

Legal Paradigm Shifting Rural Credit Bank of Indonesia (BPR) to Enhance Indonesia Banking in the Global Market: A Normative Legal Study

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Abstract

The development of regulations resulting from the Financial Sector Development and Strengthening Act (P2SK Act) has changed the acronym of the People's Credit Bank to the People's Economic Bank, which, of course, changes the needs of today's society. This research also aims to analyze the extent to which the government adapts to technological and informatics developments through progressive regulatory updates as evidenced by the emergence of new financial regulations, namely the P2SK Law. The research method used in this study is a comparative approach that analyzes the comparison of credit lending institutions before and after the P2SK Law. The analysis applied in this research is the Qualitative Method of Comparative Analysis Model, which compares two objects under study based on the author's framework of thought. This normative-empirical legal research is studied based on regulations and examined based on social empirical facts in the field. The data processed comes from literature studies of previous studies collected and analyzed by the author. The results of this study interpret that the monetary and real sectors are integrated with regulations created by the government, which are mutually compatible.

Regulatory updates must also follow the rapid development of the times in the economic sector, which is the main factor supporting the prosperity of a country. The substance of the new regulations of the P2SK Law is also adjusted to the needs of the community through the functions and principles of the People's Economic Bank itself.

Keywords

People's Economic Bank, Banking Law, Legal Paradigm.

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Introduction

Indonesia's economy moves not just from one party alone. Many parties contribute to driving our country's economy, including the role of the financial sector.¹ Money circulation is always moving in various parts of Indonesia daily, every time, and even every second.² The Indonesian economy has bright prospects, one of the factors is the large Muslim population, even the largest in the world, which can drive the people's economy, especially in developing the sharia economy.³ Although in this case, we will not discuss the sharia economy, which has many opportunities to develop massively in Indonesia, we will instead discuss to conventional economy, whose potential is no less in participating in the massive growth of the Indonesian economy. The convenience of this life through the spread of the internet in different parts of the country cannot be denied, which is increasingly causing economic turmoil to stretch. Although Indonesia's internet and signal coverage are still minimal and not comprehensive, transactions through digital access are increasing yearly. This cannot be separated from the role of the financial sector, especially the banking sector. Banks are a means to improve the welfare of society through their role in collecting funds and then channeling these funds into credit and/or other forms. Of course, the ultimate goal is to improve the welfare of the people.⁴

In this discussion, we will discuss one of the institutions that helped drive the Indonesian economy, namely BPR, or its acronym Bank Perkreditan Rakyat. This institution has now changed its name to Bank Perekonomian Rakyat. This change was made based on the mandate of Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector, better known as the P2SK Law.⁵

¹ R. Arifin et al., "Indonesian Sustainable Development Policy: How the Government Ensures the Environment for Future Generations," in *IOP Conference Series: Earth and Environmental Science*, vol. 1355, 2024, <https://doi.org/10.1088/1755-1315/1355/1/012005>.

² Richard Robison and Vedi R. Hadiz, "Reorganising Power in Indonesia: The Politics of Oligarchy in an Age of Markets," *Bulletin of Indonesian Economic Studies* 41, no. 3 (2005), <https://doi.org/10.1080/00074910500306619>.

³ Ayup Suran Ningsih and Hari Sutra Disemadi, "Breach of Contract: An Indonesian Experience in Credit Akad of Sharia Banking," *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 19, no. 1 (2019): 89–102, <https://doi.org/10.18326/ijtihad.v19i1.89-102>.

⁴ Fatih Fuadi, "Bank Dan Lembaga Keuangan Non-Bank (Teori Dan Aplikasi)," *Lembaga Keuangan*, 2021.

⁵ The idea of applying the Non-Conviction Based (NCB) mechanism serves as an extension of the supervisory function in the implementation of the P2SK Law. Accordingly, it can prevent the misuse of assets acquired unlawfully and facilitate

In short, this acronym change is an attempt by policymakers to make BPRs fit the current needs to meet the challenges of the times. This change will make people more interested in the institution called BPR, not least through consolidation and regulating the impact of digitalization on the banking business.⁶ So, what about the “radical” changes of this institution?

Before entering the material, we need to explore the history of BPR. Although it looks like a new “*thing*” in the 21st century, it turns out that the origin of BPR has been around for several centuries. It started during the colonial era when farmers were firmly determined to avoid the “*devil*” called loan sharks. We all know that moneylenders are very miserable for the community, and even though various facilities provide credit, it has consequences for loan interest. Dozens or even hundreds of percent can be charged to the borrower.⁷ The village banks, farmer banks, village granaries, and village trading banks were formed. This happened in the 19th century. The financial institutions of the farmers did not simply stagnate but continued to progress until, during the independence period, they evolved into Bank Pasar and Bank Karya Produksi Desa (BPKD). Indeed, the focus is none other than the lower classes, especially rural communities, who are far from access to financial sector institutions in urban areas.⁸

Regulations related to financial institutions such as BPR have also been developed. The advancement of development has made regulations undergo significant changes, among others, through the formulation and ratification of Law Number 7 of 1992, then Law Number 10 of 1998, and the new regulation, Law Number 4 of 2023. All three rules are still in effect and running. The regulation of the law,

the recovery of financial losses suffered by the state. Read on Ahmad Fauzi, Ariesta Wibisono Anditya, and Mohamad Noor Fajar Al Arif Fitriana, “Recovering Justice Amid Restorative Approach: Finding the Silver Lining in Asset Recovery on Corruption Crimes,” *Indonesian Journal of Criminal Law Studies* 10, no. 1 (2025), <https://doi.org/10.15294/ijcls.v10i1.5626>.

⁶ Ayup Ningsih, “KAJIAN YURIDIS EFEKTIFITAS PENYELESAIAN KREDIT MACET MELALUI LELANG HAK TANGGUNGAN,” *Arena Hukum* 14, no. 3 (2021), <https://doi.org/10.21776/ub.arenahukum.2021.01403.7>.

⁷ Vedi R. Hadiz and Richard Robison, “The Political Economy of Oligarchy and the Reorganization of Power in Indonesia,” *Indonesia* 2013, no. 96Special Issue (2013), <https://doi.org/10.5728/indonesia.96.0033>.

