

REGULATION AND ETHICS: A CRITICAL REVIEW OF THE EFFECTIVENESS OF THE FINANCIAL SERVICES INDUSTRY CODE OF ETHICS IN CONSUMER PROTECTION

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Abstrak

Keywords:

Regulation,
Ethics,
Code of Ethics,
Financial Services
Industry,
Consumer Protection,
Financial Services
Authority (OJK).

This study critically analyzes the effectiveness of OJK regulations and codes of ethics in the Indonesian Financial Services Industry (IJK), particularly in protecting consumers. OJK regulations serve as minimum standards that must be adhered to, while codes of ethics serve as independent guidelines for higher standards of professional behavior. The study uses an exploratory qualitative approach to examine the implementation and success rate of both, as well as the regulatory oversight role. The results show that OJK regulations, such as the POJK on Digital Financial Innovation, encourage fintech growth, but their implementation still faces various obstacles. Codes of ethics play a significant role through ethics committees, training, and whistleblowing mechanisms (e.g., Bank Muamalat and CIMB Niaga), but their effectiveness will be reduced if they are merely considered formalities, as evidenced by practices that harm consumers. Strengthening ethics requires strong leadership, ongoing education, and a balanced system of rewards and sanctions. The OJK, through Law No. 21/2011 and POJK 12/2024, is crucial in strictly enforcing regulations and raising ethical awareness. Conclusion: The synergy between regulations, strict sanctions, and whistleblowing mechanisms can strengthen an ethical culture, reduce systemic risk, and increase public trust, as evidenced by the declining trend in GCG Violations

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INTRODUCTION

This research is important to further analyze how the regulatory framework and the supervisory role of the Financial Services Authority (OJK) can be strengthened to



prevent similar cases from recurring in the future. In addition, this study is expected to contribute to the development of a consumer protection system that is more responsive and flexible in addressing evolving risks in the insurance sector. By employing a legal approach and critically analyzing policies and their implementation, this research aims to formulate concrete recommendations to improve regulations and enhance the effectiveness of OJK's role in protecting financial services consumers, particularly in life insurance products (Dhea Salsa Fadhila et al., 2025).

Consumer protection issues in the financial services sector are not only a concern for the Indonesian public but have also gained international attention. Access to financial services that are trustworthy, secure, and fair is crucial for consumers worldwide, especially amid global financial crises. This issue is one of the main advocacies of Consumers International (CI), a global consumer organization consisting of more than 250 consumer organizations from various countries (Widjiantoro et al., 2019).

According to Putri Amelia (2025), the negative impact of ethical violations is substantial. The reputation of the legal profession can be tarnished, and public trust in the legal system may deteriorate. Numerous ethical violation cases reported in the media such as corruption involving legal officials indicate the need for a thorough evaluation of the effectiveness of ethical supervision and accountability among legal professionals. In Indonesia, recent news frequently shows that ethical violations remain a serious issue. To address systemic risks and safeguard public interests, the consumer protection framework in the Financial Services Industry (IJK) is built on two main pillars: Formal Regulation and Self-Regulation (Codes of Ethics).

The first pillar consists of formal regulations issued by the Financial Services Authority (OJK). These regulations are mandatory and establish minimum compliance standards covering licensing processes, corporate governance, product transparency, and dispute resolution mechanisms. The second pillar, which is the primary focus of this research, is the Code of Ethics in the financial services industry. This code represents a form of self-regulation promoted by industry associations and financial service institutions. Normatively, the code of ethics complements formal regulations by establishing higher standards of professional and moral conduct beyond mere legal compliance. Its purpose is to foster a culture of responsibility, prioritize client interests, and strengthen integrity. Ideally, the code of ethics should function as a proactive tool to prevent violations rather than merely responding after violations occur.

Fintech services have transformed financial access for millions of Indonesians, particularly individuals (42.7%) and micro, small, and medium enterprises (28%), through the convenience of digital payments and instant loans. This growth has been supported by digital payment transactions reaching USD 538 billion in 2025 (Fintech et al., 2023).

LITERATURE REVIEW

1. Definition of Ethics

Ethics originates from the Greek word *ethos*, meaning habit or character. Ethics is a branch of philosophy that discusses what is good and bad, as well as moral responsibility in society. According to the Indonesian Dictionary (KBBI), ethics is the study of good and bad values and the rights and obligations of individuals. Ethics can also be understood as a set of rules or values related to behavior, defining what is right

and wrong within a group or society. Ethics consists of moral principles that distinguish right actions from wrong ones and establishes guidance on what individuals should or should not do (Ulya et al., 2024).

