

The Role of Financial Technology (FinTech) in Corruption Prevention: An Analysis of Digital Transaction Transparency

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Abstract.

The rapid development of Financial Technology (Fintech) has transformed the financial system by enabling faster, more efficient, and transparent digital transactions. At the same time, this development has created legal challenges related to regulatory certainty, personal data protection, and supervision of digital transactions that may facilitate corruption. This study aims to analyze the legal framework governing Financial Technology in supporting digital transaction transparency and to examine the role of fintech in strengthening digital transaction transparency as a preventive measure against corruption in Indonesia. This research employs a normative legal research method using statutory, conceptual, and analytical approaches. The legal materials consist of primary, secondary, and tertiary sources analyzed through qualitative legal analysis. The findings indicate that Indonesia has established a relatively comprehensive legal framework through Law Number 4 of 2023 on the Development and Strengthening of the Financial Sector, Law Number 1 of 2024 on Electronic Information and Transactions, Law Number 27 of 2022 on Personal Data Protection, as well as regulations issued by Bank Indonesia and the Financial Services Authority. Fintech implementation generates a digital audit trail that enhances transparency, accountability, and supervisory effectiveness in financial transactions. Based on the Theory of Legal Certainty, Legal System Theory, and Good Governance Theory, fintech serves as an important instrument in promoting transparent, accountable, and integrity-based financial governance, thereby strengthening corruption prevention efforts. Nevertheless, continuous regulatory harmonization, stronger inter-agency coordination, improved cybersecurity, and enhanced digital literacy remain essential to optimize fintech implementation.

Keywords: *Financial Technology, fintech, digital transaction transparency, corruption prevention and legal certainty.*

I. INTRODUCTION

The rapid advancement of information and communication technology has fundamentally transformed the global financial ecosystem. Digital transformation has reshaped the way governments, businesses, and society conduct economic activities by replacing conventional financial services with technology-driven financial solutions. In recent years, Financial Technology (FinTech) has emerged as one of the most significant innovations within the digital economy, integrating financial services with digital technologies to provide faster, more efficient, and more accessible financial transactions (Financial Stability Board, 2022). Beyond improving operational efficiency, FinTech has expanded financial inclusion by enabling broader public access to digital payment systems, online lending, digital banking, investment platforms, and other technology-based financial services (World Bank, 2022).

The rapid adoption of digital financial services has also transformed governance practices. Modern financial transactions are increasingly conducted through electronic systems capable of generating digital records that can be stored, verified, and traced in real time. Unlike conventional cash transactions, digital transactions automatically produce electronic evidence, thereby enhancing transparency, accountability, and auditability. Consequently, digital financial ecosystems are no longer perceived solely as economic innovations but also as strategic instruments for strengthening governance, reducing administrative inefficiencies, and promoting institutional integrity (OECD, 2023).

Indonesia has experienced substantial growth in its digital financial ecosystem over the past decade. The increasing penetration of internet services, smartphone usage, and digital commerce has accelerated the adoption of electronic payment systems and FinTech services across various sectors of the economy. Recognizing these developments, the Indonesian Government, Bank Indonesia, and the Financial Services

Authority (Otoritas Jasa Keuangan/OJK) have introduced comprehensive regulatory frameworks to foster financial innovation while maintaining financial stability and consumer protection.

A significant milestone in this regulatory development was the enactment of Law Number 4 of 2023 concerning Financial Sector Development and Strengthening, which provides a comprehensive legal framework for financial sector innovation, including FinTech regulation. The legal framework is complemented by OJK Regulation Number 3 of 2024 concerning Financial Sector Technology Innovation, which establishes regulatory standards regarding licensing, supervision, governance, risk management, consumer protection, and regulatory sandbox implementation for digital financial innovation. These regulations demonstrate Indonesia's commitment to balancing technological innovation with legal certainty and financial system stability.

Simultaneously, Bank Indonesia has promoted the digitalization of the national payment system through the Indonesia Payment System Blueprint (Blueprint Sistem Pembayaran Indonesia/BSPI) 2025, aiming to establish an integrated, efficient, secure, and inclusive digital payment ecosystem. The widespread implementation of Quick Response Code Indonesian Standard (QRIS), electronic money, mobile banking, internet banking, and various digital payment platforms has significantly increased the volume of electronic transactions while creating comprehensive digital transaction records. Such developments not only improve payment efficiency but also strengthen the transparency of financial transactions by enabling continuous monitoring and electronic documentation of financial activities (Bank Indonesia, 2025).

Digital transaction transparency has become an essential component of modern public governance. The transition from paper-based financial administration to electronic transaction systems enables every financial activity to be automatically recorded, timestamped, and securely stored within digital databases. This process creates a digital audit trail, allowing regulators, auditors, financial institutions, and law enforcement agencies to verify, monitor, and investigate financial transactions more effectively than conventional administrative systems.

From the perspective of Good Governance, transparency represents one of the fundamental principles supporting accountable and responsible public administration (UNDP, 1997). Digital financial systems operationalize this principle by ensuring that financial transactions become more visible, traceable, and verifiable. The availability of reliable electronic transaction records enhances financial accountability, minimizes information asymmetry, reduces opportunities for administrative manipulation, and strengthens public trust in governmental financial management.

