

(Research/Review) Article

# The Role of the Financial Services Authority (OJK) in Increasing Public Trust in Investment in Indonesia

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**Abstract:** This study aims to analyze the role of the Financial Services Authority (OJK) in increasing public trust in investment in Indonesia. As an independent institution, OJK has a strategic function in supervising and regulating the entire financial services sector, including the capital market, banking, and non-bank financial industry. Public trust is a key element in creating a healthy and sustainable investment climate. Through strict supervision policies, public education, and law enforcement against illegal investment violations, OJK seeks to strengthen the foundation of public trust. One of the concrete steps is the issuance of POJK No.17/2022 concerning the Code of Conduct for Investment Managers. This study uses a literature study method with a descriptive qualitative approach. The results of the study show that OJK's efforts in increasing transparency, expanding financial literacy, and taking firm action against illegal investment practices have made a significant contribution to increasing public trust. However, challenges such as low financial literacy and rampant investment fraud are still obstacles that need to be overcome. Therefore, synergy is needed between the OJK, the government, and the community to build a safe and reliable investment ecosystem. This research provides the implication that strengthening regulations, continuous education, and cross-sector collaboration are important strategies in maintaining the stability and integrity of the investment sector in Indonesia.

**Keywords:** Consumer Protection; Financial Literacy; Investment; OJK; Public Trust

## 1. Introduction

As an institution that has been formed, the Financial Services Authority (OJK) aims to be a supervisor of financial institutions and has a great contribution to preventing and overcoming fraud problems in the investment business in the community. The establishment of the OJK aims to ensure that all activities in the financial services sector can be carried out in a transparent, orderly, accountable and fair manner, or to realize a financial system that is stable and sustainable in its growth. In addition, OJK can also function to protect the interests of consumers and the community, which is implemented by procuring a system that supports each other with all activities in the financial services sector to supervise and regulate. (Pamungkas & Zulfikar, 2021).

One of the financial service products that is now popular with the public is investment. Investment itself is an activity carried out by individuals and legal entities to increase or protect the value of their capital, both in the form of cash, equipment, fixed assets, intellectual property rights and skills. Investments have goals to increase assets and earn profits.

Investment comes from the word invest which means to invest or invest money or capital. In general, investment can be interpreted as an activity carried out by both natural persons and juridical persons, in an effort to increase and/or maintain the value of capital, both in the form of cash, equipment, immovable assets, intellectual property rights, and expertise. (Dasco Ahmad, 2018).

Public trust is a key element in creating a healthy investment market. When people have trust in the financial system and investment service providers, they will be more motivated to

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invest their capital. On the contrary, low trust will cause fear and skepticism towards the investment world. Low public trust can be caused by various factors, such as lack of financial knowledge, poor experience in investing, to cases of investment fraud that cause large losses.

In the Indonesian context, the rise of illegal investment and the low level of public financial literacy are major challenges in the development of the investment sector. Therefore, an institution that has full authority is needed to regulate, supervise, and protect financial services activities including investments. The Financial Services Authority (OJK) exists as an independent state institution formed based on Law Number 21 of 2011, with the main objective of maintaining financial system stability and protecting the interests of consumers and the public.

However, the easier it is for information to circulate and be obtained by the public related to investment, the more rampant the practice of illegal investment fraud which is also commonly referred to as fraudulent investment. This practice is carried out through the collection of funds from the community by not following and deviating from banking rules. Without prior permission to the OJK, which is the supervisory and regulatory body of the financial services sector. Illegal investments offer great profits so that victims will be tempted and do not think long to make investments. (Dasco Ahmad, 2018)

Based on these things, it is necessary to conduct an in-depth study of how the role of the OJK in increasing public trust in investment. This study is important to find out the extent of the effectiveness of the policies and actions that have been taken by the OJK, as well as to formulate a more optimal strategy in creating a healthy, safe, and sustainable investment ecosystem in Indonesia.