2. Regulation in the Financial Services Industry

Financial regulation is designed to prevent risks faced by financial institutions, particularly banks, with the primary objective of maintaining overall financial system stability and avoiding widespread systemic risks. The main objectives of financial regulation include:

- a. Ensuring financial institutions comply with internal control mechanisms, enabling effective risk management and compliance with applicable laws.
- b. Ensuring efficient use of resources, covering both financial institutions and financial markets, to promote healthy and orderly financial operations.
- c. Establishing rules on business conduct and supervision, ensuring institutions adhere to regulations and preventing actions that may harm consumers or the financial system.

Thus, preventing systemic risk is a key justification for financial regulation, aimed at safeguarding the overall health and stability of the financial system (Gultom et al., 2022). Article 1 paragraph (1) of OJK Regulation No. 13/POJK.02/2018 defines digital financial innovation as activities that develop business processes, business models, and financial instruments that provide new benefits in financial services through digital ecosystems. The term “fintech” refers to financial service institutions engaged in digital financial innovation and regulated through registration and licensing mechanisms.

Characteristics of Financial Regulation:

- a. Strict yet flexible, capable of adapting to market changes and emerging risks.
- b. Focused on minimum capital requirements, stress testing, and risk management.
- c. Emphasizes transparency, consumer protection, and inter-agency coordination.
- d. Faces challenges in regulatory harmonization and fintech supervision.

Types of Financial Regulation:

- a. Banking: Regulated by Bank Indonesia (BI) and OJK.
- b. Non-Bank Financial Institutions: Supervised by OJK.
- c. Monetary and Fiscal Policy.
- d. Other regulations: Anti-money laundering (AML), counter-terrorism financing (CTF), and consumer protection.

Examples of Regulations:

- a. Law No. 10/1998 on Banking
- b. Law No. 21/2011 on the Financial Services Authority
- c. Law No. 4/2023 on Financial Sector Development

The Financial Services Authority (OJK), established in 2013, aims to ensure transparency, efficiency, and sound financial practices. Rapid fintech development has introduced innovation but also new risks such as cybersecurity and consumer protection challenges (Albertus Makur, n.d.).

3. Ethics and Codes of Ethics in the Financial Services Industry

In the financial services industry, codes of ethics govern integrity, objectivity, competence, and professional responsibility. These codes ensure fair, transparent, and consumer-respecting practices. Moral values such as justice and the prohibition of exploitative practices are critical, particularly in Islamic financial institutions. Studies show that internal commitment, supervision, and sanctions determine the success of

ethical codes (Irma Siagian, n.d.).

4. Effectiveness of Consumer Protection

Financial regulation aims to reduce systemic risk and protect the public from fraud, money laundering, market manipulation, and systemic collapse. Without adequate regulation, financial crises may occur. Strong regulation combined with strict ethical codes is essential, as weak integration often leads to consumer exploitation and inconsistent enforcement (Irma Siagian, n.d.).

5. Synergy Between Regulation and Ethics

Indonesia's financial system is governed by multiple authorities, including BI, OJK, and the Ministry of Finance, each with distinct responsibilities. Effective synergy among these institutions is essential to ensure ethical and regulatory compliance across financial sectors (Irma Siagian, n.d.).

RESEARCH METHOD

This study employs a qualitative approach to gain an in-depth understanding of how regulations and codes of ethics in the financial services industry are implemented and their effectiveness in consumer protection. The exploratory nature of this research allows for comprehensive analysis of ethical practices and regulatory supervision from multiple perspectives, including consumers.

RESULT AND DISCUSSION

1. OJK Regulations on the Protection of Fintech Service Users in Indonesia

The rapid development of financial technology (fintech) in Indonesia has brought significant changes to the financial sector, offering various conveniences and innovations in digital financial services (Suryadarma & Fiqih, 2024). However, alongside this growth, there has emerged a pressing need for effective regulation to protect consumers from potential risks. Consumer protection regulations in fintech services in Indonesia are based on several statutory frameworks aimed at providing legal certainty and security for service users. One of the key regulations is OJK Regulation No. 77/POJK.01/2016 concerning Information Technology-Based Lending Services, which establishes a regulatory framework for peer-to-peer (P2P) lending fintech providers to operate legally in Indonesia. This regulation governs minimum capital requirements, lending limits, reporting obligations, and other operational standards that must be complied with by service providers.

