

Freedom, Oversight, and Sanctions in Digital Financial Services: Toward Sustainable Development Goals in Indonesia

Abdul Hamid¹, Muhamad Afifullah², Muthia Sakti³

^{1,2,3} Faculty of Law, Universitas Pembangunan Nasional “Veteran” Jakarta

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Corresponding Author:

Author Name*: Abdul Hamid

Email*:

mr.abdhamid92@gmail.com



Abstract: The rapid growth of digital financial services in Indonesia has reshaped financial transactions by increasing accessibility, efficiency, and innovation, thereby supporting financial inclusion and economic growth. However, this progress also presents challenges related to security, consumer protection, and regulatory adequacy. This study examines the balance between freedom and oversight in digital financial transactions and assesses the role of sanctions on service providers. Using a normative juridical approach with statutory, conceptual, and case-based analysis, the research explores how Indonesia’s legal framework addresses the dual challenge of encouraging innovation while protecting public interests. The findings show that freedom in digital finance expands inclusivity but also increases risks of cybercrime, fraud, data misuse, and instability, especially concerning digital assets. Oversight mechanisms are essential to ensure transparency, compliance, and stability. Sanctions—administrative, civil, or criminal—function as tools to compel providers to adopt stronger standards of security, accountability, and consumer protection. While sanctions may impose costs, they strengthen compliance and enhance public trust. The study concludes that balancing freedom, supervision, and sanctions is vital to creating an innovative yet accountable digital financial ecosystem. Moreover, these regulatory measures contribute to the Sustainable Development Goals (SDGs), particularly economic growth (SDG 8), innovation and infrastructure (SDG 9), reducing inequalities (SDG 10), and strong institutions (SDG 16).

Keywords: digital; financial; freedom; sustainable development goals.

INTRODUCTION

The rapid advancement of information and communication technology in recent decades has significantly transformed multiple sectors, including the economic sector, with a pronounced impact on financial transactions.¹ The emergence of digital financial services has

fundamentally altered the methods by which individuals and institutions conduct financial activities.² Services such as digital wallets, electronic payments, peer-to-peer lending, and cryptocurrencies provide enhanced convenience and flexibility for consumers and simultaneously generate new business opportunities.

¹ Schwartz, M., & Lee, B. (2022). Global trends in digital transformation and its impact on financial services. *Journal of Financial Innovation and Technology*, 15 (2), 45-60.

² Muthia Sakti. (2021). Developing E-Commerce Regulatory Standards for Online Dispute Resolution. *Journal of Morality and Legal Culture*, 2 (1), 21-27.

Digital finance offers substantial benefits to individuals, businesses, and national economies.³ Transactions can be conducted at any time and location, with reduced costs and expedited processing.⁴ Application-based payment systems such as GoPay, OVO, and DANA in Indonesia, alongside the broader growth of financial technology (fintech), illustrate the significant potential for digitalizing the financial sector. These platforms also enable Micro, Small, and Medium Enterprises (MSMEs) to access financial services that were previously inaccessible, as services are now available via mobile devices without requiring visits to physical bank branches. Despite these advantages, the sector faces persistent challenges, particularly regarding security, data privacy, and regulatory adequacy.⁵ The decentralized and borderless nature of digital finance introduces considerable risks, including increased cybercrime, online fraud, and money laundering. Furthermore, consumer rights violations, such as insufficient transparency about fees and terms of service, remain prevalent in many digital financial services.⁶

While the digital finance sector provides significant freedom and flexibility, unregulated freedom can result in injustice, legal uncertainty, and potential instability within the financial system. In the absence of

effective supervision, digital financial activities may be exploited, leading to consumer harm and threats to economic resilience. Comprehensive regulations and proportional oversight by relevant authorities are therefore essential. Such regulations are designed not only to protect consumers from abuse or fraud but also to ensure that digital financial service providers operate within a transparent and equitable legal framework consistent with accountability and sustainability principles.⁷

In Indonesia, the supervision of the digital finance sector is carried out by several institutions, such as the Financial Services Authority (OJK) and the Ministry of Communication and Information (Kemenkominfo). However, this oversight often faces significant challenges due to the rapid pace of technological development and the diversity of existing business models. Strengthening law enforcement and regulation is crucial, not only to create a safe and healthy ecosystem for digital financial service providers and users, but also to support the achievement of Sustainable Development Goals (SDGs), particularly in promoting inclusive economic growth (SDG 8), fostering innovation (SDG 9), reducing inequalities in financial access (SDG 10), and building strong institutions through effective governance (SDG 16).⁸

The balance between freedom and oversight in digital finance has become a

³ Chen, L., Miller, B., & Patel, S. (2023). The role of fintech in fostering economic inclusion and growth in developing countries. *Journal of Development Economics and Finance*, 8(4), 112–128.