### 3. Proposed Method

This research is a library research/literature study, using a descriptive qualitative research approach. Qualitative research is research that prioritizes quality by using various techniques to find the meaning, definition, concept, characteristics, symptoms, symbols and descriptions of a situation. This study focuses on the data studied to provide the most comprehensive picture of the phenomenon. The research method used is This method involves four steps, namely, heuristic (source search), criticism (assessment of the authenticity of sources), interpretation (debunking and unifying facts), and historiography (chronological and systematic writing). Primary sources of literature data are taken from various references such as books, scientific journals, scholarly essays and so on. The data obtained for this analysis include all aspects related to the research topic.

### 4. Results and Discussion

#### Functions, Duties, and Authorities of the Financial Services Authority According to Law Number 21 of 2011

Law Number 21 of 2011 concerning the Financial Services Authority is the legal umbrella or legal basis for the establishment of the Financial Services Authority or OJK in carrying out its work. Based on the Law, the purpose of the establishment of the OJK is explicitly stated in Article 4 that the establishment of the OJK is so that all activities in the financial services sector (Takalamingan, 2021): Implementation in an orderly, fair, transparent and accountable manner; Able to realize a financial system that grows sustainably and stably; and Able to protect the interests of consumers and the community.

OJK functions to organize an integrated regulatory and supervisory system for all activities in the financial services sector. Meanwhile, based on article 6 of Law No. 21 of 2011, the main task of the OJK is to regulate and supervise the following: Financial services activities in the Banking sector; Financial services activities in the Capital Market sector; Financial services activities in the Insurance, Pension Fund, Finance Institutions, and Other Financial Services Institutions sectors.

The authority possessed by the OJK is as follows:

Related to the Special Supervision and Regulation of Bank Financial Services Institutions which include: Licensing for the establishment of a bank, opening of a bank office, articles of association, work plan, ownership, management and human resources, merger, consolidation and acquisition of banks, and revocation of bank business licenses; The bank's business activities include sources of funds, provision of funds, hybridization products, and activities in the service sector; Regulation and supervision regarding the health of the bank which includes: liquidity, profitability, solvency, asset quality, minimum capital adequacy ratio, maximum limit of credit, loan-to-deposit ratio and bank reserves; bank reports related to the bank's health and performance; debtor information system; credit testing; and bank accounting standards; Regulation and supervision regarding the prudential aspects of banks, including: risk management; bank governance; the principles of knowing customers and anti-money laundering; and prevention of the financing of terrorism and banking crimes; as well as bank checks.

Related to the Regulation of Financial Services Institutions (Banks and Non-Banks) include: To establish the rules and decisions of the OJK; Establish regulations on supervision in the financial services sector; Establish policies regarding the implementation of OJK duties; Establish regulations regarding the procedure for the determination of written orders against Financial Services Institutions and certain parties; Establish regulations regarding the procedures for determining statute managers in financial services institutions; Establish organizational structure and infrastructure, as well as manage, maintain, and administer wealth and liabilities; Establish regulations regarding the procedures for imposing sanctions in accordance with the provisions of laws and regulations in the financial services sector.

Regarding the supervision of financial services institutions (banks and non-banks) including: Establish operational policies for supervision of financial services activities; Supervise the implementation of supervisory duties carried out by the Chief Executive; Conducting supervision, examination, investigation, consumer protection and other actions against financial service institutions, actors, and/or supporting financial services activities as referred to in laws and regulations in the financial services sector; Giving written orders to financial services institutions and/or certain parties; To make the appointment of a statutory manager; Establish the use of a statutory manager; Establish administrative sanctions against parties who violate laws and regulations in the financial services sector; Granting and/or revoking: business licenses, individual permits, effective registration statements, registered certificates, approval to carry out business activities, endorsement, approval or determination of dissolution and other determinations.