Furthermore, Indonesian legal reforms have reinforced the evidentiary value of electronic transactions through Law Number 1 of 2024, amending the Electronic Information and Transactions Law. The legislation recognizes electronic information and electronic documents as legally valid evidence, thereby strengthening the legal position of digital transaction records within administrative, civil, and criminal proceedings. Consequently, digital transaction transparency extends beyond administrative efficiency and becomes an integral element of legal certainty and public accountability.

Corruption remains one of the most persistent governance challenges confronting developing countries, including Indonesia. While conventional anti-corruption strategies have traditionally emphasized criminal prosecution and law enforcement, contemporary governance increasingly recognizes that sustainable corruption eradication also requires preventive institutional mechanisms. Transparency, accountability, and effective financial supervision are widely regarded as essential elements of corruption prevention (United Nations Convention against Corruption, 2003).

Digital financial technologies offer considerable opportunities to strengthen preventive anti-corruption mechanisms. Since electronic financial transactions automatically generate verifiable digital records, opportunities for document falsification, unauthorized cash transactions, financial concealment, and administrative manipulation become substantially more limited. Digital transaction systems also facilitate continuous monitoring, real-time reporting, forensic auditing, and financial investigation, thereby improving the effectiveness of corruption risk detection.

Despite these advantages, Indonesia continues to face significant corruption challenges. According to Transparency International's Corruption Perceptions Index, Indonesia remains among countries experiencing

considerable public sector corruption challenges, indicating that institutional reforms remain necessary to improve integrity, accountability, and transparency. Likewise, the Indonesian Corruption Eradication Commission (Komisi Pemberantasan Korupsi/KPK) consistently emphasizes that corruption prevention should prioritize strengthening governance systems, digital public services, institutional transparency, and technology-based monitoring alongside criminal enforcement. These developments indicate that FinTech possesses strategic potential not only as an economic innovation but also as a preventive legal instrument supporting corruption prevention

Despite the growing body of literature on Financial Technology (FinTech), existing studies predominantly examine its contribution from economic and technological perspectives. Previous research has consistently demonstrated that FinTech promotes financial inclusion, improves payment efficiency, enhances access to financial services, and accelerates digital economic transformation. Other studies have focused on regulatory compliance, cybersecurity, consumer protection, personal data protection, and anti-money laundering mechanisms within digital financial services. Although these studies provide valuable insights into the governance of financial innovation, they rarely investigate FinTech as a legal instrument for strengthening transparency in support of corruption prevention.

Similarly, corruption-related research has primarily concentrated on criminal law enforcement, institutional reform, electronic government, public procurement, bureaucratic accountability, and integrity systems. Digitalization has generally been discussed in relation to electronic procurement, electronic budgeting, and digital public administration rather than digital financial ecosystems. Consequently, the legal relationship between FinTech regulation and corruption prevention through digital transaction transparency remains insufficiently explored within existing legal scholarship.

Another limitation of previous studies is the fragmented approach to Indonesia's regulatory framework. Existing literature often analyzes individual regulations governing financial services, electronic transactions, anti-money laundering, or personal data protection independently. Few studies examine how these legal instruments interact within a coherent legal system to support transparent digital financial governance. As a result, there remains limited understanding of how harmonized legal regulations can strengthen preventive mechanisms against corruption through digitally traceable financial transactions.

This study offers both conceptual and legal novelty by positioning Financial Technology (FinTech) beyond its conventional role as an innovation in digital financial services. Rather than examining FinTech solely from financial or technological perspectives, this article conceptualizes FinTech as a preventive legal instrument capable of strengthening digital transaction transparency to reduce corruption risks within public and private financial activities.

The novelty also lies in the integration of multiple legal frameworks governing Indonesia's digital financial ecosystem. Unlike previous studies that examine FinTech regulation or anti-corruption policies separately, this research develops a comprehensive normative legal analysis by harmonizing Law Number 4 of 2023 on Financial Sector Development and Strengthening, Law Number 1 of 2024 on Electronic Information and Transactions, Law Number 27 of 2022 on Personal Data Protection, Law Number 8 of 2010 on Anti-Money Laundering, and Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 on Corruption Eradication. Through this integrated perspective, the study explains how legal certainty, institutional coordination, and regulatory harmonization collectively strengthen digital transaction transparency as an essential component of corruption prevention.

Furthermore, this study extends the application of Legal Certainty Theory, Legal System Theory, and Good Governance Theory by demonstrating their relevance in analyzing contemporary legal challenges arising from financial digitalization. The research therefore contributes not only to the development of Indonesian financial regulation but also to the broader discourse on digital governance and preventive anti-corruption strategies in the era of digital transformation.

Based on the issues discussed above, this study aims to examine the legal framework governing Financial Technology (FinTech) in supporting digital transaction transparency as an instrument for corruption prevention in Indonesia. Specifically, the study seeks to analyze the extent to which existing laws and regulations provide legal certainty for FinTech implementation while strengthening transparency,

accountability, and financial supervision. In addition, this research investigates the role of FinTech in enhancing digital transaction transparency within Indonesia's legal system as a preventive mechanism against corruption.