⁴ Adji, Y. B., S. H., et al. (2023). Perkembangan Inovasi Fintech di Indonesia. *Jurnal BECOSS*, 5(1), 47-58.

⁵ Kim, H., & Wong, K. (2021). Navigating the digital financial landscape: A review of cybersecurity and data privacy challenges. *International Journal of Digital Security and Law*, 12(3), 78-95.

⁶ Aji, B. (2024). *Keamanan Data*. Diperoleh dari <https://online.ciputra.ac.id/keamanan-data/>

⁷ Breidbach, C., Lim, C., & Wang, Y. (2022). *Consumer protection in the digital finance era: A global review of regulatory frameworks and their effectiveness*. *Journal of Consumer Affairs*, 56(3), 88–105.

⁸ Otoritas Jasa Keuangan (OJK). (2021). *Kolaborasi OJK dan KEMENKOMINFO Perkuat Digitalisasi Sektor Keuangan*. Siaran Pers Nomor SP/DHMS/OJK/VIII/2021. Diperoleh dari <https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/Kolaborasi-OJK-dan-Kemenkominfo-Perkuat-Digitalisasi-Sektor-Kuangan.aspx>

critical area of inquiry.⁹ Freedom to transact and innovate serves as a primary catalyst for economic growth and digital inclusion. However, in the absence of stringent oversight, such freedom may be exploited for detrimental purposes. Achieving equilibrium among freedom, regulation, and accountability is therefore fundamental to establishing a digital financial system that is both efficient and socially responsible. The application of sanctions to digital financial service providers who violate regulations is also a key consideration. Appropriate sanctions function as control mechanisms, ensuring that providers operate within defined boundaries and adhere to regulatory requirements. Conversely, the imposition of excessive or disproportionate sanctions may adversely affect compliant providers and disrupt the established market ecosystem.

The government, through the OJK and the Investment Alert Task Force, has taken swift and firm action in collaboration with the Indonesian National Police and the Ministry of Communication and Information to address illegal online lending (loan sharks) that may violate the law. Since 2018, the OJK has blocked or shut down 3,193 illegal online lending applications/websites.¹⁰ Against this backdrop, this article aims to examine the dynamics of freedom, supervision, and sanctions in digital financial transactions in Indonesia from a normative perspective, while also linking their relevance to the realization

of SDGs. The discussion will highlight regulatory challenges, analyze sanction policies, and explore how legal reforms can create a digital financial ecosystem that is not only innovative and inclusive but also accountable and aligned with global sustainable development objectives.

METHODOLOGY

The research method used in this study is a normative juridical approach, which relies primarily on library research to examine legal issues with a focus on statutory provisions, doctrinal analysis, and relevant case studies.¹¹ This approach enables the author to analyze how regulations govern the freedom and supervision of digital financial transactions, as well as to evaluate the impact of sanctions on digital financial service providers.

The approaches are applied in this research. First, the statutory approach, which examines the applicable legislation and regulatory framework related to digital financial transactions. Second, the conceptual approach, which explores doctrinal and theoretical perspectives on freedom, regulation, and sanctions within digital finance. Third, the case approach, which reviews judicial decisions and practical cases that illustrate the implementation of digital finance regulations and sanction enforcement. The legal materials consist of primary sources (laws, government regulations, and relevant OJK/BI regulations) and secondary sources (doctrines, books, journal articles, and expert opinions). Legal materials were collected through a comprehensive literature study and analyzed using a qualitative descriptive technique, whereby data are described, interpreted, and systematically connected to answer the research questions.