⁸ Ayup Suran Ningsih and Hari Sutra Dise, “Breach of Contract: An Indonesian Experience in Credit Akad of Sharia Banking,” *Ijtihad: Jurnal Wacana Hukum Islam Dan Kemanusiaan* 19, no. 1 (2019), <https://doi.org/10.18326/ijtihad.v19i1.89-102>.

of course, cannot be separated from the political will of the policymakers for the benefit of the Indonesian people.⁹

The long journey of an institution called BPR in Indonesia has undeniably impacted the country's economy. The systemic impact of BPR is more pronounced at the grassroots level because access is closer than that of commercial banks with significant capital. As one type of bank, BPR is undoubtedly a joint effort for a country to achieve coveted prosperity. This aligns with the opinion of one of our founding fathers, Mohammad Hatta.¹⁰ Areas that are not big cities, especially rural areas, often do not have commercial banks. Therefore, the presence of BPRs in rural communities is crucial because it facilitates rural communities' access to banking services. This is one indicator of BPR institutions' success in influencing the Indonesian economic system.

BPRs are more flexible than "*red plate*" and "*black plate*" commercial banks. It is possible that the public perception that the "*red plate*" and "*black plate*" commercial banks in the public perception, is considered the banks of the elite group and less populist. In contrast, BPRs are less pretentious and elitist and thus feel more a part of the rural community.¹¹ Nonetheless, BPR cannot be regarded as a perfect artificial product. As an artificial product, BPR is undoubtedly far from being "*flawed*" or problematic in its implementation.

If we often read newspapers or monitor social media, news related to collapse or bankruptcy has become a daily staple when we receive information. From the number of bad loans to the problematic quality of Human Resources or employees, while running BPR. It is possible that if these things continue to hegemonize the public narrative on various platforms, it will affect the public perception (especially the market of BPR) and will lead to a decrease in trust in the institution. Of

⁹ Meriyati Meriyati and Agus Hermanto, "Sosialisasi Sejarah Bank Perkreditan Rakyat (BPR) Dan Bank Perkreditan Rakyat Syariah (BPRS) Kepada Alumni Pondok Al-Iman Yang Berada Di Palembang," *AKM: Aksi Kepada Masyarakat* 1, no. 2 (2021), <https://doi.org/10.36908/akm.v1i2.187>.

¹⁰ Marchethy Riwani Diaz, "Penguatan Bank Perekonomian Rakyat Berbasis Asas Demokrasi Ekonomi: Paradigma Keadilan Sosial," *JURNAL YUSTIKA: MEDIA HUKUM DAN KEADILAN* 26, no. 01 (2023), <https://doi.org/10.24123/yustika.v26i01.6007>.

¹¹ I Dewa Gede Agung Dhira Natsya Ora and Dewa Gde Rudy, "Kedudukan Lembaga Perbankan Sebagai Pembeli Lelang Eksekusi Hak Tanggungan Atas Jaminannya," *Acta Comitas* 6, no. 02 (2021), <https://doi.org/10.24843/ac.2021.v06.i02.p08>.

course, this will be a bottleneck for the sustainability of one type of bank that has existed since before Indonesian independence.¹²

If the shortcomings of BPRs are not immediately corrected, customers and/or potential customers will flee, resulting in the financial instability of the institution. Not only that, negative narratives will cause the big banks to “devour” BPR. So, BPR needs to adapt to the times that exist. To be more up-to-date with current conditions, it is necessary to make various efforts both from within the institution and from the outside. However, no matter how well the institution is repaired, the internal conditions cannot be overhauled if the external environment is problematic.¹³ Therefore, one of the efforts to improve BPR externally is through the presence of Law Number 4 of 2023 on Financial Sector Development and Strengthening, commonly abbreviated as the P2SK Law. Through the presence of this omnibus law in the financial sector, it is hoped that BPRs will be able to develop better and not be abandoned by consumers and/or potential consumers.¹⁴ Due to many restrictions that used to exist through previous arrangements, the emergence of the P2SK Law makes BPR even more progressive. So, what is the differentiation when BPR refers to the P2SK Law and before referring to the P2SK Law?

Previous Research

1. How an Agricultural Development Bank Revolutionized Rural Finance: The Case of Bank Rakyat Indonesia¹⁵

The article, published in 2000, highlighted BRI's success in revolutionizing rural financing in Indonesia through product innovation, efficient fund management, and the ability to continue to generate profits even in challenging economic conditions. BRI became a model for other financial institutions in providing sustainable and inclusive financial services. This article discusses how BRI micro banks are like

¹² Shivam Agarwal and Cal B. Muckley, “Law Enforcement Spillover Effects in the Financial Sector,” *European Financial Management* 28, no. 5 (2022), <https://doi.org/10.1111/eufm.12356>.

¹³ Nasarudin Abdul Rahman and Haniff Ahamat, “Competition Law and the Malaysian Financial Sector,” *Procedia - Social and Behavioral Sciences* 172 (2015), <https://doi.org/10.1016/j.sbspro.2015.01.338>.

¹⁴ Rexford Abaidoo and Elvis Kwame Agyapong, “Financial Development and Institutional Quality among Emerging Economies,” *Journal of Economics and Development* 24, no. 3 (2022), <https://doi.org/10.1108/JED-08-2021-0135>.

¹⁵ Hans Dieter Seibel and Petra Schmidt, “How an Agricultural Development Bank Revolutionized Rural Finance: The Case of Bank Rakyat Indonesia,” *ECONSTOR* 1 (2000): 1–20.

BPR, but it has been over a quarter of a century since this article was published, and it has not discussed the role of the P2SK Law.

2. Indicators of Bank Default: Empirical Study of Rural Banks in Indonesia¹⁶

Published in 2022, this article aims to identify indicators that cause bank default, especially in rural banks in Indonesia. This study uses the logit method with secondary data from bank publication reports from 2014 to 2018. This article discusses various factors that affect bank health, including financial ratios such as Non-Performing Loans (NPL), Capital Adequacy Ratio (CAR), Return on Assets (ROA), and Loan to Deposit Ratio (LDR). Previous research has shown that NPL and CAR significantly influence bank default risk. Unfortunately, this article only focuses on the “health” condition of a BPR, without discussing the regulations that bind BPR, especially after the P2SK Law.

3. Adoption of the Green Economy through Branchless Rural Credit Banks during the COVID-19 Pandemic in Indonesia¹⁷

Published in 2023, this article examines people's behavior in financial transactions. It analyzes the practices of rural credit banks in encouraging the achievement of a green economy through the National Financial Inclusion Strategy (NFIS) program in Indonesia during the COVID-19 pandemic. This article then produces several points such as Green economic support can be seen from the use of savings transactions that are less paperless compared to branchless banking, the high number of residents exposed to COVID-19 does not affect the use of branchless banking, and the use of branchless banking shows the penetration of financial literacy in the community. Although often underestimated, we can see that BPR has a vital role in driving the people's economy, even though the COVID-19 pandemic was still relatively high at that time. However, here we cannot see how the new regulation, namely the P2SK Law, affects the existence of BPR today. Although the year the article was published coincided

¹⁶ Devy M Puspitasari et al., “Indicators of Bank Default: Empirical Study of Rural Banks in Indonesia,” *Central Asia and The Caucasus* 23, no. 1 (2022): 4401–8.

