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Abstract

This study aims to determine the strategy of the Financial Services Authority (OJK) to prevent people from being trapped in fintech lending fraud. This qualitative research used case study method by employing semi-structured in-depth interview as the technique to collect data from five respondents. The research data were processed with the help of Computer Assisted Qualitative Data Analysis Software (CAQDAS), namely the NVivo 11 software application. The results show that there are three main strategies used by OJK Special Region of Yogyakarta, Indonesia to prevent the public from being scammed by fintech lending: First, massive implementation of financial literacy education in a comprehensive manner to improve public financial literacy; second, use of the Consumer Protection Portal Application (APPK) as a digital complaint service for the public and consumers to report the Financial Services Business Actors (PUJK) who are suspected of committing fintech lending fraud; third, maximizing the role of Regional Investment Alert Task Force (SWID) in publishing a list of legal and illegal financial services, including fintech lending.

Introduction

The development of Information Technology (IT) continues to create various innovations which leave traces in every field of human life and business (Ajayi, 2016b). Along with the development of IT in various fields, the financial sector also plays an important role in digital innovation of the business world which can clearly be seen from the presence of financial technology (fintech) in financial services industry. Fintech helps give access to the conventional financial institutions which have long been known to have limited access for the community and businesses.

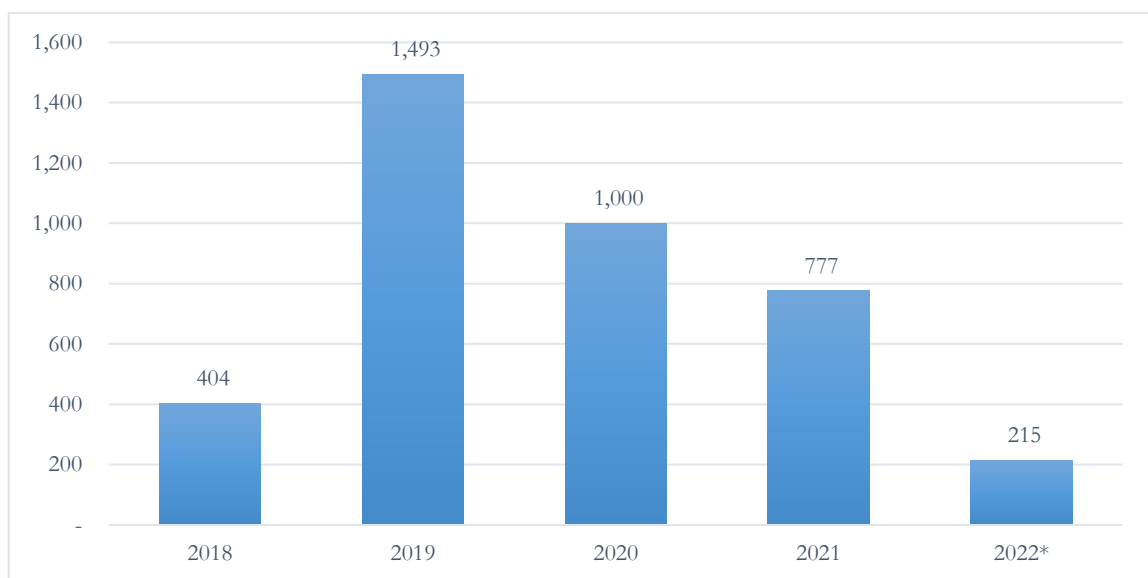
Fintech offers convenience and speed in financial transaction process, especially lending funds (Saksonova & Merlino, 2017). Fintech is recognized as one of the most important innovations in the financial industry and is growing rapidly driven by the sharing economy, regulation, and information technology (Lee & Shin, 2018). The emergence of fintech is slowly changing the dynamics of the financial market in Indonesia. Various kinds of fintech offer solutions for every financial problem in the society. Hung and Luo (2016) identified five dimensions that could change the dynamics of fintech market, including contributing actors, added value, rules, tactics, and coverage. In general, the business model of fintech companies is similar to the conventional banking, namely providing payment and financing services, such as supply chain finance, crowdfunding, and peer to peer (p2p) lending (hereinafter referred to as fintech lending).

Fintech lending in Indonesia is a financial innovation in the form of a platform that brings together lenders (investors) and borrowers (Hendriyani & Raharja, 2019). Great convenience is offered by fintech lending service providers because fintech lending can be accessed online and allows the customers to make transactions in real-time without having to meet in person. However, those facilities do not necessarily have positive impacts on the users because the users' personal

information might be able to be accessed and hacked easily which might also harm them. Hacking the personal data is a part of cybercrime (Ajayi, 2016a).

