penerbit Nusa Media*, Bandung (2020).

<sup>7</sup> Aris Setiawan, "Analisis Determinan Perkembangan Financial Technology (Fintech) di Negara-Negara ASEAN-4", Thesis at Universitas Negeri Jakarta, Jakarta (2020).

<sup>8</sup> Dimas Bayu, "Startup Fintech Terbanyak Terima Pendanaan di ASEAN pada 2021", <https://dataindonesia.id/digital/detail/startup-fintech-terbanyak-terima-pendanaan-di-asean-pada-2021>, accessed on 30 January 2023.

<sup>9</sup> World Economic Forum & Sea, "ASEAN Digital Generation Report: Digital Financial Inclusion, Insight Report December 2022", Jakarta (2022).

<sup>10</sup> *Ibid.*

<sup>11</sup> ASEAN Secretariat, "Handbook on ASEAN Consumer Protection Laws and Regulations, Second Edition", Jakarta (2021).

In Indonesia, Bank Indonesia (BI) and OJK are bodies tasked with are state institutions tasked with regulating and supervising the financial industry, including the DFS sector. BI Regulation No. 19/12/PBI/2017 on the Operations of Financial Technology (PBI 19/2017) used the term ‘financial technology’ as the use of technology in the financial system to create products, services, technology, and/or new business models and can have an impact on monetary stability, financial system stability, and/or the efficiency, smoothness, security, and reliability of the payment system. On the other hand, OJK Regulation No. 13/POJK.02/2018 on Digital Finance Innovation in the Financial Services Sector (POJK 13/2018) introduced the term ‘digital financial innovation’ in Article 1 No. 1 as being business process, business model, and financial instrument renovation activities that provide new added value in the financial services sector involving the digital ecosystem.

Early in January 2023, following the trend of issuing omnibus laws, the government issued Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law). This law brought yet another new term, ‘financial sector technology innovation’ or ITSK. This, alongside both of the previous terms by BI and OJK, are terminological variations of DFS. The institutions that issued the above legal products have also recognized the importance of financial inclusion and literacy as well as consumer protection as integral components to advance DFS adoption across the country. P2SK Law took this a step further by dedicating an entire chapter for those matters, signalling the country’s commitment to promote digital financial literacy (DFL) as a way to also protect consumers of DFS by increasing their capacity to make informed choices, understand their rights and responsibilities, and avoid financial scams and fraud. This article aims to find and connect the dots between consumer protection in DFS in Indonesia after the entry into force of P2SK Law and the ASEAN approach, primarily with regard to its most recent policy note on the topic of DFL.

## II. RESEARCH METHODS

This research employs a normative juridical method. Firstly, a relevant product in the ASEAN governance, in this case a policy note, is dissected to uncover and paint a picture of the DFL-based approach advocated by the organisation. Secondly, laws and regulations pertaining to the subject of consumer protection in DFS within the jurisdiction of the Republic of Indonesia are examined. Qualitative analysis is then performed by comparing the two in order to produce a conclusion by way of deduction.

A combination of statue and conceptual approach is used in this research. The prior is carried out by reviewing laws and regulations related to the legal issues at hand, interpreting the content, and studying the conformity between those instruments. In combination with that, the latter approach is used to further analyse the content of legal instruments and other products in the broader context beyond the word of law such as by looking at the social, political, cultural, and economic merits closely tied with implementation.<sup>12</sup>

## III. DISCUSSION AND RESULT

### 1. ASEAN’s Two-Pronged Approach to Consumer Protection in DFS

#### 1.1 General Consumer Protection Frameworks

Dating back to 1967, the Association of Southeast Asian Nations (ASEAN) started as a regional cooperation between Indonesia, Malaysia, Thailand, Singapore, and the Philippines. Since then, the

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<sup>12</sup> Muhammad Reza Syariffudin Zaki & Muhammad Farhan Akmal. “Covid-19 Vaccine Legal Protection Through Patent for Public Interest”, *Transnational Business Law Journal Universitas Padjadjaran*, Vol. 2, No. 1 (2021): pp. 50-67.

organisation has grown to 10 full members which collectively is home to 662 million people, making it the fifth largest economy globally with a projected annual growth rate of 5.5%, soon placing it in fourth place by 2030.<sup>13</sup> Since 2007, the organisation's members commit themselves fully through The ASEAN Charter which, among other things, establishes its purposes in Article 1 including alleviating poverty and narrowing the development gap (paragraph 6) as well as strengthening the rule of law and the protection of human rights (paragraph 7).