¹⁷ A. A.I.N. Marhaeni et al., “Adoption of the Green Economy through Branchless Rural Credit Banks during the COVID-19 Pandemic in Indonesia,” *Sustainability (Switzerland)* 15, no. 3 (2023), <https://doi.org/10.3390/su15032723>.

with the ratification of the P2SK Law. The new regulation has made BPR a determining factor that the government hopes will not be lost to large-scale banks.

4. The Influence of the Rural Credit Bank Financial Sector on the Regional Economy of the Sulawesi Region¹⁸

Published in 2023, this article analyzes the implications of Law Number 4 of 2023 (UUP2SK) on expanding the People's Economic Bank (BPR) business and strengthening BPR based on economic democracy. Not only that, this article also seeks the realization of social justice for the community through collaboration between BPR and other financial service institutions, including fintech lending. Unfortunately, this article only focuses on strengthening BPR, particularly establishing cooperation with fintech lending parties. This article does not discuss the impact of changes to the P2SK Law on the establishment of BPR, which can involve foreign parties in its establishment.

5. The Influence of the Rural Credit Bank Financial Sector on the Regional Economy of the Sulawesi Region¹⁹

Published in 2018, this article discusses the analysis of the influence of the financial sector of Rural Credit Banks (BPR) on regional economic growth in Sulawesi. This article finds that the financial sector variables (BPR assets, amount of credit, Third Party Funds, and number of BPRs) positively and significantly affect regional economic growth in Sulawesi. This results in a recommendation that synergy is needed between local governments, monetary authorities, and financial institutions to increase the role of BPRs in capital formation and credit distribution. Unfortunately, this article is only specific to the situation and conditions in Sulawesi, plus the publication of this article long before the P2SK Law.

The five previous studies show that BPR, as a rural bank, is important in reviving the Indonesian people's economy. However, none of them discuss the implications of the P2SK Law on the requirements for establishing BPRs, which it seems will experience radical changes. Previously, only Indonesian citizens could establish

¹⁸ Marchethy Riwani Diaz, "Penguatan Bank Perekonomian Rakyat Berbasis Asas Demokrasi Ekonomi: Paradigma Keadilan Sosial," *Jurnal Yustika: Media Hukum Dan Keadilan* 26, no. 01 (2023): 1–17, <https://doi.org/10.24123/yustika.v26i01.6007>.

¹⁹ Yesi Hendriani Supartoyo et al., "Pengaruh Sektor Keuangan Bank Perkreditan Rakyat Terhadap Perekonomian Regional Wilayah Sulawesi," *Kajian Ekonomi Dan Keuangan* 2, no. 1 (2018): 15–38, <https://doi.org/10.31685/kek.v2i1.207>.

BPRs, but now foreign parties can establish these institutions, which we will examine below.

This article uses a normative legal research methodology that compares old laws (statutes) and new laws, which are omnibus laws and regulations regarding the development and strengthening of the Indonesian financial sector. The comparative law approach aims to compare the similarities and differences in certain legal products to discover the “common denominator” of the studied legal problems. In comparative legal thought and literature, experts generally do not only see law as a collection of written (*lex scripta*) or unwritten (*lex non-scripta*) rules, but also seek to understand the reasons behind the emergence of legal rules and doctrines in a country by connecting them to the broader social, economic, and political context.²⁰ In addition to comparison, this article also uses the literature study or literature research method. Various literature, especially from scientific articles, are supporting references to support this article. Literature research or literature study is a research method used to collect, analyze, and synthesize data from various literature sources that are relevant to the research topic.²¹ For an author to collect and organize knowledge systematically with a specific focus, this study uses two types of data sources: primary data and secondary data. The research findings are presented in a straightforward and clear information style.²²

A. Paradigm of BPR before Law No. 4 of 2023

As discussed in the introduction, we will further examine the condition of BPR before the existence of the P2SK Law and after the passing of the P2SK Law. From here, we can see whether BPR has experienced progressivity in its implementation or is increasingly backward. Two laws regulate BPR regulations before the P2SK Law and are still valid today: Law Number 7 of 1992 and Law Number 10 of 1998. This time, we will try to flashback to recall how the old regulations regulated BPK.

²⁰ Tunggul Ansari Setia Negara, “Normative Legal Research in Indonesia: Its Originis and Approaches,” *Auditio Comparative Law Journal (ACLJ)* 4, no. 1 (February 2023): 1–9, <https://doi.org/10.22219/aclj.v4i1.24855>.

²¹ Hugo Mentzingen, Nuno António, and Fernando Bacao, “Automation of Legal Precedents Retrieval: Findings from a Literature Review,” *International Journal of Intelligent Systems* 2023 (2023), <https://doi.org/10.1155/2023/6660983>.

²² Ikhsan Lubis et al., “Cyber Notary as A Mean of Indonesian Economic Law Development,” *Sriwijaya Law Review* 7, no. 1 (2023), <https://doi.org/10.28946/slrev.Vol7.Iss1.1972.pp62-72>.

a) Under the old policy, the state gave BPR the acronym Bank Perkreditan Rakyat. Indirectly, the focus emphasized by this institution is the provision of credit to the community in carrying out their daily activities. In the world of accounting, especially in Indonesian banking, credit is defined as the provision of money or bills based on existing agreements to be repaid at a particular time according to the agreement based on the agreement. Credit has a feature or characteristic, namely, in the form of:

- a. The substance is an agreement between parties to borrow and lend.
- b. Borrowing activities from money or bills based on the limits agreed upon in the agreement.
- c. There is a specific tempo.
- d. There is income in interest, reward, or profit sharing.
- e. There is risk.
- f. Accompanied by guarantees and or collateral (if available in the agreement).²³

By focusing on financing assistance or channeling funds for credit, it is projected that the business of the community, especially the lower class, can improve so that this productive credit can run in a better direction. Often, the destruction of BPRs occurs when the lending is misdirected. How does that mean a wrong address? Here, the address is not meant literally but has meaning to a person or legal entity that uses the BPR product. Not infrequently, many consumers who use credit products if they do not have good faith to carry out their obligations have the potential to disrupt the activities of the BPR. In banking terms, we are more familiar with non-performing loans (NPLs). What is NPL? According to Herman Darmawi, NPL is one of the indicators of bank ratio measurement that shows or indicates the size of problematic credit risk in a bank, including BPR-type banks.²⁴ Of course, the greater the NPL ratio, the greater the implications for the condition of the BPR itself. A high NPL ratio will show that many credit installments from consumers or customers of the BPR are problematic or that the easy language is not paying, aka lousy luck.²⁵

²³ Jesica Sumual, "Perbedaan Bank Umum Dan Bank Perkreditan Rakyat Terhadap Tugas Dan Fungsi Bank Menurut Undang-Undang Nomor 10 Tahun 1998," *Lex Administratum* 4, no. 3 (2016).