To achieve these objectives, this article addresses the following research questions:

1. How is Financial Technology (FinTech) regulated under Indonesian law to support digital transaction transparency as an instrument for corruption prevention?
2. How does Financial Technology (FinTech) strengthen digital transaction transparency as a preventive mechanism against corruption under the prevailing Indonesian legal framework?

II. METHODS

This study employed a **normative legal research** approach with a **descriptive-analytical** research design. Normative legal research examines law as a system of legal norms (*law in books*) rather than investigating empirical legal behavior (*law in action*). The descriptive component was intended to systematically identify and describe the legal framework governing Financial Technology (FinTech) in Indonesia, while the analytical component evaluated the coherence, consistency, and harmonization of legal norms related to digital financial services, digital transaction transparency, and corruption prevention (Marzuki, 2021; Soekanto & Mamudji, 2019).

The study adopted three complementary legal approaches. First, the **statutory approach (statute approach)** was used to examine the hierarchy, substance, and interrelationship of legislation governing FinTech, electronic transactions, digital payment systems, personal data protection, anti-money laundering, and corruption prevention. Second, the **conceptual approach (conceptual approach)** was applied to analyze relevant legal doctrines, legal principles, and theoretical perspectives, particularly Legal Certainty Theory, Legal System Theory, and Good Governance Theory, in order to establish a comprehensive analytical framework. Third, the **comparative approach (comparative approach)** was employed to compare Indonesia's regulatory framework with internationally recognized legal standards, including the **United Nations Convention against Corruption (UNCAC)**, the **Financial Action Task Force (FATF) Recommendations**, and the **OECD Principles on Public Integrity**, thereby evaluating whether Indonesian regulations are consistent with international best practices in promoting transparent digital financial governance (UNODC, 2004; FATF, 2023; OECD, 2020).

The research relied exclusively on **secondary legal materials**, which constitute the principal source of data in normative legal research (Marzuki, 2021). These materials were classified into three categories. **Primary legal materials** consisted of binding legal instruments, including the 1945 Constitution of the Republic of Indonesia, **Law Number 4 of 2023 concerning Financial Sector Development and Strengthening**, **Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 concerning the Eradication of Corruption**, **Law Number 27 of 2022 concerning Personal Data Protection**, **Law Number 1 of 2024 concerning Electronic Information and Transactions**, **Law Number 8 of 2010 concerning the Prevention and Eradication of Money Laundering**, relevant regulations issued by Bank Indonesia and the Financial Services Authority (OJK), and the **United Nations Convention against Corruption (UNCAC)**, ratified through Law Number 7 of 2006.

Secondary legal materials comprised scholarly books, peer-reviewed national and international journal articles, theses, dissertations, official reports, and policy documents published by Bank Indonesia, OJK, the Corruption Eradication Commission (KPK), the Indonesian Financial Transaction Reports and Analysis Center (PPATK), the Organisation for Economic Co-operation and Development (OECD), the Financial Action Task Force (FATF), and the United Nations Office on Drugs and Crime (UNODC). **Tertiary legal materials**, including legal dictionaries, legal encyclopedias, regulatory indexes, and official electronic legal databases, were used to clarify legal terminology and support the interpretation of legal concepts.

Data were collected through **library research**, involving systematic identification, inventory, classification, and examination of legal documents and academic literature relevant to the research objectives. The literature search included official legal databases, government publications, academic

databases, and institutional reports. Particular attention was given to the relevance, authority, and recency of each legal source to ensure the reliability of the legal analysis.

The collected legal materials were analyzed using **qualitative legal analysis**. The analytical process consisted of four stages. First, legal materials were inventoried and classified according to their legal hierarchy and substantive relevance. Second, legal interpretation was conducted using grammatical, systematic, and teleological methods to determine the meaning and scope of relevant legal provisions. Third, a harmonization analysis was undertaken to evaluate both vertical and horizontal consistency among Indonesian laws and regulations governing FinTech, digital payment systems, electronic transactions, personal data protection, anti-money laundering, and corruption prevention. Finally, the legal findings were interpreted using Legal Certainty Theory, Legal System Theory, and Good Governance Theory to assess whether the existing regulatory framework provides adequate legal certainty, institutional coordination, and governance mechanisms capable of strengthening digital transaction transparency as a preventive instrument against corruption.

The findings are presented through **descriptive-analytical legal reasoning**, integrating statutory interpretation, legal doctrines, and theoretical analysis to explain the role of FinTech regulation in promoting transparency, accountability, and integrity within Indonesia's digital financial ecosystem.

III. RESULT AND DISCUSSION

Legal Framework of Financial Technology in Indonesia

a. Legal Position of FinTech within the Indonesian Financial System

Financial Technology (FinTech) has become an essential component of Indonesia's financial system, reflecting the country's transition toward a digital economy and technology-driven financial services. Rather than replacing conventional financial institutions, FinTech complements existing financial intermediaries by expanding financial inclusion, improving payment efficiency, and increasing public access to innovative financial products. Its integration into payment systems, lending, investment, insurance, and other financial services has strengthened the efficiency and resilience of Indonesia's financial sector.