Both of these purposes are manifested in all sorts of ways, with consumer protection being one of the high priority agenda. As a furthering of the AEC Blueprint 2025, the ASEAN Strategic Action Plan for Consumer Protection (ASAPCP) 2025 was instituted in 2016 to be overseen in its execution by the ASEAN Committee on Consumer Protection (ACCP) which was established back in 2007 by ASEAN Economic Ministers. With four strategic goals, measures include building a common protection framework and ensuring a high common level of consumer empowerment and protection which correlate with increasing consumer confidence.<sup>14</sup> As an initiative under Strategic Goal 1 of the ASAPCP 2025, the ACCP is tasked with ensuring that ASEAN High-Level Principles on Consumer Protection (AHLP) are being implemented across the member states.

## 1.2 DFL-Based Policy Note

In practice, consumer protection is directly linked to many different sectors in the goods and services industries, with financial services being one of them. To tackle the issue, and in line with one of AHLP principles on equipping consumers with skills and knowledge for the fulfilment of their rights, the Working Committee on Financial Inclusion (WC-FINC) was established in 2015 as a proponent to the Roadmap for Financial and Monetary Integration in ASEAN (RIA-Fin) as one of ASEAN's way to promote consumer protection in the DFS sector. This is done by way of deliberation and coordination of initiatives to advance financial inclusion, notably issuing guidance notes and reports.

In October 2021, the Alliance for Financial Inclusion (AFI) collaborated with the ASEAN Working Committee on Financial Inclusion (ASEAN WC-FINC) in issuing the Policy Note on Digital Financial Literacy for ASEAN.<sup>15</sup> The document, having in-depth interviews and a technical workshop done in 2020 as its baseline, aimed to develop a deep understanding of digital financial literacy (DFL) initiatives among member states. The note takes an interesting approach to consumer protection in DFS by highlighting DFL's role in the overall mission as AFI network's own definition reflects this by saying that DFL means "having the knowledge, skills, confidence and competencies to safely use digitally delivered financial products and services, to make informed financial decisions and act in one's best financial interest per individual economic and social circumstances."

Such definition emphasises the importance of consumer's awareness and thus active role in promoting their rights. From identifying current practices to exploring ways to introduce DFL in national contexts with special focus on digital financial inclusion strategies (NFIS) and/or digital financial education strategies (NFES) and providing a common policy guidance for member states according to end-to-end best practices, the policy note acts as reference for policy makers in the region to integrate DFL into their respective national DFS ecosystems by regulation and other implementation approaches.

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<sup>13</sup> East West Center, "ASEAN Matters for America/America Matters for ASEAN, Fifth Edition", Washington (2021).

<sup>14</sup> ASEAN Secretariat, *op cit*.

<sup>15</sup> Alliance for Financial Inclusion (AFI) & ASEAN Working Committee on Financial Inclusion (WC-FINC), "Policy Note on Digital Financial Literacy for ASEAN", Kuala Lumpur (2021).

Per its function, the policy note introduced an ASEAN Collaboration Framework which comprised three components: foundations for regional cooperation to be built upon, systemic drivers that will contribute to the success of initiatives for DFL, and key actions that materialise the efforts. Member states are expected to take national measures in line with these components, and key actions become the most observable ways to evaluate a country's performance.