²⁴ Bong Siaw Yen and Nuryasman MN, "Faktor Penentu Kesehatan Bank Konvensional Dan Bank Digital," *Jurnal Managerial Dan Kewirausahaan* 5, no. 3 (2023), <https://doi.org/10.24912/jmk.v5i3.25337>.

²⁵ M. Anugerah Puji Sakti and Endra Syaifuddin Ahmad, "Penerapan Prinsip Kehati-Hatian (Prudential Principle) Dalam Proses Pembiayaan Pada Bank Syariah Di

So, what is an example of a credit provision that is not on target and even leads to evasion in payment? For instance, when BPR approves a credit application from a party. Whether the money from the credit is used for consumptive or productive needs is not seen. In Indonesia, many people take loans from banks, not for productive activities such as running a business or expanding a company that has already been started. Instead, bank loans are used for consumptive activities such as buying branded goods to use as a show-off, so that people can perceive that they have moved up in class. Instantly, we remember the proverb "*more pegs than poles.*" Suppose a person's lifestyle is not proportional to his income. In that case, this will have a systemic impact on his finances, and his ability to make credit payments may be increasingly negated. Of course, BPRs and their human resources must screen strictly so their NPLs do not experience high ratios. Productive credit must continue to be promoted, although the market for consumptive needs continues to rise over time. BPRs need to be aware of that and not just focus on the customers they get, but also on getting good-quality customers.

Lending from BPRs needs to pay attention to the following principles so that lending is not done carelessly. The principles are helpful so that when credit is given, there is no misappropriation, and customers with poor credit can be avoided. The principles include:²⁶

a. The principle of trust

Does the lender trust consumers to make installments until the credit is paid off? The lender is legally obliged to ascertain whether the consumer of the credit distribution or the prospective installment meets various requirements.

b. The principle of prudence

Lenders are not just careless in approving credit financing applications, such as the example above. It must be examined whether the ending leads to consumptive or productive credit.

c. 5C principle

1) Character

The lower a person's character, the more potential they have to evade bill payment obligations.

2) Capacity

The ability of the prospective borrower to pay the debt.

Indonesia," *Jurnal Risalah Kenotariatan* 4, no. 1 (2023), <https://doi.org/10.29303/risalahkenotariatan.v4i1.96>.

²⁶ Sotya Partiwi Ediwijoyo et al., "Faktor-Faktor Kredit Mikro Bersama Terhadap Pengambilan Keputusan Di PT. BPR BKK Kebumen (Perseroda)," *Jurnal E-Bis* 7, no. 2 (2023), <https://doi.org/10.37339/e-bis.v7i2.1442>.

3) Capital

The capital of the prospective borrower needs to be appropriately screened to calculate the potential extent of the repayment ability of the prospective borrower.

4) Conditions of the Economy

The economic situation, at the micro and macro levels, does not rule out the possibility of a political constellation to read the direction of government policy, especially in the economic sector.

5) Collateral

The function of the guarantor is to assess the size of the commitment of the prospective borrower to repay the credit.

d. 5P Principle

1) Party

The parties here are the lender and the loan recipient. Each other gives each other trust, especially from the lender.

2) Purpose

The lender must know for what purpose the prospective loan recipient applies for credit. It must be ensured that the recipient of the loan uses funding from the bank for the needs that have been promised based on the agreement made.

3) Payment

It must be carefully determined whether the installer has a source of income after receiving credit, and whether the salary or income earned can be used to repay the loan.

4) Profitability

The loan recipient must project that the profit or profit of his business entity will exceed the loan interest from the lender (in this case, from BPR) to make credit payments until it is paid off.

5) Protection

The importance of protection or insurance in the event of extraordinary things beyond human authority.

e. 3R technique:

1) Return (amount generated)

The lender will get the result from the installment or loan recipient.

2) Repayment

The ability of the loan recipient to repay in installments also needs to be considered. Whether the payment is according to the agreed tempo or not.

3) Risk Bearing Ability (Ability to Bear Risk)

Other things that need to be assessed are the size of the loan recipient or the installer's ability to know the extent of the risk.

Based on the critical points above, BPRs must implement screening and research on all prospective customers.

This is related to the condition of BPR when, before the regulation of the P2SK Law, BPR products were limited to a few things. This is stated in Article 13 of Law Number 7 of 1992 on Banking. BPR has a business model, among others:²⁷

- a. Collecting or collecting funds from various communities with various types of deposits, such as time deposits, savings, and/or other products that are equated with these things.
- b. Provide credit funding assistance as mentioned above.
- c. Providing a supply of financing for consumers or customers based on the principle of profit sharing, following the provisions of government regulations.
- d. Placing or putting its money or funds in savings, time deposits, certificates of deposit, SBI, or its acronym Bank Indonesia Certificates at other banks.

With this assumption, BPR is an institution that prepares loans or credit for debtors who need funds. This aims to help provide business capital for pioneering businesses or businesses that will expand compared to previous conditions. BPR carries some of these out systemically to support the implementation of improving national development and economic growth, and does not forget to focus on equity.²⁸

In addition to talking about the products of BPR, to know the conditions at that time, we also need to know how the state regulates regulations related to restrictions on the activities of BPR institutions. More restrictions make the institution less flexible. The number of restrictions will create a rigid and even inflexible institution in the face of the times, where the flow of information and innovation continues to be created and constantly emerging. So, what were the restrictions on the activities of BPRs before the ratification of the P2SK Law? The following prohibitions are contained in Article 14 of Law Number 7 of 1992 on Banking (before the passing of the P2SK Law):

²⁷ Lev Menand & Morgan Ricks, *Rebuilding Banking Law: Banks as Public Utilities*, 41 YALE J. ON REG. 591 (2024).

²⁸ Novianti Anggi Savitri, "Sistem Keputusan Pemberian Kredit Bagi Nasabah Pada PT. BPR BKK Pati (Perseroda) Cabang Jaken," *UNISSULA Institutional Repository*, 2022.

- a. accept deposits in the form of demand deposits and participate in payment traffic;
- b. conducting business activities in foreign exchange;
- c. make a capital investment;
- d. conduct insurance business;
- e. conduct other business outside the business activities referred to in Article 13.