The legal status of FinTech has been significantly reinforced through Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law). This legislation formally recognizes FinTech as part of the national financial ecosystem and establishes a comprehensive legal framework governing financial innovation. The P2SK Law emphasizes prudential principles, consumer protection, risk management, financial stability, and legal certainty, thereby positioning FinTech as a regulated financial activity within Indonesia's legal system.

FinTech governance in Indonesia adopts a dual-regulatory model involving Bank Indonesia (BI) and the Financial Services Authority (Otoritas Jasa Keuangan/OJK). Bank Indonesia regulates digital payment systems, electronic money, and payment infrastructures, while OJK supervises technology-based financial services outside the payment sector, including peer-to-peer lending, equity crowdfunding, and digital investment platforms. This regulatory structure promotes effective supervision while minimizing overlapping authority.

From a legal perspective, FinTech also enhances financial transparency through the automatic generation of digital audit trails. Electronic transaction records enable financial activities to be traced, verified, and monitored in real time, thereby strengthening accountability, facilitating regulatory oversight, and supporting law enforcement with reliable electronic evidence. Consequently, FinTech contributes not only to financial efficiency but also to the prevention of corruption and other forms of financial misconduct.

Despite these advantages, FinTech continues to face regulatory challenges related to cybersecurity, personal data protection, illegal digital financial services, and cross-sector coordination. Viewed through Hans Kelsen's Legal Certainty Theory, Indonesia's regulatory framework demonstrates the state's commitment to providing clear legal norms governing the rights, obligations, and responsibilities of FinTech stakeholders. Such legal certainty is essential to ensuring that FinTech supports transparent, accountable, and integrity-based financial governance.

b. Regulatory Harmonization of FinTech under Indonesian Law

The rapid expansion of Financial Technology (FinTech) has required Indonesia to establish a comprehensive legal framework that balances financial innovation with legal certainty, consumer protection, and financial system stability. Because FinTech operates across financial services, electronic transactions, payment systems, personal data protection, anti-money laundering, and anti-corruption law, effective governance depends on the harmonization of these interconnected regulatory sectors.

The primary legal foundation is Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), which modernizes Indonesia's financial regulatory architecture by integrating financial innovation into a unified statutory framework. The law defines the respective authorities of Bank Indonesia (BI) and the Financial Services Authority (OJK), while emphasizing prudential regulation, consumer protection, risk management, innovation governance, and inter-agency coordination. Accordingly, the P2SK Law serves as the principal legal basis for supervising digital financial services.

This framework is reinforced by Law Number 1 of 2024 concerning Electronic Information and Transactions (ITE Law), which recognizes electronic information, electronic documents, and electronic signatures as legally valid evidence. Such recognition provides legal certainty for digital financial transactions and facilitates regulatory supervision, dispute resolution, and financial investigations involving electronic records. In addition, Law Number 27 of 2022 concerning Personal Data Protection (PDP Law) establishes legal obligations regarding lawful data processing, user consent, confidentiality, accountability, and information security, ensuring that financial transparency is balanced with individual privacy rights.

FinTech governance also intersects with Law Number 8 of 2010 on the Prevention and Eradication of Money Laundering and Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 on the Eradication of Corruption. These laws strengthen customer due diligence, transaction monitoring, suspicious transaction reporting, and the use of digital financial records to support corruption investigations and asset tracing. Their implementation is further supported by Bank Indonesia Regulation No. 23/6/PBI/2021 concerning Payment Service Providers and OJK Regulation No. 3 of 2024 concerning Financial Sector Technology Innovation.

Viewed through Lawrence M. Friedman's Legal System Theory, Indonesia's FinTech governance reflects the integration of legal substance, legal structure, and legal culture. Harmonization among these elements is essential to ensure that FinTech regulation promotes transparency, accountability, financial integrity, and effective corruption prevention within Indonesia's digital financial ecosystem.

c. Analysis Based on Legal Certainty Theory

The effectiveness of Financial Technology (FinTech) regulation in Indonesia can be analyzed through Hans Kelsen's Legal Certainty Theory, which emphasizes that law must provide clear, consistent, and predictable rules governing the rights, obligations, and responsibilities of legal subjects. In the context of digital financial services, legal certainty is essential because technological innovation continuously creates new legal relationships requiring comprehensive regulation to protect consumers, maintain financial stability, and ensure effective supervision.

Indonesia has strengthened legal certainty through Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law). This legislation serves as the principal legal framework governing financial innovation by defining the respective authorities of Bank Indonesia (BI) and the Financial Services Authority (OJK) in supervising different segments of the FinTech industry. It establishes licensing requirements, prudential standards, governance principles, and supervisory mechanisms, thereby reducing regulatory ambiguity and creating a more predictable legal environment for FinTech providers and consumers.

Legal certainty is further reinforced by Law Number 1 of 2024 concerning Electronic Information and Transactions, which recognizes electronic information, electronic documents, and electronic signatures as legally valid evidence. Since FinTech transactions rely primarily on digital records, this recognition strengthens contractual certainty, facilitates dispute resolution, and supports regulatory investigations through reliable electronic evidence. Complementing this framework, Law Number 27 of 2022 concerning Personal Data Protection establishes clear obligations regarding data collection, processing, storage, and

disclosure. These provisions enhance public trust while balancing regulatory transparency with the protection of individual privacy rights.

