

**New Regulation on Payment System NO. 22/23/PBI/2020  
by Central Bank of Indonesia**

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**Abstract**

This current Pandemic situation makes all the usual business become upnormal, including in the Banking System in Indonesia. Since a few years ago, due to Digital Economy makes changes in every economic sector all over the world including in Indonesia. Digitalization changes peoples how to buy and how to pay in the digital market, and therefore the government has to build the payment regulation according to the risk appetite, and control it for good for the both sides sellers and buyers. This new regulation will be launched effectively on July, 2021. New Regulation on Payment System by Central Bank of Indonesia, this will be the study on this journal.

**Keywords:** New Regulation on Payment System, Digital Payment, Digital Banking

**Introduction**

Bankers are nervous in celebrating the 2021 calendar. The various optimistic economic growth projections of up to 5.5% do not necessarily make the banking industry and the business people are optimistic business plans. Although non-performing loans (NPLs) are still below 5% due to the relaxation of credit restructuring policies, loan at risk (LAR) at the end of 2020 reached the range of 25% -30% (It was 9% at the end of 2019). Financial Services Authority (OJK) has also issued a trick to delay the NPL so that it does not occur in 2021. The credit restructuring relaxation policy that ends in March 2021 has been postponed to March 2022 and it signals that the business word has not been able to escape the pressure due to the impact of the COVID-19 pandemic.

On the other way around, there are growth on digital economy sector, as well as the payment method. During pandemic, these digital sector has rapid changes. They changes us on how to buy and how to pay, and therefore there so many digital payments built by institutions outside the banking sector to service payments for their customers. There are many digital products on marketplace, brings the crowds of institutions offerings payment method. Eventhough pandemic situation, where are the conventional market are slowing down, in such a way, there are increasing significant growth on digital marketings, as well as digital payments.

It is the time for Bank Indonesia, Central Bank in Indonesia, to regulate such a regulation to gather all those institutions who offerings payment method systems.

The governor of Central Bank of Indonesia, Perry Warjiyo said that this regulatory reform system of payment is the way to look for balancing within inovation optimalization technology in the other hand and taking care of the stability, and control for national purposes. Due to a significant growth of digital financial economy, the Central Bank as a regulator would like to reform the domestic payment systems, and to protect all of the payment ecosystem, as well as institutions,

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buyers, and sellers (end-to-end). This policy is the implementation of Payment System Blueprint (BSPI) 2025, and it will be implemented (central bank regulation no. 22/23/PBI/2020) on July 1, 2021.

### ***Literature Review/Related Works***

#### **Digital Banking**

President Director, PT Bank Tabungan Negara (Persero) Tbk, Mr. Maryono said that “Digital Banking Transformation For Sustainable Business” We consider sustainability as a pro-community and pro-environment concept, in line with the running of Company’s business process. Therefore, We are committed to always carry out accountable business, through the consistency by providing economic benefit to all stakeholders, maintain environmental sustainability through the provision of credit that takes into account environmental risks, and run the Partnership and Community Development Program to continuously improve the quality and welfare of the community.

Chris Skinner said that “For half a millennia, retail banks have worked on the basis of physical distribution. For half a century, that model has been challenged to move towards electronic distribution. At the end of the first decade of the new millennium, we have finally reached the point where electronic distribution has matured, works and is proven. Unfortunately, most banks are stuck in the 20th century. It’s time for banks to turn their model on its head and focus on electronic platforms, where physical distribution is the cream on the cake, rather than the other way around”.