In carrying out its duties and authorities, the Financial Services Authority is based on the following principles: The principle of independence, namely independence in decision-making and the implementation of the functions, duties, and authorities of the OJK, while still in accordance with the applicable laws and regulations; The principle of legal certainty, which is the principle in the state of law that prioritizes the basis of laws and regulations and justice in every policy for the implementation of the Financial Services Authority; The principle of public interest, namely the principle that defends and protects the interests of consumers and the community and promotes public welfare; The principle of openness, which is the principle that opens itself to the public's right to obtain true, honest, and non-discriminatory information about the implementation of the Financial Services Authority, while still paying attention to the protection of personal and group human rights, as well as state secrets, including secrets as stipulated in laws and regulations; The principle of professionalism, which is the principle that prioritizes expertise in the implementation of the duties and authorities of the Financial Services Authority, while still being based on the code of ethics and provisions of laws and regulations; The principle of integrity, which is the principle that adheres to moral values in every action and decision taken in the implementation of the Financial Services Authority; and The principle of accountability, which is the principle that determines that every activity and the final result of every activity of the implementation of the Financial Services Authority must be accountable to the public.

### **The Role of the OJK in Increasing Public Trust**

#### ***The Authority of the Financial Services Authority to Supervise Investments***

The formation of the OJK arose due to the concerns of various parties related to the supervision of Bank Indonesia. The framework behind the occurrence of the OJK consists of 3 issues, namely the progress of financial services factories in Indonesia, the case of sectoral routes in the aspect of financial services, and the mandate of Law No. 3 of 2004 concerning Bank Indonesia (Article 34 paragraph (1)) which states that: "The task of bank supervision will be carried out by an independent financial services sector supervisory institution established by law". The State of Emergency that hit Indonesia in 1997-1998 caused many banks to collapse, as a result of which many questioned bank supervision by Bank Indonesia. Institutional weaknesses and regulations that do not support the health of the banking world are expected to be corrected to produce a more flexible financial system framework. Updates on the legal aspects of banking are expected to be an emergency cure, and at the same time as an antidote in the future era.

The birth of OJK is expected to be able to realize effective and integrated supervision in the field of financial services, easier supervision, and easier coordination so that all activities in the field of financial services are carried out in an orderly, fair, transparent, and accountable manner that is able to realize a financial system that grows sustainably and stably and is able to protect the interests of consumers and the community. Supervision of Indonesia's financial sector, including the Capital Market, is carried out by the Financial Services Authority. (Pamungkas & Zulfikar, 2021)

According to Article 6 of Law No. 21 of 2011, the main task of the OJK is to regulate and supervise financial service activities in the banking zone, capital market, insurance zone, pension budget, financial institutions, and other financial service zones. Based on the determination of Article 69 paragraph (1) letter (A) of Law No. 21 of 2011, it is explained that Bank Indonesia's obligation to organize and monitor the bank to be transferred to the OJK is an obligation to regulate and supervise the relationship between careful credentials, on the other hand, Bank Indonesia has an obligation to regulate banking in relation to the totality inventory. Adrift customer protection which is also an obligation of the OJK, there are 3 articles in the OJK that explain the role of the OJK in preventing customers of

financial service agencies, namely Article 28 (action to prevent the loss of customers and residents), Article 30 (legal advocacy), and Article 29 (customer complaint service).

According to Joshua H.P Samosir, legal protection by the OJK is carried out through various stages: Report Receipt: The public can report through OJK Financial Customer Care. OJK Market Intelligence: Reports are researched and analyzed, and information is collected from various sources such as SIPMI and the Investment Alert Task Force. IAP (Investor Alert Portal) publication: Companies that are indicated to be illegal are announced so that the public is vigilant. Coordination with the Investment Alert Task Force: For further handling. Task Force Handling: Involves summons, business analysis, and the possibility of site blocking and summons from the company. Appeal and Guidance: Time is given to improve legality and obligations to customers. Business Termination Sanctions: If the instructions are not complied with, then investment activities are stopped. Enforcement Publications: Through the media and the OJK website so that the public knows the legal actions taken. (Samosir & Pujjiono, 2018)

#### **Consumer Protection**

The Financial Services Authority (OJK) has an important role in protecting consumers in the financial services sector in Indonesia. The OJK has issued various regulations and policies to protect consumer rights, including POJK Number 6/POJK.07/2022 concerning Consumer and Community Protection in the Financial Services Sector. This regulation reinforces consumer protection principles such as transparency, fair treatment, reliability, confidentiality, and prompt and affordable handling of complaints. OJK also provides complaint services for consumers who experience problems with financial services institutions.