In addition, the Financial Services Authority (OJK) issued OJK Regulation No. 13/POJK.02/2018 on Digital Financial Innovation in the Financial Services Sector, which provides a legal framework for fintech companies to operate lawfully in Indonesia. This regulation has encouraged innovation within the fintech industry. With clear rules and eligibility criteria, fintech companies are incentivized to develop more innovative financial solutions (Suryadarma & Fiqih, 2024). For example, the regulation supports the development of digital payment applications that facilitate financial transactions, peer-to-peer lending services that expand financial access for previously underserved populations, and blockchain-based financial solutions that enhance transaction security and efficiency (Dewi & Danyathi, 2022).

To further strengthen consumer protection, OJK also issued OJK Regulation No. 6/POJK.07/2022 on Consumer and Public Protection in the Financial Services Sector (Maylinda et al., 2023). This regulation emphasizes principles of transparency, fair

treatment, reliability, data confidentiality and security, as well as dispute resolution mechanisms that are simple, fast, and affordable. Despite the issuance of these regulations, their implementation remains challenging. Research indicates that the enforcement of these rules has not been fully effective in protecting consumers, as evidenced by the continued prevalence of illegal online lending practices and the lack of effective sanctions against violators (Fitriana et al., 2021).

Although regulations have been enacted, their practical effectiveness continues to face obstacles. Studies show that consumer protection remains insufficient due to persistent illegal fintech operations and weak enforcement mechanisms (Roger, 2021).

2. Implementation of Codes of Ethics in Financial Institutions

Codes of ethics play a highly strategic role as behavioral guidelines for all actors in the financial services industry, ensuring that business activities are conducted honestly, fairly, and with integrity. The implementation of codes of ethics covers various critical aspects, including responsibility toward customers, honesty in product promotion, transparency of information, and the prohibition of manipulative and fraudulent practices.

In practice, the implementation of ethical codes is carried out through the establishment of internal ethics committees within financial institutions, continuous ethics training for employees, and the application of whistleblowing systems to facilitate the reporting of ethical violations without fear of pressure or retaliation. In addition, periodic ethics audits serve as an important mechanism to ensure that moral principles are genuinely applied in daily operational activities. Examples of Practical Implementation: Bank Muamalat has implemented its code of ethics since 2017 as a foundation for Good Corporate Governance (GCG), with a commitment to maintaining customer data confidentiality, upholding moral ethics, and preventing violations through stakeholder engagement. PT BPRS Almabrur Klaten requires all employees to sign an annual integrity pact and actively monitors suspicious transactions to prevent money laundering. Bank CIMB Niaga involves customers in processes to ensure transparency and fairness, while Bank Aladin Syariah emphasizes anti-fraud measures through mandatory reporting mechanisms.

Empirical Evidence and Data Trends: OJK reports indicate an improvement in ethical compliance within the banking sector, marked by a 15% reduction in GCG violations in 2024 as a result of ethics training programs. Although specific graphical data remain limited, positive trends are evident from internal audits of banks such as Bank Sumut, which has integrated codes of ethics into performance evaluation in accordance with PBI No. 8/4/2006. These implementations have proven effective in reducing risk, enhancing consumer trust, and supporting industry stability.

Nevertheless, the implementation of codes of ethics continues to face several challenges. Many financial institutions still treat ethical codes merely as formal requirements to fulfill regulatory obligations, rather than as an integral part of organizational culture. This condition is reflected in the persistence of practices that harm consumers, such as the offering of products that do not align with customers' risk profiles or violations of personal data confidentiality. Therefore, stronger commitment from institutional leadership is required to ensure that ethical values serve as the primary foundation for decision-making and business activities. This issue is

particularly relevant in the context of globalization, where intense competition and profit-driven pressures may lead to unethical practices such as labor exploitation, environmental degradation, and information manipulation (Fasya & Bakrie, 2025).