#### **Digital Technology Brings us to The New Future**

While certain stakeholders have submitted that such an estimation might be misplaced, the stakeholders believes that ensuring convenient access to a basic transactional account (as a financial service distinct from a savings account), and a robust payment system, can complement the efforts of conventional banking, towards attaining greater financial inclusion. However, the focus of this action on the marketplace, etc is not merely on enabling payments, but to strengthen the ecosystem for “digital” payments. We are all believes that the case for digital payments can be made on the basis of four key factors, that make paperless payment instruments and systems more desirable;

- **First, cash is expensive.** While there are several perceived benefits of transacting in cash (such as instantaneous settlement, relative anonymity, and the notion of security associated with holding physical value), there are several latent and implicit costs associated with cash. Transitioning to digital payments is estimated to bring about a significant reduction in costs incurred on account of inefficiencies associated with cash and other paper based payments. For instance, by certain estimates, transitioning to an electronic platform for government payments itself could save a lot of cost. The benefits of using digital payments are neither understood by all equally, nor are they communicated efficiently. We recognises that the lack of awareness and consumer confidence in digital payments is a gap that needs to be addressed. Digital payments have significant dependencies upon power and telecommunications infrastructure. Therefore, the roll out of robust and user friendly digital payments solutions to unelectrified areas/areas without telecommunications network coverage, remains a challenge. Nonetheless, significant cost savings associated with digital payments, and the emergence of robust payments technologies, suggest that a transition to digital payments, could translate into significant benefits for the economy as a whole.

- **Second, technology has been advancing at a rapid pace to deliver robust, secure and convenient payments solutions.** This enables rapid delivery of payment services to large sections of the population. Technology has given rise to several innovative use cases. E-commerce platforms have spawned millions of small entrepreneurs who can now potentially access a global marketplace. Payment of utility expenses can be done at a click instead of standing in long queues. When payments are instant, they can also reduce the risks associated with possible defaults. Digital payments help remove friction in transferring money and make it a background activity.  
While payments have traditionally been associated with banking, on account of their adjacency with banking services, technology has transformed payments and eliminated the requirement for physical transfer of value, making invisible payments possible within electronic commerce.
- **Third, digital payments allow for services to be delivered at lower costs, afford greater scalability and greater ease of access.** This in turn, helps in fostering economic growth and financial inclusion. Digital payments can enable greater economic growth, growth in international e-commerce, and aid in social and financial inclusion. There are several inherent and unique benefits of digital payments. For instance, digital payments enable customers to make certain types of transactions that are not viable in cash (such as remote payments). One of the most unique advantages of digital payments is that they are low cost and low priced. Therefore, there is consensus on the fact that ubiquitous electronic payments play an important role in furthering the goals of financial and social inclusion.
- **Lastly**, recent Government initiatives have created a catalytic environment for the greater proliferation and growth of digital payments. Recent Reforms needs Policy Recommendations. With the ultimate goal to gradually move from a less-cash society to a cashless society. The government has to adopt the reforms and come up with regulations, which would be good for parties. Digital technology has disrup every sector nowadays as well as in the banking industry.

### **Millennials Supporting Central Bank Digital Economy**

Central Bank appreciate millennials, content creators whos actively participated on Central Bank's campaign with regard to digital and financial economy to public through video, blog, and comic. This festival was held on December 2020 to January 2021, and gathered 1300 participants, and deliver 605 blog-article, 616 videos, and 153 comics.

Deputy Central Bank Governor, Doni P. Joewono asks the millennials to be optimistic and looking for opportunities aiming to grow national economy by benefiting digital technology. He said that millennials should take advantage of current digital economy blooming. He also said that Central Bank has a rapid preparation on the digital payment system through BI-Fast.

### **Central Bank Put In Order Regulation on Payment System in Indonesia**

Central Bank Governor Perry Warjiyo issue New Regulation in Payment System Industry in Indonesia no. 22/23/PBI/2020. Regulatory reform in payment system is an effort to optimize and maintain the payment system for national interest, as an umbrella for digital payment end-to-end ecosystem.