⁹ Rodriguez, E., & Chen, L. (2024). Striking the balance: A global perspective on innovation and regulation in the fintech sector. *Journal of Financial Regulation*, 20(1), 22-38.

¹⁰ Yayasan Lembaga Konsumen Indonesia (YLKI) & Tim Satuan Tugas Waspada Investasi (SWI). (2024). *Waspada! Pinjaman Online Ilegal*. Diperoleh dari <https://www.ojk.go.id/id/berita-dan-kegiatan/info-terkini/Documents/Pages/Waspada!-Pinjaman-Online-Ilegal/Waspada!%20Pinjaman%20Online%20Ilegal.pdf>

¹¹ Soekanto, S., & Abdurahman. (2003). *Metode Penelitian Hukum*. Jakarta: Rineka Cipta.

RESULTS AND DISCUSSION

Regulatory and Oversight Mechanisms in Digital Financial Services

Freedom in digital financial transactions can be understood as the liberty of legal subjects, both individuals and legal entities, to engage in financial activities without significant time or spatial constraints imposed by third parties such as governments, banks, or other financial organizations. In essence, this freedom grants individuals and institutions the ability to conduct financial transactions anytime and anywhere, a condition that was previously unattainable within conventional financial systems.¹²

In the Indonesian context, freedom in digital financial transactions is reflected in several key aspects. The first aspect is accessibility, which has become a central indicator of this freedom. The presence of technology-based financial services such as digital wallets, peer-to-peer lending, and cryptocurrencies enables individuals who previously had limited or no access to traditional banking systems to engage in financial activities. This includes populations in remote or underserved areas who can now perform transactions simply through smartphones and internet connectivity. The second aspect is the diversification of digital financial service providers, which gives consumers the opportunity to select platforms that best fit their needs. In the investment sector, for instance, consumers may choose fintech applications that provide a diverse array of products, ranging from basic savings features to mobile-based stock trading. This variety allows consumers to align their financial activities with personal objectives, risk preferences, and convenience. The third aspect is decentralization in digital finance,

¹² Akhmaddhian, S., & Agustiwi, A. (2016). Perlindungan Hukum terhadap Konsumen dalam Transaksi Jual Beli secara Elektronik di Indonesia. *Jurnal Unifikasi*, 3(2), 40-60.

particularly through blockchain and cryptocurrency, which introduces the possibility of conducting transactions directly between two parties without the involvement of intermediaries. This model grants individuals greater autonomy in managing their digital assets independently, outside the direct control of external institutions, including governments and regulators.

While the diversity and freedom embedded in digital financial transactions contribute positively to financial inclusion and economic growth, these same freedoms also create risks that may destabilize the financial system if they are not properly regulated. Volatile assets such as cryptocurrencies can amplify market instability, while excessive freedom without oversight may encourage fraud, money laundering, or consumer exploitation.¹³

Moreover, digital financial transactions often involve the collection and processing of sensitive personal data, including identity and transaction records. Without adequate legal safeguards and data protection measures, this information is vulnerable to misuse, breaches, and cyberattacks.¹⁴ Several cases of large-scale data leaks in fintech platforms illustrate that ensuring personal data security must become a priority alongside promoting transaction freedom. Abuse of freedom also occurs when unregistered providers or fraudulent peer-to-peer lending platforms exploit consumers, causing significant financial losses and eroding trust in the fintech ecosystem. For this reason, regulatory clarity and effective supervision are crucial to prevent misuse of

¹³ Martinelli, I. (2023). Menilik Financial Technology dalam Bidang Perbankan. *Jurnal SOMASI*, 2(1), 32-43.

¹⁴ Kim, H., & Wong, K. (2021). *Navigating the digital financial landscape: A review of cybersecurity and data privacy challenges*. *International Journal of Digital Security and Law*, 12(3), 78-95.

freedom in digital financial transactions and to maintain the integrity of the financial system. Finally, collaboration between the government, regulators, and the private sector is essential in building a secure and sustainable digital financial ecosystem. Through the implementation of stronger data security standards, the adoption of reliable digital identification systems, and the promotion of public awareness regarding risks, freedom in digital finance can be exercised responsibly, contributing not only to efficiency but also to long-term financial stability and sustainable development.