## **2. Indonesia's Law on Consumer Protection in DFS**

### **2.1 Stipulations of the P2SK Law**

As the government's effort to promote public welfare, the P2SK Law improves coordination through the Financial System Stability Committee (KSSK) to anticipate issues that may arise in the financial sector. Furthermore, this law empowers authorities such as BI, OJK, and the government to regulate and control the financial industry by their jurisdiction. Article 213 of the P2SK Law defines ITSK as payment systems, securities transaction settlement, capital raising, investment management, risk management, raising and/or distributing funds, market support, activities related to digital financial assets—including crypto assets, and other digital financial services activities. Said article, alongside others in Chapter XVI on ITSK provides detailed elaboration on the ways DFS providers conduct business and a baseline for consumer protection. In addition to strengthening legal protection, P2SK Law provides certainty for the movement of the leading authorities in protecting the public. One example is the OJK's arrangement for integrated financial sector supervision. The law confirms consumer protection regulations in Chapter XVIII on Financial Literacy, Financial Inclusion, and Consumer Protection. According to Article 232 of the P2SK Law, the financial sector has 11 scopes of consumer protection regulations, one of which includes financial literacy.

In this regard, Article 235(3) of the P2SK Law emphasises that consumers also have certain obligations such as knowing the explanation of products or services by financial sector business actors before purchasing products or services; reading, understanding and implementing the agreement; good faith; providing credible information; making payments by the agreement; and participating in efforts to resolve consumer protection disputes under the agreement. As the DFL concept on consumer protection in the financial sector suggests, consumer participation in fulfilling their obligations is just as critical because it serves as a vehicle for self-protection.

Consumer protection exists to provide legal certainty to consumers who suffer losses. One type of consumer protection is the prohibition on the inclusion of 'standard clauses' that can be harmful to consumers.<sup>16</sup> Standard clauses, as set out in Article 238, include several things that the DFS providers may not do to consumers, limiting or eliminating the responsibility that the DFS providers should bear. This is due to an imbalance in the bargaining position of the DFS providers and consumers. Suppose the DFS providers include the standard clause and endanger consumers, then under national law. In that case, in the same manner that such cases has been stipulated prior to P2SK Law's enactment, the agreement is considered null and void because the objective terms of the agreement are contrary to the law and considered non-existent from the beginning as there was no agreement and no engagement whatsoever between the parties.<sup>17</sup>

According to Article 243 of the P2SK Law, the government, BI, and OJK collaborate in ensuring consumer protection, which includes consumer protection regulation and supervision, handling consumer complaints, dispute resolution, and consumer education. This new law formalises the relationship between the three institutions whereas if there exists a cross-industry financial product or

<sup>16</sup>Raden Subekti, "Hukum Perjanjian", *Penerbit Intermasa*, Jakarta (1987).

<sup>17</sup>Rizka Syafriana, "Perlindungan Konsumen dalam Transaksi Elektronik", *De Lega Lata*, Vol. 1, No. 2, (2016): p. 443.

service provision activities that fall under the regulation and supervision by different institutions, the coordination activity is carried out.

## **2.2 Stipulations Under BI Regulations**

BI is an independent state institution with the authority to regulate and maintain the smooth operation of the national payment system. Referring to the P2SK Law, BI acts to supervise the DFS activities alongside OJK and the government. The critical difference between regulations independently issued by BI and P2SK Law is that P2SK Law outlines the extensive picture to guarantee legal certainty while BI's regulations provide detailed mechanisms as continuation of the law's mandate. Among the roles of BI are the establishment of systems on consumer protection as well as regulating conducts of players in the Indonesian FinTech industry as actors providing DFS.

PBI 19/2017 is the most notable first instance of BI's partaking in the FinTech industry. This regulation considers the evolution of FinTech operations to maintain consumer protection principles and risk and prudential management under the products, services, technology, or business models being implemented. There are four steps in the operationalizing of FinTech under BI's supervision: 1) registration; 2) regulatory sandbox; 3) permits and approvals; and 4) monitoring and supervision. According to Article 11 (2) of PBI 19/2017, DFS Providers can conduct trials in a regulatory sandbox if registered with BI to ensure their business model meets certain FinTech criteria once they enter the market and be consumed by the public. By implementing the regulatory sandbox BI has demonstrated its dedication to encouraging innovation in DFS and the FinTech industry by adhering to consumer protection, risk management, and prudence principles.