Despite these developments, Indonesia's FinTech ecosystem continues to face legal challenges. Rapid technological innovation often outpaces legislative reform, creating regulatory gaps in areas such as artificial intelligence-based financial services, decentralized finance, digital assets, and cybercrime. In addition, overlapping supervisory responsibilities among regulatory institutions may create compliance uncertainty for FinTech providers operating across multiple financial sectors.

From the perspective of Hans Kelsen's Legal Certainty Theory, Indonesia has established a relatively coherent legal hierarchy through the integration of financial sector legislation, electronic transaction law, personal data protection law, anti-money laundering regulations, and implementing regulations issued by Bank Indonesia and OJK. Although continuous regulatory harmonization remains necessary, the existing framework provides a strong legal foundation that supports transparent, accountable, and legally secure digital financial transactions while reinforcing corruption prevention within Indonesia's digital financial ecosystem.

FinTech as a Mechanism for Digital Transaction Transparency

a. FinTech Implementation in Digital Financial Transactions

The implementation of Financial Technology (FinTech) has transformed Indonesia's financial transaction system by integrating digital technology into financial services, creating a more efficient, transparent, and accountable financial ecosystem. Initially introduced to improve financial accessibility and efficiency, FinTech now supports electronic payments, digital banking, peer-to-peer lending, crowdfunding, investment platforms, electronic wallets, and other technology-based financial services that accelerate Indonesia's digital economic transformation.

The expansion of FinTech has been driven by the government's digital transformation agenda and regulatory reforms introduced by Bank Indonesia (BI) and the Financial Services Authority (OJK). Digital payment instruments, including Quick Response Code Indonesian Standard (QRIS), electronic money, mobile banking, internet banking, and payment gateways, have become integral to daily economic activities. These innovations reduce reliance on cash transactions while enabling real-time financial services through integrated digital platforms, thereby strengthening financial inclusion and modernizing the national payment system.

FinTech implementation is supported by a comprehensive legal framework. Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) provides the principal legal basis for financial innovation, while Law Number 1 of 2024 concerning Electronic Information and Transactions recognizes electronic transactions and records as legally valid evidence. In addition, Bank Indonesia Regulation No. 23/6/PBI/2021 concerning Payment Service Providers and OJK Regulation No. 3 of 2024 concerning Financial Sector Technology Innovation establish requirements for licensing, governance, consumer protection, risk management, and regulatory supervision.

A major contribution of FinTech is the automatic creation of digital audit trails. Every electronic transaction records information such as transaction time, value, user identity, payment instrument, and transaction status. Unlike cash transactions, these records are permanent, traceable, and verifiable by financial institutions, regulators, auditors, and law enforcement agencies. This capability strengthens financial accountability, enables real-time transaction monitoring, facilitates the detection of suspicious financial activities, and supports corruption prevention through reliable electronic evidence.

Despite these advantages, FinTech implementation continues to face challenges, including uneven digital literacy, cybersecurity risks, illegal FinTech providers, personal data breaches, and increasingly sophisticated digital financial crimes. From the perspective of Lawrence M. Friedman's Legal System Theory, effective FinTech implementation depends on the interaction of legal substance, legal structure, and legal culture. Harmonization among these elements enables FinTech to function as an effective instrument for promoting transparent financial transactions, strengthening accountability, and preventing corruption within Indonesia's evolving digital financial ecosystem.

b. Digital Audit Trail and Financial Accountability

One of the most significant contributions of Financial Technology (FinTech) to digital financial governance is the establishment of digital audit trails, which provide comprehensive and immutable records of financial transactions conducted through electronic systems. A digital audit trail documents transaction details, including user identity, transaction time, transaction value, payment method, authentication, and subsequent record modifications. Unlike conventional paper-based systems, digital audit trails enable financial transactions to be continuously monitored, verified, and reconstructed, thereby enhancing transparency and accountability.

Digital audit trails improve the reliability and integrity of financial records because every electronic transaction is automatically stored in secure systems, minimizing human intervention and reducing opportunities for administrative errors, document manipulation, or destruction of financial evidence. Each transaction leaves a permanent electronic footprint that can be verified by financial institutions, regulators, auditors, and law enforcement agencies. Consequently, digital audit trails strengthen the credibility of financial information and support accountable financial governance.

In Indonesia, the legal validity of digital audit trails is supported by Law Number 1 of 2024 concerning Electronic Information and Transactions, which recognizes electronic information and documents as legally admissible evidence. This legal recognition provides certainty for administrative proceedings, regulatory investigations, and judicial processes involving digital financial transactions. Furthermore, Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) requires FinTech providers to implement reliable electronic systems that ensure the security, integrity, and traceability of financial data.

Digital audit trails also enhance regulatory supervision. Bank Indonesia and the Financial Services Authority (OJK) utilize electronic transaction data to monitor payment systems, evaluate regulatory compliance, identify irregular transaction patterns, and respond promptly to potential violations. In addition, the Indonesian Financial Transaction Reports and Analysis Center (PPATK), the Corruption Eradication Commission (KPK), the National Police, and the Attorney General's Office may use digital transaction records to detect suspicious financial activities, support corruption investigations, and facilitate asset tracing.