Before the enactment of the P2SK Law, BPR also had functions as an agent of trust, an agent of development, and an agent of service. The explanations include:

a. Agent of trust

The foundation of managing a financial business is trust. This trust is crucial when raising and channeling funds. Because the money managed is not tiny, people need to trust the institution by entrusting themselves to the bank so that their money is not misused, and the bank trusts that the credit recipient will not misappropriate or misuse the loan.

b. Agent of development

The importance of synergy between the monetary and real sectors for the economic activities of the Indonesian people. Since the two sectors are interdependent, the real sector cannot run optimally if the monetary sector is not running well, and vice versa.

c. Agent of service

Not only do banks provide services in the form of collecting funds and channeling funds from the public, but they also participate in various offers of other banking services to the community or public that are closely related to public economic activities. These services include money transfer, bill settlement, bank guarantees, and safekeeping of valuables.²⁹

Not just the things above, BPR is a type of bank that also participates in advancing the economy of a country; this institution has crucial functions, among others:

- a. Being an intermediary or connector in credit by being used as an installer or recipient of credit can also be modeled as money entrusted by the public, such as savings, deposits, and current accounts.

²⁹ Dikha Anugrah, Anthon Fathanudien, and Teten Tendiyanto, "The Roles of Bank Indonesia and Financial Services Authority as Rural Banks' Supervision Agency," *UNIFIKASI: Jurnal Ilmu Hukum* 7, no. 2 (2020), <https://doi.org/10.25134/unifikasi.v7i2.2477>.

- b. Being a body that can circulate money through demand deposits and currency.
- c. As a connecting or intermediary body between those with excess funds and those who need funds.

After talking about BPRs from history, credit, business activities, and what is prohibited by law (before the P2SK Law), the next section is related to the provisions for the establishment of BPRs. This provision can be found in Article 23 of Law Number 7 of 1992 on Banking. The provision states that BPR institutions can only be established by citizens of the Republic of Indonesia, commonly abbreviated as Indonesian citizens. Then, it can also be owned by Indonesian legal entities whose owners are all Indonesian citizens. Third, the local government can establish and own it by issuing local regulations. Or even the three parties can own it together.³⁰ So, let's examine and read the explanation in Article 23 of Law Number 7 of 1992 on Banking. Foreign nationals or foreigners are not allowed to be involved in establishing BPRs. So, it is explicitly and firmly stated that the legal entity cannot have foreign nationals in it. This provision arose, potentially because the regime or lawmakers at that time avoided foreign hegemony in the Indonesian economic sector, especially regarding establishing BPRs. Regarding the regulation of legal provisions in Law Number 4 of 2023 on Financial Sector Development and Strengthening, or P2SK Law, we will discuss it in sub-chapter two of the discussion section. Knowing the previous legal provisions to understand more deeply how the old law is regulated changes the new law (in this case, the presence of the P2SK Law).

The Central Statistics Agency data provides a table showing the number of banks (various types of banks, including BPR) and bank offices (units) in the past few years.³¹ In this section, the data shows how many BPRs and their offices were before the P2SK Law was passed. We can compare how the data, especially in the BPR section, experienced a decline, where a significant decline occurred during the COVID-19 pandemic. However, in the 2014-2016 period, the number of BPR offices experienced a significant increase.

³⁰ Eli Ratnaningsih, "Peranan Bank Indonesia Dalam Pengawasan Dan Pembinaan Bank Perkreditan Rakyat (Bpr)," *Jurnal Indonesia Membangun* 12, no. 1 (2013).

³¹ Badan Pusat Statistik, "Number of Banks and Bank Offices (Unit)," bps.go.id, 2024.

Periodic table 2014 - 2016

Group of Bank and Office	Number of Banks and Bank Offices (Unit)					
	Banks			Offices		
	2014	2015	2016	2014	2015	2016
Conventional based Commercial Banks - State Banks	4	4	4	17,430	17,809	18,106
Conventional based Commercial Banks - Regional Government Banks	25	25	26	3,254	3,781	4,052
Conventional based Commercial Banks - Private National Banks	68	67	64	9,727	9,477	8,750
Conventional based Commercial Banks - Branches of Foreign Banks	10	10	10	112	91	80
Sharia based Comercial Bank - Regional Government Banks	-	-	-	-	-	-
Sharia based Comercial Bank - Private National Banks	12	12	12	1,946	1,780	1,731
Total Commercial Banks	119	118	116	32,469	32,938	32,719
Rural Banks - Conventional based Rural Banks	1,643	1,636	1,633	4,895	5,982	6,075
Rural Banks - Sharia based Rural Banks	164	163	166	443	446	453
Total Rural Banks	1,807	1,799	1,799	5,338	6,428	6,528

Periodic table 2017 - 2019

Group of Bank and Office	Number of Banks and Bank Offices (Unit)					
	Banks			Offices		
	2017	2018	2019	2017	2018	2019
Conventional based Commercial Banks - State Banks	4	4	4	18,262	17,853	17,622
Conventional based Commercial Banks - Regional Government Banks	26	24	24	4,130	4,110	4,212
Conventional based Commercial Banks - Private National Banks	64	64	60	8,167	7,739	7,352
Conventional based Commercial Banks - Branches of Foreign Banks	9	9	8	39	38	36
Sharia based Comercial Bank - Regional Government Banks	-	2	2	-	178	184
Sharia based Comercial Bank - Private National Banks	12	12	12	1,678	1,691	1,721
Total Commercial Banks	115	115	110	32,276	31,609	31,127
Rural Banks - Conventional based Rural Banks	1,619	1,597	1,545	6,192	6,273	5,943
Rural Banks - Sharia based Rural Banks	167	167	164	441	495	619
Total Rural Banks	1,786	1,764	1,709	6,633	6,768	6,562

Periodic table 2020 - 2022

Group of Bank and Office	Number of Banks and Bank Offices (Unit)					
	Banks			Offices		
	2020	2021	2022	2020	2021	2022
Conventional based Commercial Banks - State Banks	4	4	4	17.307	18.166	13.023
Conventional based Commercial Banks - Regional Government Banks	25	25	24	4.226	5.122	3.680
Conventional based Commercial Banks - Private National Banks	58	58	58	7.144	7.193	6.657
Conventional based Commercial Banks - Branches of Foreign Banks	8	8	7	36	27	23
Sharia based Comercial Bank - Regional Government Banks	2	2	3	195	190	358
Sharia based Comercial Bank - Private National Banks	12	10	10	1.825	1.833	1.636
Total Commercial Banks	109	107	106	30.733	32.531	25.377
Rural Banks - Conventional based Rural Banks	1.506	1.468	1.441	5.913	5.871	4.603
Rural Banks - Sharia based Rural Banks	163	164	167	627	659	501
Total Rural Banks	1.669	1.632	1.608	6.540	6.530	5.104