Aside from providing a trial room via the regulatory sandbox, BI also monitors DFS Providers who have registered with BI. According to Article 16, monitoring is carried out as a preventive measure against potential adverse risks to the implementation of monetary policy, financial system stability policies, including macroprudential policies, and payment system policies in order to maintain monetary stability, financial system stability, and the payment system to be efficient, smooth, secure, and reliable. Furthermore, BI supervises entities that have received BI approval under BI Regulation governing payment transaction processing implementation. Therefore, as outlined in the regulation, BI is deemed to have implemented legal safeguards for FinTech industry activities in Indonesia.

Moreover, BI has the authority to regulate and supervise DFS Providers whose products or services are used by consumers, including consumer protection arrangements, to support the implementation of BI's duties in the monetary, macroprudential, and payment system fields. As can be seen in Article 2 of BI Regulation No. 22/20/PBI/2020 on BI's Consumer Protection (PBI 22/2020) aims to increase consumer empowerment so that consumers can protect themselves, reduce the imbalance in position between DFS Providers and consumers, eliminate the transmission of misleading information, abuse of authority and fraud, and encourage the development of responsible and efficient financial product and service innovation.

In this regard, BI strengthens four functions to achieve adequate consumer protection: regulatory and policy functions, supervision, complaint handling, education and literacy, and support for national and international cooperation. It is hoped that BI's consumer protection will balance the relationship between DFS providers and consumers, notably less empowered consumers, in response to challenges and developments in financial innovation and digitising financial products or services.

Consumer protection is strengthened by incorporating international best practices and as part of BI's commitment to supporting national consumer protection policies. As such, BI constantly tries to improve the effectiveness of consumer protection implementation in each regulation by making

comprehensive provisions that can serve as the foundations in fostering good market conduct, be it done through its supervisory function, hosting projects that directly engage with the populace, or working in partnership with relevant authorities, ministries, or institutions in accordance with Article 52 of PBI 22/2020.

### **2.3 Stipulations Under OJK Regulations**

Developments in the financial sector necessitate OJK's supervision and integration to improve the effectiveness of integrated financial institution control across financial sub-sectors. Implementing an integrated supervision system aims to reduce potential systemic risk in the financial services sector, reduce potential moral hazard, improve financial service consumer protection and achieve financial system stability.<sup>18</sup> Article 28(a) of Law No. 21 of 2011 on OJK states that OJK has the authority to prevent consumer and public losses, one of which is to provide public information and education on the characteristics of the financial services sector, its services, and its products.

The presence of OJK Regulation No. 6/POJK.07/2022 on Customer and Community Protection in the Financial Services Sector is an evidence of more effective consumer and community protection, preserving consumer trust and ensuring statutory compliance. This regulation requires DFS Providers to follow the consumer and community protection principles, which include adequate education, disclosure, and transparency of product or service information, fair and responsible treatment, asset protection, consumer privacy and data, and complaint handling, as well as more effective and efficient dispute resolution.

A regulatory approach is required in the life cycle of products or services for DFS Providers to optimise efforts to protect consumers and society. Furthermore, as explained in the preceding paragraph, DFS Providers are required to follow consumer and public protection principles, one of which is the principle of "adequate education", in order to encourage them to take an active role in conducting education and increasing financial literacy so that consumers and the community's confidence in making decisions and managing finances can be increased. Additionally, Article 56 of said regulation states that OJK has the authority to supervise DFS Providers through coaching. The OJK guides follow-up requests for direct or indirect market conduct supervision. This supervision is aimed at the behaviour of DFS Providers in carrying out efforts to achieve consumer and community protection. Direct supervision can take the forms of field observations, thematic inspections, or special inspections. In contrast, indirect supervision is carried out through early supervision, which is carried out through research, analysis and evaluation of DFS Providers' reports that must be made once a year.