Oversight in digital finance refers to efforts directed at supervising and regulating the operation of technology-based financial systems such as fintech platforms, cryptocurrencies, and other digital financial services.¹⁵ Effective supervision is crucial to ensure that this sector operates transparently, fairly, and securely for consumers, while also maintaining the stability of the broader financial system. The primary purpose of this oversight is to mitigate risks and negative consequences that may arise from the extensive freedoms granted in digital financial transactions.¹⁶

In practice, oversight in digital finance aims to guarantee several important objectives. First, it ensures consumer security and protection by preventing misuse and safeguarding user rights. Second, it enforces compliance with regulations across all relevant stakeholders to maintain fairness and

accountability. Third, it balances freedom with security so that financial innovation does not create systemic risks or losses that could undermine economic stability. Oversight also serves key functions that are vital in addressing potential risks. One of these functions is the prevention of fraudulent practices, ensuring that service providers comply with ethical and legal standards to avoid causing harm to users. Another function is preventing the misuse of digital financial systems for unlawful purposes, including money laundering, terrorism financing, and tax evasion.¹⁷ A further function is reducing systemic risks, since digital finance, particularly those relying on blockchain technology and digital assets, often involves high volatility. Without adequate oversight, uncontrolled fluctuations or opaque transactions could endanger both national and global financial stability.

Despite its importance, significant challenges exist in implementing effective oversight of digital finance. The rapid pace of technological development frequently outstrips the ability of regulations and legal frameworks to adapt. Moreover, decentralization in services such as cryptocurrencies complicates oversight because the absence of a central authority makes it difficult to trace or manage the flow of funds. The anonymity offered by certain fintech platforms further complicates identity verification and transaction monitoring, thereby creating opportunities for illegal practices and fraud.

Another obstacle is the limited capacity of regulators to keep pace with technological complexities. Both national and international supervisory bodies often lack sufficient expertise to manage digital finance

¹⁵ Vipinkumar, M., & Akshara, B. (2025). *Fintech and the right to privacy: Data protection in digital finance*. International Journal for Multidisciplinary Research (IJFMR), 7(3), 102–115.

¹⁶ Manan, Y. M. (2019). Sistem Integrasi Proteksi & Manajemen Resiko Platform Fintech peer to peer (P2P) Lending dan Payment Gateway untuk Meningkatkan Akselerasi Pertumbuhan UMKM 3.0. *Journal of Islamic Economics, Finance, and Banking*, 2(1), 73-87.

¹⁷ Kusumawardhani, R., & Suryadarma, S. (2024). The role of risk management in fintech regulation: A study on consumer protection and financial stability. *Journal of Financial Innovation*, 15(2), 1-15.

effectively, and existing regulations remain primarily focused on traditional financial institutions such as banks, capital markets, and insurance companies. These frameworks are not always compatible with the unique characteristics of digital financial services, which tend to be decentralized, dynamic, and flexible.¹⁸

Relevant legal frameworks and policies form the backbone of oversight in Indonesia. The first legal foundation is the Electronic Transaction Law, namely Law No. 11 of 2008 as amended by Law No. 1 of 2024, and Government Regulation No. 71 of 2019 on the Organization of Electronic Systems and Transactions. This framework governs electronic transactions and provides a legal basis for consumer protection against abuse in the digital sphere. The second foundation is the Consumer Protection Law, Law No. 8 of 1999, which safeguards consumer rights in digital financial transactions to prevent unfair practices and fraud. The third foundation is sector-specific regulations issued by Bank Indonesia and the Financial Services Authority (OJK). For example, OJK Regulation No. 21 of 2023 on Digital Services by Commercial Banks emphasizes risk management, customer data security, and consumer protection, while Bank Indonesia Regulation No. 22/23/PBI/2020 on Payment Systems restructures the payment system industry to respond to digitalization and innovation.

By ensuring that oversight frameworks are structured, comprehensive, and balanced, regulators seek to promote growth in the digital finance sector while minimizing the risks associated with rapid innovation. Such oversight is essential to creating an environment where consumers can safely

enjoy the benefits of digital financial services, thereby fostering both economic development and public trust.