Despite these advantages, effective digital audit trails require strong cybersecurity, secure data storage, reliable authentication systems, and compliance with Law Number 27 of 2022 concerning Personal Data Protection to ensure that financial transparency does not compromise individual privacy. Viewed through Good Governance Theory and Lawrence M. Friedman's Legal System Theory, digital audit trails promote transparency, accountability, and integrity through the interaction of legal substance, institutional oversight, and legal culture. Their integration strengthens financial accountability, improves regulatory supervision, and supports corruption prevention within Indonesia's digital financial ecosystem.

c. Analysis Based on Good Governance Theory

The implementation of Financial Technology (FinTech) in Indonesia reflects a significant transition toward digital governance consistent with the principles of Good Governance. By replacing manual procedures and paper-based administration with digital financial systems, FinTech improves transparency, accountability, efficiency, and institutional integrity. Consequently, FinTech functions not only as a financial innovation but also as a governance instrument that strengthens financial administration and supports corruption prevention.

Transparency is the Good Governance principle most directly associated with digital financial transactions. FinTech operationalizes transparency by automatically generating electronic transaction records that document every financial activity performed through digital platforms. Unlike conventional cash transactions, which often leave limited documentary evidence, digital transactions produce comprehensive and traceable records that facilitate continuous monitoring, verification, and regulatory oversight. These digital audit trails reduce opportunities for hidden transactions and improve financial transparency across both public and private sectors.

FinTech also strengthens accountability by ensuring that every transaction is electronically recorded, time-stamped, and linked to identifiable users. Comprehensive transaction histories facilitate internal control,

financial reconciliation, external auditing, and regulatory reporting while enabling regulators and auditors to verify compliance with applicable legal requirements. This electronic documentation reduces opportunities for financial irregularities and reinforces institutional responsibility.

Another important contribution of FinTech is improving efficiency and effectiveness. Digital payment systems, including QRIS, electronic money, mobile banking, internet banking, and digital banking, reduce transaction costs, accelerate processing times, and expand public access to financial services. These innovations modernize financial administration while enhancing operational performance and service quality.

From the perspective of the rule of law, Indonesia has established a comprehensive regulatory framework through Law Number 4 of 2023 concerning Financial Sector Development and Strengthening, Law Number 1 of 2024 concerning Electronic Information and Transactions, Law Number 27 of 2022 concerning Personal Data Protection, and implementing regulations issued by Bank Indonesia and the Financial Services Authority (OJK). These legal instruments provide regulatory certainty regarding licensing, consumer protection, cybersecurity, risk management, and institutional supervision.

Despite these achievements, challenges remain, including cybersecurity risks, illegal FinTech providers, artificial intelligence-based financial services, cross-border transactions, and personal data protection. Addressing these issues requires continuous regulatory reform, stronger institutional coordination, and improved digital literacy. Overall, FinTech advances Good Governance by strengthening transparency, accountability, efficiency, and legal certainty, thereby promoting integrity-based financial governance and reinforcing corruption prevention within Indonesia's digital financial ecosystem.

FinTech and Corruption Prevention

a. Digital Financial Transactions as a Preventive Anti-Corruption Strategy

The digitalization of financial transactions has become one of the most effective preventive strategies for strengthening anti-corruption efforts in modern governance. Unlike conventional approaches that rely primarily on criminal prosecution and administrative supervision after corruption occurs, digital financial transactions reduce opportunities for corruption before illegal conduct takes place. Through Financial Technology (FinTech), financial activities are electronically recorded, traceable, and continuously monitored, thereby limiting discretionary practices that often facilitate corruption.

A key advantage of digital financial transactions is the creation of transparent financial records. Every transaction automatically generates electronic information containing details of user identity, transaction value, transaction time, payment method, and authentication. These records form a comprehensive digital audit trail that enables financial institutions, regulators, auditors, and law enforcement agencies to reconstruct financial activities accurately. Compared with cash-based transactions, digital transactions significantly improve transparency and reduce opportunities for concealing or manipulating financial information.

Digital financial transactions are particularly valuable in public financial management because they reduce corruption risks associated with bribery, unauthorized payments, fictitious expenditures, budget manipulation, and embezzlement. Mandatory electronic documentation throughout the transaction process enables irregularities to be detected more easily through internal audits, external audits, and regulatory supervision, thereby strengthening accountability and financial integrity.

Indonesia has established a comprehensive legal framework supporting this preventive approach. Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law) promotes digital financial innovation while emphasizing prudential regulation, consumer protection, and financial supervision. Law Number 1 of 2024 concerning Electronic Information and Transactions recognizes electronic information and documents as legally valid evidence, reinforcing the evidentiary value of digital transaction records in regulatory investigations and judicial proceedings.