This regulatory reform, will contain at least 5 new regulations, such as follows:

1. Access Policy on payment system operator.

Central Bank would like to organize all the payment gateway "Penyelenggara Sistem Pembayaran (PJSP) from 9 types of activities becoming 4 activities of payment service operator – Penyedia Jasa Pembayaran (PJP), and another activity on Infrastructure

## eCo-Buss

- Payment System Operator – Penyelenggara Infrastruktur Sistem Pembayaran (PIP). Permit for PJP will be granted according to the business category.
2. Institutional Aspect. It would be good for institutional ownership and organizational aspect. Not only ownership structure, but also system control.
  3. Coordination of Payment System. Central Bank payment system classified payment system category into three major sector, as follows:
    - a. Systematic Payment Gateway – Penyelenggara Sistem Pembayaran Sistemik (PSPS).
    - b. Critical Payment Gateway – Penyelenggara Sistem Pembayaran Kritis (PSPK).
    - c. General Payment Gateway - Penyelenggara Sistem Pembayaran Umum (PSPU).
  4. Innovation and Development Payment System. There are three units under this category, such as follows:
    - a. Innovation Laboratory.
    - b. Regulatory Sandbox.
    - c. Industrial Sandbox.
  5. Integrated Data and Information Payment System. Central Bank would suggest to have integrated data and information gathering in order to develop appropriate policy for the national interest, supporting the development of economy financial digital, system control, and market intelligence.



Figure 1. The new regulation will be implemented on July 2021.

## Results

### Key Issue Analysis

Internet infrastructure is a collective term for all the equipment, personnel, and organizations that support the operation of the Internet. The commercial Internet arose after many firms and users voluntarily adopted a set of practices for enabling internet working, especially on the current Covid-19 pandemic namely, transferring data between local area networks and computer clients. The commercial Internet began to provide many revenue-generating services in the mid-1990s. Some of the key issues can be illustrated by events in the United States. At the outset of the commercial Internet, policy favored allowing firms to invest as they please. During the latter part

of the 1990s, policy did not restrict the ability of firms to respond to exuberant and impatient demand for new Internet services. After a time, the infrastructure to support those new services became far larger than the demand for services. After the dot-com boom came to a bust, the United States found itself with excessive capacity in backbone and many other infrastructure facilities to support Internet services. In the decade after, policy continued to favor privately financed investment.

In view of the changing nature of the payments industry nowadays, the we should reviewed the existing legal framework governing payments in Indonesia. In particular, the Government focussed upon impediments to the creation of a level playing field for all players in the payments system industry, and entry barriers that exist under the present regime.

This policy will be act as an umbrella for the ecosystem payment system, due to rapid financial digital economy growth in Indonesia. Central Bank Governor Perry Warjiyo also said that this New Regulation in Payment System Industry is an implementation of Indonesian Central Bank blueprint on payment system – blueprint system pembayaran (BSPI) 2025, and will be implemented on July 1, 2021.

## **CONCLUSION**

A number of organizations play important roles in supporting the design, upgrading, and operations of Internet infrastructure. The most notable feature of the governance of Internet infrastructure are the differences with the governance found in any other communications market. No single administrative agency could possibly have built and managed the commercial network that emerged after the privatization of the Internet. The shape, speed, growth, and use of the commercial Internet after 1995 exceeded the ability of any forecaster inside or outside government circles. The value chain for Internet services underwent many changes after the Internet was privatized. More investment from private firms, and more entry from a range of overlays and new applications, altered nearly every aspect of the structure of the value chain. This evolution occurred without explicit directives from government actors, with only a light hand of directives, and with astonishing speed. It is no surprise, therefore, that many fruitful avenues for further economic research remain open. For example, what frameworks appropriately measure the rate of return in investment in digital infrastructure by public and private organizations? Through what mechanisms does advance Internet infrastructure produce economic growth, and to which industries in which locations do most of the positive and negative effects flow? For the time being there appears to be no cessation in the never-ending nature of investment in Internet infrastructure. Therefor Central Bank has to be implement payment regulatory system in managing digital payment transaction in Indonesia.

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