Sanctions and Their Role in Shaping a Sustainable Digital Finance Ecosystem

Sanctions imposed on digital financial service providers, whether administrative, civil, or criminal, serve as regulatory tools to encourage compliance with applicable laws. The imposition of sanctions not only shapes the behavior of service providers but also influences consumer trust, market stability, and the broader integrity of the financial system. Administrative sanctions play a significant role in addressing regulatory breaches. For instance, provisions in OJK Regulation No. 21 of 2023 authorize measures such as written warnings, suspension of specific services, restrictions on launching new services, downgrading of institutional health ratings, and financial penalties. These sanctions are intended to ensure that providers correct violations swiftly and adjust their operations to meet regulatory standards.

Civil sanctions complement administrative measures by offering legal remedies for consumers and affected parties. Article 38 in conjunction with Article 39 of Law No. 1 of 2024 provides that lawsuits can be filed against providers whose systems or activities cause harm. Civil liability can also be pursued through arbitration or other alternative dispute resolution mechanisms, thereby providing flexible pathways for redress beyond the court system. Criminal sanctions apply in cases where digital financial services are misused for serious offenses such as fraud, money laundering, or terrorism financing. In such contexts, the law prescribes penalties not only as a deterrent but also as a safeguard to maintain the credibility of the digital financial ecosystem. The impact of these sanctions is multidimensional. From a reputational standpoint, sanctions can severely

¹⁸ Suryadarma, F. R., & Faqih, M. (2024). Regulasi Fintech di Indonesia: Mendorong Inovasi dan Melindungi Konsumen dalam Ekosistem Digital. *Jurnal Ilmiah Perbankan Syariah*, 4(1), 117-126.

undermine consumer trust. Once a provider is sanctioned, users may migrate to competitors that are perceived as more compliant and secure. Financially, the burden of fines or penalties can disrupt cash flows and limit resources intended for business expansion or technological innovation. Operationally, sanctions may lead to the suspension of critical services or, in severe cases, revocation of licenses, which could significantly curtail a provider's market presence. Despite their punitive nature, sanctions also generate constructive effects. They incentivize providers to strengthen compliance mechanisms, upgrade data security systems, and adopt risk management practices aligned with regulatory expectations. As a result, sanctions contribute not only to the accountability of individual providers but also to the overall sustainability of the digital finance sector.

In the context of Indonesia's digital economy, sanctions serve as both corrective and preventive tools. They reinforce consumer protection, enhance institutional accountability, and secure the resilience of financial markets. Ultimately, the consistent and proportional application of sanctions fosters a digital financial ecosystem that is trustworthy, transparent, and aligned with the principles of sustainable development.

CONCLUSION

First, the study finds that regulatory and oversight mechanisms in Indonesia play a decisive role in shaping consumer protection and legal certainty within digital financial services. While digital finance offers clear advantages in terms of inclusion, accessibility, and efficiency, these benefits cannot stand without adequate supervision. Oversight ensures that innovation does not turn into exploitation, that systemic stability is maintained, and that consumers are protected from risks such as fraud, misuse of data, and

market volatility. Strengthening adaptive, technology-based legal frameworks, supported by collaboration among regulators, service providers, and society, is therefore essential to align innovation with accountability. Second, the application of sanctions on non-compliant digital financial service providers reinforces the balance between innovation and responsibility. Sanctions, whether administrative, civil, or criminal, not only compliance but also generate constructive effects by improving data security standards, operational transparency, and institutional accountability. Although they may impose financial and reputational costs, sanctions ultimately contribute to systemic resilience and public trust. When applied consistently and proportionally, sanctions serve as preventive and corrective tools that ensure the sustainability of Indonesia's digital financial ecosystem. In conclusion, achieving equilibrium between freedom, oversight, and sanctions in digital financial transactions is vital for building a system that is efficient, fair, and socially responsible. Such a framework directly supports the Sustainable Development Goals (SDGs), particularly SDG 8 on economic growth, SDG 9 on innovation and infrastructure, SDG 10 on reducing inequalities, and SDG 16 on strong institutions. By embedding digital finance within this global agenda, Indonesia can promote a financial ecosystem that is not only innovative and inclusive but also accountable, secure, and sustainable.

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