#### **Education and Financial Literacy**

Financial Literacy is knowledge, skills, and beliefs that influence attitudes and behaviors to improve the quality of decision-making and financial management to achieve people's financial welfare.

The implementation of financial education in order to improve people's financial literacy is very necessary because based on a survey conducted by the OJK in 2022, the financial literacy index of the Indonesian population is 49.68 percent, up from 2013, 2016 and 2019 which were only 21.84 percent, 29.70 percent, and 38.03 percent, respectively.

These financial education activities can provide understanding to the public by getting financial education materials that at least include:

- a. characteristics of the financial services sector;
- b. characteristics of products and/or services, consisting of: description; benefit; risk; cost; rights and obligations; how to access; and handling complaints and dispute resolution;
- c. financial management; and
- d. taxation related to products and/or services.

Financial Literacy has long-term goals for all groups of society, namely: It is a form of long-term investment that is useful in managing and maintaining financial conditions so that it is maintained or stable; Increase the number of users of financial services products and services.

In order for the wider community to determine financial products and services that suit their needs, the public must properly understand the benefits and risks, know the rights and obligations and believe that the financial products and services chosen can improve people's welfare.

For the community, Financial Literacy provides great benefits, such as: Able to choose and utilize financial products and services according to their needs; Have the ability to do financial planning better; Able to be responsible for the financial decisions taken; Avoid investment activities in unclear financial instruments;

Financial Literacy also provides great benefits for the financial services sector. Financial institutions and the community need each other so that the higher the level of financial literacy of the community, the more people will take advantage of financial services products and services. (OJK.co.id).

### **5. Comparison**

Comparison with state-of-the-art is an important part. This section can provide a more measurable illustration of your research contribution. This section can also be added to a brief discussion. If you feel that this section is insufficient and unsuitable to be a separate section, the author(s) can integrate this section with section four (Results and Discussion).

### **6. Conclusions**

The Financial Services Authority (OJK) has a central role in building public trust in the investment sector in Indonesia. As an independent institution tasked with regulating and supervising all activities in the financial services sector, OJK has made various strategic efforts to create a safe, transparent, and reliable investment ecosystem. Through strict supervision policies, financial education to the public, consumer protection, and strict action against illegal

investments, the OJK has significantly encouraged increased public participation in investment.

However, challenges such as the low level of public financial literacy and the still rampant practice of fraudulent investment are obstacles that need to be addressed in an ongoing manner. Therefore, strong synergy is needed between the OJK, the government, financial services business actors, and the wider community in forming a healthy and inclusive investment culture. Only with this collaboration, a stable and equitable investment climate can be realized in a sustainable manner in Indonesia.

**Author Contributions:** A short paragraph specifying their individual contributions must be provided for research articles with several authors (**mandatory for more than 1 author**). The following statements should be used “Conceptualization: X.X. and Y.Y.; Methodology: X.X.; Software: X.X.; Validation: X.X., Y.Y. and Z.Z.; Formal analysis: X.X.; Investigation: X.X.; Resources: X.X.; Data curation: X.X.; Writing—original draft preparation: X.X.; Writing—review and editing: X.X.; Visualization: X.X.; Supervision: X.X.; Project administration: X.X.; Funding acquisition: Y.Y.”

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**Data Availability Statement:** We encourage all authors of articles published in FAITH journals to share their research data. This section provides details regarding where data supporting reported results can be found, including links to publicly archived datasets analyzed or generated during the study. Where no new data were created or data unavailable due to privacy or ethical restrictions, a statement is still required.

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