Digital financial transactions also strengthen risk-based supervision. Bank Indonesia, the Financial Services Authority (OJK), and the Financial Transaction Reports and Analysis Center (PPATK) utilize electronic transaction data to detect suspicious financial activities and identify high-risk transaction patterns before they develop into criminal offences. This preventive approach is further supported by international

standards, including the United Nations Convention against Corruption (UNCAC) and the OECD Public Integrity Framework, which emphasize transparency, accountability, and digital governance.

Despite these advantages, challenges remain, including cybercrime, identity theft, illegal digital financial services, and sophisticated money laundering techniques. Viewed through Good Governance Theory and Lawrence M. Friedman's Legal System Theory, effective corruption prevention requires the integration of comprehensive legal regulations, competent supervisory institutions, and a strong culture of regulatory compliance. Together, these elements enable digital financial transactions to strengthen transparency, accountability, and integrity within Indonesia's digital financial governance system.

b. Institutional Coordination among Bank Indonesia, OJK, PPATK, and the Corruption Eradication Commission

The effectiveness of Financial Technology (FinTech) as a preventive instrument against corruption depends not only on technological innovation but also on effective coordination among regulatory and law enforcement institutions. Because digital financial transactions involve multiple regulatory domains, no single institution can independently regulate, supervise, and investigate all aspects of FinTech activities. Institutional coordination is therefore essential to ensuring that financial innovation develops within a framework that promotes transparency, accountability, and legal certainty.

Within Indonesia's financial regulatory system, Bank Indonesia (BI) is responsible for maintaining the stability, security, and efficiency of the national payment system. Its authority includes payment service providers, electronic money, payment gateways, and the implementation of the Quick Response Code Indonesian Standard (QRIS). Through licensing, supervision, and continuous monitoring, Bank Indonesia strengthens transaction traceability and reduces opportunities for undocumented financial activities.

The Financial Services Authority (Otoritas Jasa Keuangan/OJK) complements this role by supervising financial technology innovations outside the payment sector, including peer-to-peer lending, equity crowdfunding, and digital investment platforms. OJK also operates regulatory sandbox mechanisms to evaluate new financial innovations before commercial implementation, ensuring compliance with governance standards, consumer protection, risk management, and financial stability.

The Financial Transaction Reports and Analysis Center (PPATK) serves as Indonesia's financial intelligence unit by analyzing suspicious transaction reports generated by financial institutions. The availability of comprehensive electronic transaction records enables PPATK to detect unusual transaction patterns, identify potential money laundering activities, and trace financial flows associated with corruption and other financial crimes. These findings support regulatory intervention and criminal investigations.

The Corruption Eradication Commission (KPK) further strengthens this framework by utilizing digital financial records during corruption investigations, asset tracing, and evidence collection. Electronic transaction histories improve investigative efficiency while supporting preventive measures designed to enhance public sector integrity and governance.

Coordination among Bank Indonesia, OJK, PPATK, and the KPK creates an integrated supervisory ecosystem that facilitates information sharing, early detection of suspicious financial activities, and more effective corruption prevention. Nevertheless, challenges remain, including rapid technological change, cybersecurity risks, cross-border transactions, artificial intelligence-based financial services, and overlapping supervisory responsibilities.

Viewed through Lawrence M. Friedman's Legal System Theory, effective institutional coordination reflects the interaction of legal substance, legal structure, and legal culture. Harmonization among these elements enables FinTech to function as a reliable instrument for strengthening financial transparency, institutional accountability, and corruption prevention within Indonesia's digital financial governance system.

c. Analysis Based on Legal System Theory

The role of Financial Technology (FinTech) in strengthening digital transaction transparency and preventing corruption can be effectively analyzed through Lawrence M. Friedman's Legal System Theory, which identifies three interrelated components of an effective legal system: legal substance, legal structure, and legal culture. According to Friedman, the effectiveness of law depends not only on legislation but also on the institutions responsible for its implementation and the legal awareness of those subject to regulation.

Therefore, evaluating Indonesia's FinTech framework requires an integrated assessment of these three components.

The first component, legal substance, consists of the legal norms governing digital financial services. Indonesia has established a comprehensive regulatory framework through Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), Law Number 1 of 2024 concerning Electronic Information and Transactions, Law Number 27 of 2022 concerning Personal Data Protection, Law Number 8 of 2010 on the Prevention and Eradication of Money Laundering, and Law Number 31 of 1999 in conjunction with Law Number 20 of 2001 on the Eradication of Corruption. These laws are reinforced by implementing regulations issued by Bank Indonesia and the Financial Services Authority (OJK), providing legal certainty for digital financial innovation, transparency, accountability, and consumer protection.

The second component, legal structure, refers to the institutions responsible for regulation and enforcement. Bank Indonesia supervises payment systems, OJK regulates technology-based financial services, the Financial Transaction Reports and Analysis Center (PPATK) analyzes suspicious financial transactions, and the Corruption Eradication Commission (KPK), supported by other law enforcement agencies, utilizes digital financial information for corruption prevention and investigation. Coordination among these institutions strengthens regulatory oversight and reduces opportunities for financial crime.

The third component, legal culture, reflects the willingness of FinTech providers, financial institutions, public agencies, and users to comply with legal obligations related to digital transactions, cybersecurity, anti-money laundering, consumer protection, and personal data security. Strong legal awareness and regulatory compliance enhance the effectiveness of digital financial governance.