With the various dynamics above, it is fitting that regulations must be revised, especially at the level of banking laws, especially the BPR provisions. Although the previous law in 1992 (Law No. 7 of 1992) has been revised with the presentation of Law No. 10 of 1998, it is far behind, and many lacunae or “*defects*” must be corrected immediately. The condition of this nation amid the onslaught of fast-paced information is undeniable, and the presence of statutory provisions governing banking is immediately necessary to be issued.³² Ultimately, the government and the DPR answered these problems with Law Number 4 of 2023 on Financial Sector Development and Strengthening, known as the P2SK Law. The provisions we discussed above are old and have changed. These changes are pretty central in affecting the position of BPR as one of the financial sector institutions. So, how does the P2SK Law regulate it? Is it really for the better, or is it underdeveloped?

B. Paradigm of BPR after the enactment of Law No. 4 of 2023

The provisions that address BPR at the statutory level are very outdated. It was last regulated in 1998, when it was still in the 20th century, while we have now entered the 21st century with such contrasting developments. Problems in the past that had not yet

³² Hasanul Mulkan et al., “Perlindungan Dan Penyelesaian Sengketa Kosumen Sektor Jasa Keuangan,” *Justicia Sains: Jurnal Ilmu Hukum* 8, no. 1 (2023), <https://doi.org/10.24967/jcs.v8i1.2379>.

emerged or even been thought of now exist and have not yet been resolved. The presence of BPR in Indonesia should not just be considered an ornament in our economic sector; BPR needs to be able to make a significant contribution and even influence the life of the nation and state today. If BPRs are merely ornamental, then there is a high potential that the institution will die out with the times.³³ Commercial banks from both state-owned enterprises and the private sector are ready to crush BPRs if BPRs do not make changes and adjustments to the development of the current era. The increasingly advanced globalization has also affected the constellation of the Indonesian economy. Then, how does the P2SK Law change the BPR? Let's look at some article changes, especially the parts mentioned in the initial discussion.

Before going into the changes to several BPR articles in the P2SK Law, we need to know that this omnibus law in the economic sector plays a crucial role. As stated by the current Minister of Finance, Sri Mulyani, emphasized that the presence of the P2SK Law is a form of commitment from the government and the DPR to agree on five scopes, including³⁴

- a. institutional strengthening of financial sector authorities while still paying attention to independence,
- b. strengthening governance and increasing public trust,³⁵
- c. encouraging the accumulation of long-term financial sector funds for welfare and support for sustainable development financing,
- d. consumer protection, and
- e. Financial sector literacy, inclusion, and innovation.

The presence of the P2SK Law brings a new nomenclature for the BPR itself. For example, the acronym of the BPK, which was previously the People's Credit Bank, became the Indonesian Economic Bank (Article 1, point 4 of the P2SK Law). We can see that this is one of the efforts to make the public perceive that BPR is not just a place to seek credit funds but can be more advanced than just seeking credit funds. The government and the DPR did not just change the acronym or definition of BPR but also added the authority of BPR itself. The

³³ Yulia Hesti, "Analisis Yuridis Tujuan Dan Kewenangan Otoritas Jasa Keuangan (OJK) Dalam Lembaga Perbankan Di Indonesia," *PRANATA HUKUM* 13, no. 2 (2018), <https://doi.org/10.36448/pranatahukum.v13i2.170>.

³⁴ M. H. (Muchtar Anshary) Labetubun et al., *Manajemen Perbankan (Sebuah Tinjauan Teori Dan Praktis)*, Widina Bhakti Persada, 2021.

³⁵ Tri Indah Sakinah, Thoriq Ziyad Rahman, and Alfarezi Setiawan, "Indonesia's Imperative Asset Forfeiture Bill to Combat Illicit Enrichment," *Indonesian Journal of Criminal Law Studies* 8, no. 1 (2023), <https://doi.org/10.15294/ijcls.v8i1.43728>.

additional authority can be found in Article 13 of the P2SK Law. BPRs are allowed to carry out fund transfer activities, which in the previous law were not allowed. Not only that, but after the P2SK Law, BPRs can also carry out forex or foreign exchange activities, and current regulations encourage BPRs to collaborate with other financial institutions, such as insurance.³⁶

The P2SK Law also regulates changes related to various activities that BPRs prohibit under the law's mandate. Although it looks like a prohibition, it provides additional authority to make BPRs more flexible and up-to-date. This can be found in Article 14 of the P2SK Law, which reads as follows:

BPRs are prohibited:

- a. accepting deposits in the form of demand deposits;
- b. conducting business activities in foreign currencies, except for foreign exchange business activities;
- c. make capital participation, except as referred to in Article 13 paragraph (1) letter f;
- d. to purchase securities, except those issued by Bank Indonesia, the Government, or the Regional Government;
- e. conduct insurance business, except marketing insurance products in the framework of cooperation as referred to in Article 13 paragraph (1) letter g; and
- f. conducting other business outside the business activities referred to in Article 13.³⁷

The point is that foreign exchange, or foreign exchange and marketing of insurance products that were previously prohibited, can now be carried out by BPR to support the performance of these financial institutions. So, as mentioned earlier, although it seems like a prohibition, it adds to and widens BPR's authority. Increasingly, policymakers cannot deny the need to make BPR continue to be able to drive the people's economy, which is, in other words, increasingly progressive.

Before entering into its regulation, BPS showed data that the number of BPRs in the year the P2SK Law was passed experienced a decrease compared to the period before the P2SK Law was passed. This could happen because the new regulation requires BPRs to have a large

³⁶ Kharisma Yudha Saragih, "Peranan Lembaga Perbankan Dalam Mencegah Terjadinya Kredit Macet," *Jurnal Ekonomi, Akutansi Dan Manajemen Nusantara* 2, no. 1 (2023), <https://doi.org/10.55338/jeama.v2i1.44>.