3. Strategies for Strengthening Ethical Culture in Financial Institutions

To ensure that codes of ethics function beyond mere administrative documents, financial institutions must internalize ethical values across all aspects of organizational culture. This process begins with embedding moral principles into the institution's vision, mission, and strategic objectives. Consequently, all policies and decisions are grounded in honesty, integrity, and social responsibility. Leadership plays a crucial role in fostering a strong ethical culture. Leaders who consistently demonstrate integrity, transparency, and fairness serve as role models for employees. Such leadership cultivates a healthy work environment and encourages ethical behavior across the organization.

Furthermore, continuous ethics education and training are essential to ensure that employees understand both the meaning and practical application of ethical behavior in their daily work. These initiatives can take the form of seminars, discussions, and internal communication platforms such as bulletins and digital portals containing ethics-related learning materials. To reinforce ethical implementation, financial institutions must establish effective supervision and reporting systems. Whistleblowing mechanisms are particularly important, as they allow ethical violations to be reported without fear, while ensuring confidentiality and protection from intimidation.

In addition, institutions should apply balanced reward and sanction systems. Employees who demonstrate strong ethical commitment deserve recognition, while violations of ethical codes must be addressed firmly to instill accountability and discipline. Regular ethics audits also serve to evaluate the extent to which ethical principles are implemented in operational activities. Audit findings can inform internal policy improvements and strengthen governance integrity. Ultimately, transparency and accountability are critical factors in maintaining public trust. Openness regarding institutional performance, governance practices, and corporate social responsibility enhances reputation and demonstrates commitment to ethical principles in financial services business practices.

Law No. 21 of 2011 on the Financial Services Authority (OJK) serves as the primary legal foundation for ethical oversight in the financial services sector. This law regulates the prevention of corruption and fraud, implemented through OJK Regulation No. 12 of 2024 on anti-fraud strategies. In addition, industry associations such as the Indonesian Financing Companies Association (APPI) establish codes of ethics that must be complied with by financing companies in accordance with OJK Regulation No. 46 of 2024, as part of compliance enforcement and good corporate governance. Overall, these regulatory frameworks aim to support the development of a sustainable ethical culture within the financial services industry, protecting the public from harmful practices and maintaining overall industry stability (Dhea Salsa Fadhila et al., 2025).

4. The Role of Supervisory Authorities in Strengthening Ethics in Financial Institutions

Supervisory authorities bear a crucial responsibility in ensuring that ethical principles are consistently upheld by all actors within the financial services industry. Through the formulation and enforcement of appropriate policies and regulations, supervisory bodies play a vital role in building oversight systems that promote sound,

transparent, and high-integrity business practices. One key measure is the establishment of mandatory ethical standards and corporate governance frameworks that financial institutions must adhere to. These standards encompass professional conduct guidelines, risk management mechanisms, consumer rights protection, and the prevention of conflicts of interest. Clear regulations provide institutions with concrete guidance to ensure that their activities align with ethical norms and social responsibility.

Beyond regulation, supervisory authorities are also responsible for ensuring effective enforcement. Through routine supervision, compliance audits, and investigations into alleged violations, regulators can ensure that deviations from ethical principles are met with firm and proportional sanctions. Consistent enforcement not only creates a deterrent effect but also enhances public trust in the financial system. Moreover, supervisory authorities contribute to building ethical awareness among industry participants through education, socialization programs, and training initiatives. These efforts deepen understanding of the importance of integrity and responsibility in safeguarding the sustainability of the national financial system.

Collaboration among supervisory authorities, industry players, financial associations, and the public is another key element in strengthening ethical implementation. Effective collaboration fosters a financial system that is more transparent, accountable, and oriented toward public interest. Thus, the role of supervisory authorities extends beyond regulation and sanctioning; they also act as mentors and facilitators in cultivating ethical culture within the financial services sector. The consistent application of strong ethical values under effective supervision forms the foundation of a healthy, sustainable, and trustworthy financial system.

CONCLUSION

Business ethics in financial institutions and related professions, such as tax consultants, demand integrity, objectivity, and confidentiality to maintain public trust. OJK regulations mandate strict ethical codes, training, integrity pacts, and sanctions. Cases of ethical violations demonstrate how breaches undermine financial system legitimacy. Effective implementation of ethical codes has reduced governance violations by 15% in 2024, proving that ethical culture is not merely regulatory compliance but a preventive tool against systemic risk. Ethical violations, such as data breaches and collusion, have broad consequences, including loss of public trust and financial losses. Prevention requires collaboration among regulators, financial institutions, and professional associations, aligned with Law No. 21/2011 emphasizing transparency and consumer protection.

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