Although Indonesia has established a solid legal foundation, challenges remain, including artificial intelligence-based financial services, decentralized finance, cross-border transactions, cybercrime, and uneven digital literacy. Continuous harmonization of legal substance, institutional capacity, and legal culture is therefore essential to ensure that FinTech functions not only as a driver of financial innovation but also as a strategic instrument for strengthening transparency, accountability, and corruption prevention within Indonesia's digital financial governance system.

IV. DISCUSSION

The findings of this study demonstrate that Financial Technology (FinTech) has evolved beyond its traditional role as a digital financial service into a strategic legal and governance instrument that strengthens transparency, accountability, and corruption prevention within Indonesia's financial system. Indonesia has progressively developed an integrated legal framework through Law Number 4 of 2023 concerning Financial Sector Development and Strengthening (P2SK Law), supported by legislation on electronic transactions, personal data protection, anti-money laundering, and anti-corruption. Together, these regulations provide the normative foundation for transparent and accountable digital financial governance.

From the perspective of Hans Kelsen's Legal Certainty Theory, the findings indicate that Indonesia has strengthened legal certainty by establishing clear regulatory authority, defining the rights and obligations of FinTech providers, and recognizing electronic transaction records as legally valid evidence. These measures create a predictable legal environment that supports financial innovation while enhancing consumer protection and regulatory supervision. Nevertheless, continuous legal reform remains necessary because technological developments, including artificial intelligence, decentralized finance, and cross-border digital financial services, evolve more rapidly than legislative change.

The findings also support Lawrence M. Friedman's Legal System Theory, which emphasizes the interaction of legal substance, legal structure, and legal culture. Indonesia has established comprehensive legal substance through interconnected financial and digital regulations, while the legal structure is represented by coordinated supervision among Bank Indonesia, the Financial Services Authority (OJK), the Financial Transaction Reports and Analysis Center (PPATK), and the Corruption Eradication Commission (KPK). The effectiveness of this framework ultimately depends on legal culture, reflected in the willingness

of financial institutions, FinTech providers, and users to comply with regulatory standards and adopt responsible digital financial practices.

Furthermore, the findings confirm the relevance of Good Governance Theory. FinTech strengthens transparency through digital audit trails, accountability through verifiable electronic transaction records, efficiency through real-time digital payment systems, and the rule of law through regulatory compliance. These governance improvements reduce opportunities for undocumented cash transactions, fictitious reporting, unauthorized fund transfers, and other practices associated with corruption.

Compared with previous studies that primarily focused on financial inclusion, payment efficiency, or cybersecurity, this research contributes a broader legal perspective by positioning FinTech as a preventive anti-corruption mechanism within Indonesia's legal governance framework. The findings also highlight the need for continuous regulatory harmonization, stronger coordination among Bank Indonesia, OJK, PPATK, and the KPK, adaptive regulation addressing emerging technologies, and improved digital literacy to strengthen regulatory compliance. Overall, FinTech represents a strategic instrument for promoting transparent, accountable, and integrity-based financial governance while supporting sustainable corruption prevention in Indonesia.

V. CONCLUSION

This study demonstrates that Indonesia has established a relatively comprehensive legal framework governing Financial Technology (FinTech) through the integration of Law Number 4 of 2023 concerning Financial Sector Development and Strengthening, Law Number 1 of 2024 concerning Electronic Information and Transactions, Law Number 27 of 2022 concerning Personal Data Protection, and implementing regulations issued by Bank Indonesia and the Financial Services Authority (OJK). Collectively, these legal instruments provide legal certainty regarding the operation of FinTech, institutional authority, consumer protection, digital transaction security, and regulatory supervision. From the perspective of Hans Kelsen's Legal Certainty Theory, the existing regulatory framework establishes clear legal rights, obligations, and responsibilities for all stakeholders involved in digital financial services. Nevertheless, the rapid evolution of financial technology requires continuous regulatory harmonization and legislative adaptation to accommodate emerging financial innovations while maintaining legal certainty, financial stability, and effective regulatory oversight.

The findings further reveal that FinTech plays a strategic role in strengthening digital transaction transparency through the implementation of electronic financial systems that automatically generate reliable and traceable digital audit trails. These digital records enhance financial transparency, institutional accountability, and supervisory effectiveness by enabling regulators and law enforcement agencies to monitor financial transactions, identify suspicious activities, and utilize electronic evidence in corruption investigations. Viewed through Lawrence M. Friedman's Legal System Theory, the effectiveness of FinTech depends upon the harmonious interaction of comprehensive legal regulations (legal substance), competent supervisory institutions (legal structure), and a strong culture of legal compliance (legal culture). Furthermore, from the perspective of Good Governance Theory, FinTech contributes directly to the implementation of transparency, accountability, efficiency, and integrity within Indonesia's digital financial governance. Accordingly, FinTech should be understood not merely as a technological innovation within the financial sector but as a strategic legal and governance instrument capable of strengthening corruption prevention through enhanced digital transaction transparency, integrated financial supervision, and legally recognized electronic evidence that supports accountability and the rule of law.

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