³⁷ Mochamad Arifianto et al., "Reconstruction of Criminal Law in the Indonesian Financial Investment Sector," *International Journal of Multicultural and Multireligious Understanding* 8, no. 1 (2021).

amount of capital participation, so it is not uncommon for BPRs to merge to meet these provisions. Below is data from BPS:

Periodic table 2023

Group of Bank and Office	Number of Banks and Bank Offices (Unit)	
	Banks	Offices
	2023	2023
Conventional based Commercial Banks - State Banks	4	12.392
Conventional based Commercial Banks - Regional Government Banks	24	3.672
Conventional based Commercial Banks - Private National Banks	57	6.239
Conventional based Commercial Banks - Branches of Foreign Banks	7	19
Sharia based Comercial Bank - Regional Government Banks	3	363
Sharia based Comercial Bank - Private National Banks	10	1.591
Total Commercial Banks	105	24.276
Rural Banks - Conventional based Rural Banks	1.402	4.645
Rural Banks - Sharia based Rural Banks	173	520
Total Rural Banks	1.575	5.165

Because of its progressiveness, the establishment provisions for BPRs have also been changed. This can be found in Article 23 of the P2SK Law, which discusses how it is established. The contents of the article are as follows:³⁸

BPR is established by:

- Indonesian citizen; and/or
- an Indonesian legal entity.

- 1) BPR may conduct a public offering on the stock exchange under terms and conditions regulated by the Financial Services Authority.
- 2) Further provisions regarding establishing BPR, as referred to in paragraph (1), shall be regulated in a Regulation of the Financial Services Authority.

If we read it briefly and not carefully, there is nothing odd in the article's contents. Indeed, positive things are quite progressive from regulating this law, related to public stock exchange offerings.³⁹ BPR institutions can conduct public offering activities on the stock exchange as long as they comply with the terms and conditions of the Financial

³⁸ Marco Boldini, "The Technological Revolution in the Financial Services Sector and Its Impact on the Law Sources," *Federalismi.It* 2022, no. 34 (2022).

³⁹ Indah Sri Utari, Ridwan Arifin, and Diandra Preludio Ramada, "Exploring Child Grooming Sexual Abuse through Differential Association Theory: A Criminological and Legal Examination with Constitutional Implications," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 7, no. 1 (2024), <https://doi.org/10.24090/volksgeist.v7i1.9564>.

Services Authority. However, what is highlighted is that the establishment of BPR is unlike Law Number 7 of 1992 on Banking.⁴⁰ As mentioned above, the establishment and ownership of BPRs can be carried out by Indonesian citizens, legal entities that are entirely Indonesian, and local governments. They can even be from all three elements. Unfortunately, in Law No. 4 of 2023, the legal entity here is more widespread, potentially involving foreign nationals or foreigners.⁴¹ How can there be no writing of foreign nationals, but can we consider the potential involvement of foreign nationals wide open? We can explore and examine this more deeply when understanding the contents of the explanation of Article 23 of the Banking Section in the P2SK Law.⁴² The following is the content of the explanation of the article.

Indonesian legal entities include the Government, Regional Governments, state-owned enterprises, regionally-owned enterprises, cooperatives, limited liability companies, and other privately owned legal entities established under the provisions of laws and regulations. Let us compare this with the content of the explanation in Article 23 of Law Number 7 of 1992 on Banking. If a Rural Bank is owned by an Indonesian legal entity, the Indonesian legal entity referred to shall have all its owners as Indonesian citizens.⁴³

The two explanations above are indeed very contrasting. Compared to the explanation of Law No. 7/1992 on Banking, the P2SK Law is more flexible on the establishment and ownership of BPRs. The legal entity, which previously had to be an Indonesian citizen, is no longer specified as an Indonesian citizen. Existing laws and regulations regulate private legal entities. For example, through a foundation, we know that BPR can also be established by a foundation that has

⁴⁰ Abhishek Thommandru and Dr Benarji Chakka, "Recalibrating the Banking Sector with Blockchain Technology for Effective Anti-Money Laundering Compliances by Banks," *Sustainable Futures* 5 (2023), <https://doi.org/10.1016/j.sfr.2023.100107>.

⁴¹ The existing regulations must demonstrate harmonization among all legal provisions, both vertically and horizontally. Read on Sholahuddin Al-Fatih, Putri Shafarina Thahir, and Norhasliza binti Ghapa, "Codifying Anti-Corruption Law in Indonesia: A Legal Necessity for Harmonization," *Indonesian Journal of Criminal Law Studies* 10, no. 2 (2025), <https://doi.org/10.15294/ijcls.v10i2.22766>.

⁴² Elyana Novira, "Authority of Deposit Insurance Corporation in Bank Guarantee and Resolutions Post Law Number 4 of 2023 on Development and Strengthening of Financial Sector," *Eduvest - Journal of Universal Studies* 3, no. 6 (2023), <https://doi.org/10.59188/eduvest.v3i6.830>.

⁴³ Serlika Aprita, "Kewenangan Otoritas Jasa Keuangan (OJK) Melakukan Penyidikan: Analisis Pasal 9 Huruf C Undang-Undang Nomor 21 Tahun 2011 Tentang Otoritas Jasa Keuangan," *Jurnal Ilmiah Universitas Batanghari Jambi* 21, no. 2 (2021), <https://doi.org/10.33087/juibj.v21i2.1431>.

obtained a decree from the Ministry of Law and Human Rights as proof of the validity of the foundation. And institutions such as foundations can also be established by foreign nationals.⁴⁴

The P2SK Law does bring a progressive breath in its formation, so we can see some of the authorities of BPRs that were previously limited then experienced significant changes through additional authority. The presence of the P2SK Law brings fresh air to the BPR business owners. However, the many favorable provisions do not mean covering damaging provisions, in which case article 23 of the P2SK Law is the focus of the author's attention because the potential for foreign funds through foreign nationals or foreigners has the potential to bulldoze local BPR owners. So, the current paradigm of policymakers sees that the economic business sector, especially BPR, is increasingly being made into a free market. Countries with protectionist regimes tend to have policies that restrict or tightly regulate the entry of foreign investment. This may include restrictions on foreign ownership, requirements for local partnerships, or bans on investment in specific sectors. Often, they have an orientation to protect domestic industry, maintain economic sovereignty, and prevent excessive foreign influence, especially in this case, the financial business in the BPR sector.

Developing countries that previously imposed strict restrictions on foreign investment are now adopting Domestic Investment Laws (DILs) that provide more favorable treatment to foreign investors. Countries that previously had strict investment screening mechanisms may start implementing more flexible processes, where they are more open to receiving foreign investment, especially in strategic sectors. The legal paradigm of countries with protectionist regimes shifting to a more open approach implicitly reflects the changing dynamics of investment policy. Although not always accompanied by explicit legal changes, these countries try to create a more investor-friendly environment through supportive policies and practices. This approach shows that the state still maintains control over investment while trying to attract foreign capital to support economic growth.⁴⁵

There has been a shift in the legal paradigm where the government, as a regulator, provides openness to foreign roles through

⁴⁴ Siti N. Azizah, "The Adoption of FinTech and the Legal Protection of the Digital Assets in Islamic/Sharia Banking Linked with Economic Development: A Case of Indonesia," *Journal of World Intellectual Property* 26, no. 1 (2023), <https://doi.org/10.1111/jwip.12257>.