## **3. Analysis on the Implementation of Key Actions**

### **3.1 DFL Embedded in National Strategy**

Most countries in the region have formulated NFIS or NFES with different degrees of robustness, especially in connection with the inclusion of DFL in the curriculum. Though no specific section was made for DFL, Malaysia's National Strategy for Financial Literacy 2019-2023 was used as a case study on how regulators must take into account the impact digitization has on the ways that people today consume information from social media and use financial services through DFS. A three-phased framework was introduced for the integration of DFL in the NFIS or NFES lifecycle so that regulators can start by conducting diagnostics and planning the strategies' baseline, composing the DFL-

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<sup>18</sup>Otoritas Jasa Keuangan (OJK), "Booklet Perbankan Indonesia 2022", Jakarta (2022): p. 29.

embedded strategies, and finally putting them into action with relevant stakeholders to then be monitored and evaluated for the next regulatory cycle.

Indonesia has been an avid supporter of the DFL advancement agenda in recent years, even setting an example for other countries. In 2021, OJK issued the 2021-2025 National Strategy on Indonesian Financial Literacy otherwise known as 2021-2025 SNLKI in which an entire chapter is dedicated to DFL. Other than that, BI has also led other initiatives such as LIKE IT, a cross-institutional collaborative program designed to spread financial literacy across the country, including DFL. Indonesia, like Malaysia and the Philippines, explicitly mentions DFL in many of its national strategies across agencies.

P2SK Law further extends the commitment by having two chapters that concern DFL, namely Chapter XVI and Chapter XVIII. The prior mandates state institutions to conduct supervision over entities employing ITSK, in other terms DFS providers, with consumer protection principles including giving financial education. Part One of Chapter XVIII, though not directly mentioning DFL, states that the government, BI, and OJK are tasked with formulating and implementing efforts to push financial literacy. Under Article 226, financial services providers also have the obligation to educate consumers and strive for financial inclusion. The Article also mentions that a national committee will be established to specifically address the issue of financial literacy and inclusion.

### **3.2 Regulator as Network Node**

Strategically positioned within, in connection to, or as long-established institutions, regulators of NFIS or NFES enjoy the privilege of being connected directly with all sorts of stakeholders from other government agencies to “big tech”. Such advantage, according to the note, should be best utilised to advance the DFL agenda by involving all necessary actors. Regulators need to first embrace the fact that there are multiple stakeholders with varying degrees of interest and impact to the ecosystem, bringing different areas of expertise that can be complementary to each other. Public and private institutions both have their shares of unique contributions, and regulators need to stay in touch with those of even the smallest scale from, which usually also happen to be the touchpoints with DFS consumers, all the way from strategy formulation to implementation. For example, The National Bank of Cambodia, for example, shows a vivid trend of regulating in favour of DFS providers as they are able to reach and promote DFL to rural populations the government finds hard to engage with alone.

A signmark of legal products and initiatives pertaining to financial literacy and inclusion in Indonesia has been the emphasis in collaboration among state institutions and with the private sector. For example, 2021-2025 SNLKI aims to enhance collaboration across entities and even put collaboration as one of its four basic principles of financial literacy. BI-led initiatives are also multi-stakeholder in nature, such as LIKE IT as a prime example of how state institutions can collaborate to push for the same literacy agenda by also involving private entities like FinTech startups as advocates rather than just subjects to oversight.

P2SK Law did not necessarily change the country’s direction with DFL but instead now strengthens it by formalising collaboration. For example, in Chapter XVI and Chapter XVIII among other parts of the law, the government, BI, and OJK are tasked with collaborating to conduct oversight over the DFS providers and make initiatives for the advancement of financial literacy. Furthermore, public-private relationships are mentioned in multiple occasions within the law, indicating the country’s devotion to augmenting its institutions as the network node for the stakeholders that play parts in ensuring consumer protection, especially by accelerating DFL.

### 3.3 DFL with National Relevance

No two countries, even direct neighbours like Indonesia and Singapore, have similar national circumstances in the financial sector and especially in DFS and DFL. For that reason, DFL strategies need to be contextualised to the local circumstances. For that reason, it is again crucial to work with varying actors in the ecosystem to build a comprehensive insight of local competencies and the specific types of DFS consumers by experimenting with concepts. Perfecting that understanding takes a robust baseline which then needs to be improved upon. Bangko Sentral ng Pilipinas exhibits this by making DFL a factor of the larger digital literacy theme with dimensions from the end to end of DFS usage. Further, once the knowledge has all been converted into actionable items, they must be delivered to the public using the right tools, channels, and mechanisms.

State institutions in Indonesia understand how the country's demographic profile demands for certain approaches to be tailored to the younger audience. That said, initiatives by BI, OJK, and other agencies have been packaged in ways that ease the learning process for the audience, such as delivery through digital means. The involvement of non-government stakeholders have also played a big role in achieving the objective through programs initiated by financial institutions like banks. These programs have the potential to be set within the specific context of their intended audience, including those unreachable directly by the state.

The idea of national relevance may not be seen most vividly in words in the P2SK Law. However, the idea that the government conducts actions based on the conditions of the society is ingrained in stipulations within the law such as in Part Two of Chapter XVIII on the Principles and Objectives of Consumer Protection. Articles 228 and 229 are in line with the content of previous laws and regulations in Indonesia and are as such relevant to the Indonesian context based on the social, political, cultural, and economic conditions and the progress in which financial services have been adopted in the country.

### 3.4 Evidence-Based Approach

In the same manner that policies are often if not always made in cycles, DFL promotion strategies need to be actively iterated to ensure that they tackle problems among consumers and maintain relevance with the rapid development of the DFS sector. Given the area's young age, an evidence-based approach as a translation from other areas of financial education is recommended. Monitoring and evaluation are where this process takes place, meaning that institutions tasked with oversight need to be equipped with sufficient human and other resources to perform this duty. Once the resources are set, satisfactory results will only come from a great data collection process that makes it convenient for stakeholders to take part and the government institutions to extrapolate.

In November 2022, OJK conducted a press conference to announce the conclusion of the National Survey on Financial Literacy and Inclusion (SNLIK 2022) which collected 14,634 responses from 34 provinces.<sup>19</sup> The survey is the fourth time the SNLIK took place since its inception in 2013. Conducted once every three years, the survey measures metrics like the number of financially included and literate populations and the gap that exists between them. Though publications of this survey do not mention DFL as an agenda, it serves as a good indication that the country takes an evidence-based approach in financial literacy.

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<sup>19</sup>Otoritas Jasa Keuangan, "Siaran Pers: Survei Nasional Literasi dan Inklusi Keuangan Tahun 2022", <https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Survei-Nasional-Literasi-dan-Inklusi-Kuangan-Tahun-2022.aspx>, accessed on 03 February 2023.

Article 221 of the P2SK Law takes a special interest in the collection of data and information as well as their reporting to BI and OJK by entities making use of ITS. The information attained by BI and OJK on the matter shall be used by the respective institutions to perform their tasks based on the provisions. Among other things, the information can be utilised by BI and OJK to create strategies and action plans related to financial literacy and DFL in particular. Given the significance of the law, this becomes an example for the conduct by state institutions in the future to be guided by quantitative metrics too.

#### IV. CONCLUSIONS

Indonesia has always been at the forefront of financial literacy promotion in ASEAN. BI and OJK have not only governed providers of financial services including DFS providers by regulating consumer protection but have actually participated actively in making initiatives to forward financial literacy alongside financial inclusion. Though DFL has not been mentioned as many times as other agenda like sharia finance in previous instruments, it has been quite highlighted in recent years, especially with the development of the FinTech industry. Further, even before the creation of ASEAN's policy brief, state institutions like OJK have upheld the underlying principles and even acted upon the four recommendations of the policy note to varying extents.

P2SK Law confirms the high-level arrangement in which the policy note's key actions are put into practice. First, DFL is manifested in both explicit and implicit ways to be part of the national strategy. Second, the relationships among state institutions and with the private sector put into writing, thus connecting the previously had no discernible pattern interconnection. Third, initiatives taken by the government reflect an understanding of the Indonesian societal conditions and are thus contextualised for that purpose. Last, the government's willingness to collect information both directly through its own surveys and indirectly through reporting by DFS providers is a sign of its evidence-based approach to making strategic decisions in DFL that affect the bigger consumer protection motion.

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