⁴⁵ Julien Chaisse and Georgios Dimitropoulos, "Domestic Investment Laws and International Economic Law in the Liberal International Order," *World Trade Review* 22, no. 1 (2023): 1–17, <https://doi.org/10.1017/S1474745622000404>.

establishing BPR by Indonesian legal entities. Indeed, the government does not explicitly explain that foreign citizens or non-Indonesian citizens are allowed to establish BPR, so that some people do not understand that there has been a change in the government's attitude from previously being like a "protectionist regime" to being more open but still maintaining.

The findings above can be simplified as the changes in regulating People's Economic Banks (BPR) in the Law on the Development and Strengthening of the Financial Sector (UU P2SK) have brought about significant transformation in the licensing aspect. One of the most fundamental changes is that foreign citizens (WNA) or non-WNI can establish BPRs through Indonesian legal entities, namely, Foundations. This shows a shift in the legal paradigm from a protectionist approach to openness, which aligns with Indonesia's economic policy in attracting foreign investment and expanding access to capital in the micro banking sector.

In previous regulations, BPR ownership was limited only to Indonesian citizens or legal entities owned by Indonesian citizens, as part of a strategy to protect the domestic financial industry. However, with the enactment of the P2SK Law, these obstacles have begun to be removed, allowing foreign actors to participate more widely in the micro banking sector through the BPR establishment scheme in the form of Foundations. This marks a fundamental change in Indonesia's legal system regulating microbanking licensing.

More specifically, this change not only changes the administrative aspects of BPR licensing but also impacts the dynamics of competition and integration of the Indonesian financial sector into the global economic system. The decision to open access for foreign nationals reflects the government's strategy in adopting the principle of economic openness to increase the competitiveness of national banking, while expanding the reach of financial services for the community.

Practitioners also said that foreign involvement in BPR will bring quite interesting dynamics because, on the one hand, it will bring benefits, but on the other hand, it will have a negative impact. The entry of foreign investors into BPR ownership can bring many benefits, such as additional capital, increased liquidity, and sharing new technology and expertise. The presence of foreign banks that have already implemented advanced technology and international standards can also be an opportunity for BPR to learn and improve how they operate, for example, by adopting a better risk management system, strengthening digital security, or utilizing new technology in assessing customer

creditworthiness. All of this can help BPR become more efficient and provide better services to the community.⁴⁶

On the other hand, successful foreign investment in the banking sector can also increase global investor confidence in the Indonesian economy. If this trust increases, Indonesia can attract more foreign capital to various industries, including banking. With broader access to international funding, BPR has a greater opportunity to grow and expand its services.⁴⁷

However, the involvement of foreign investors also raises concerns. One of them is the potential for a change in the direction of BPR, which was initially aimed at supporting the local economy but instead shifted its focus to profit alone. This must be anticipated so that foreign capital continues to benefit the wider community, not only capital owners.⁴⁸

With increasing foreign participation in the micro banking sector, Indonesia will indirectly become more integrated into the global financial system. This can provide benefits in the form of access to more advanced financial technology, better risk management practices, and the possibility of cooperation with international financial institutions.

However, this integration also brings challenges in the form of dependence on foreign capital. If not balanced with strengthening domestic capacity, the Indonesian micro banking industry is at risk of becoming too dependent on foreign investment, which could reduce national economic sovereignty in the financial sector in the long term. With strict supervision and adaptive regulations, this policy can be an excellent opportunity for developing the financial industry in Indonesia, while ensuring that the benefits generated remain in the national interest. In the future, further research is needed to evaluate the real impact of this regulatory change, both in terms of the economy, law, and society, to ensure that this openness truly brings long-term benefits to Indonesia.

Attention should be paid to the fact that BPR's main objective is to promote the economic welfare of the people. Therefore, policies that support investment openness must continue to consider the balance between economic interests and community protection. The government must ensure that this looser licensing scheme remains within the regulatory corridor that protects customer rights and prevents potential exploitation by foreign capital owners.

⁴⁶ Benedictus Avianto Pramana and Ricky Hasiholan Hutasoit, "Kepemilikan Asing Atas BPR Berdasarkan UU P2SK Dan POJK No. 7 Tahun 2024," hukumonline.com, 2024.

⁴⁷ Ibid.

⁴⁸ Ibid.

Conclusion

At the end of this paper, it is essential to highlight that the paradigm shift from Bank Perkreditan Rakyat to Bank Perekonomian Rakyat, as stipulated in Law No. 4 of 2023, is not just a change in nomenclature but a fundamental transformation in the role and function of this financial institution. This transformation reflects the government's response to the urgent need for financial institutions that are more inclusive and responsive to the economic dynamics of small and medium-sized enterprises. The People's Economic Agency is now expected to play a role in lending and expanding access to more diverse and innovative banking services, including digital services, micro-insurance, and investment. This aligns with increasing financial inclusion and supporting economic growth at the local and national levels. This shift also requires an increase in the capacity and capability of these financial institutions, both in terms of risk management, governance, and human resource competencies.

Law No. 4 of 2023 underscores the People's Economic Agency's importance in applying the principles of good governance, transparency, and accountability to maintain public trust. In addition, the People's Economic Agency must also be able to adapt to developments in information technology to improve operational efficiency and services to customers. These challenges require appropriate regulatory support, internal capacity building, and collaboration with various related parties to ensure the successful implementation of this transformation. The success of this transformation will also depend on how BPRs can build strategic partnerships with multiple stakeholders, including local governments, other financial institutions, and local communities. These partnerships will make BPRs more effective in identifying and meeting the community's economic needs. In addition, applying digital technology will be key to improving the accessibility and efficiency of BPR services. Using technology, BPRs can reach previously complex communities, especially in remote areas, and provide faster and more efficient services.

In the context of internal capacity building, BPR needs to continue to conduct training and human resource development to improve employee competence and professionalism. This will ensure that BPRs have a team ready to face challenges and able to provide the best service to customers. In addition, improving corporate governance and risk management should also be a key focus to maintain stability and public confidence in the BPR. With the proper strategic measures and strong commitment from all relevant parties, BPRs have the

potential to become a key pillar in supporting inclusive and sustainable economic growth in Indonesia. If managed well, this transformation will bring long-term benefits to national financial stability and the welfare of the wider community. Overall, this shift is a positive step expected to optimize the role of BPRs in the national financial ecosystem and significantly impact Indonesia's economic development.

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