According to Aida et al. (2019) the low level of public literacy related to financial services in Indonesia has resulted in the vulnerability of the customers to cybercrime. The emergence of fintech lending has given a rise to the “disintermediation of financial services” and the need for new forms of protection for consumers and investors (Giudici, 2018). Therefore, the Financial Services Authority (OJK) is present as an independent institution to supervise, regulate, and inspect the users and managers of fintech lending in Indonesia due to the proliferation of digital financial services and the increasing number of online transactions in the community.

Based on the data released by OJK, the development of fintech lending until April 2022 grew significantly reaching the number of 102 fintech lending service providers across Indonesia (OJK, 2022a). However, from the beginning of 2022 to March 2022, OJK through the Investment Alert Task Force (SWI) closed or blocked 105 unlicensed fintech lending platforms in addition to 3,889 platforms already compiled since 2018 (OJK, 2022b). More details can be seen in Graph 1.



*March, 2022

Source: OJK (Processed by researchers)

Graph 1. The list of fintech lending closed by SWI

Although OJK always releases a list of legal and illegal fintech lending providers to the public, not only few have Indonesians been trapped in fintech lending fraud. Numerous cases of online fintech lending fraud have emerged and troubled Indonesian people. OJK noted that from January 2019 to June 2020 there were 10,011 complaints from the public received by OJK via email (OJK, 2020). Based on the data collected by the researchers, there were 16 cases of fraudulent fintech lending in Yogyakarta with various modus operandi reported by the public from January 2021 to April 2022. Interestingly, of the 16 cases reported by the public, there were several fintech lending providers which were registered and supervised by the OJK. The list can be seen in Table 1.

Based on the list of complaints on fintech lending fraud in Yogyakarta, three fintech lending providers were registered and licensed at the OJK (legal), while the other 13 were not registered with the OJK (illegal). The rise of fintech lending fraud cases in Indonesia has become a bad record for the government, especially the OJK as an independent institution to regulate and supervise the financial services as well as to provide protection for the public from being scammed by fintech lending providers.

This study aims to determine the strategy of the Yogyakarta OJK to prevent people from being trapped in fintech lending fraud. This research is important because it provides education to the public in preventing fraudulent fintech lending practices that are rampant in Indonesia. In addition, this research provides an overview of the strategies commonly used by OJK in Indonesia, especially Yogyakarta, to prevent fintech lending fraud in the community.

This research is a case study using a qualitative approach conducted at the OJK Yogyakarta Office. Through the semi-structured interview technique, the researchers collected the data from five informants. The data from the interview were then processed and analyzed using Computer Assisted Qualitative Data Analysis Software (CAQDAS), namely NVivo 11 application.

Table 1. List of Fintech Lending Providers Involved in Fraud in Yogyakarta 2021-2022*

No	List of Fintech Lending Providers (PL)	Action	Status
1	PL. A	Individual	Not Registered with OJK
2	PL. B	Group	Not Registered with OJK
3	PL. C	Individual	Not Registered with OJK
4	PL. D	Group	Not Registered with OJK
5	PL. E	Individual	Not Registered with OJK
6	PL. F	Group	Not Registered with OJK
7	PL. G	Individual	Not Registered with OJK
8	PL. H	Group	Not Registered with OJK
9	PL. I	Individual	Not Registered with OJK
10	PL. J	Group	Registered with OJK-Permissioned
11	PL. K	Group	Not Registered with OJK
12	PL. L	Group	Registered with OJK-Permissioned
13	PL. M	Group	Registered with OJK-Permissioned
14	PL. O	Group	Not Registered with OJK
15	PL. P	Group	Not Registered with OJK
16	PL. Q	Individual	Not Registered with OJK

*Data collected from January 2021 to April 2022

Source: Yogyakarta Regional Police (2022)

Literature Review

The Crime Triangle of Routine Activity Theory

The concept of the crime triangle is also known as the problem analysis triangle which can help explain the aspects needed to prevent crime. The crime triangle is a concept that was born from the routine activity theory which was first coined by Cohen and Felson in 1979 which offers a perspective that focuses on crime events and develops over time to provide pragmatic solutions to crime problems (Eck, 2003; Hufnagel & Enterprise, 2019; Schaefera & Mazerolle, 2015).

Routine activity theory identifies six elements, namely; target/victim, guardian, place, manager, perpetrator, and handling. Routine activity theory understands what makes targets attractive and how guardians can protect the targets; also, what makes certain places suitable for crime and how managers can prevent crime in those places (Tillyer & Eck 2010). In addition, the theory of routine activity involves various developments that have expanded beyond to explain the elements needed for criminal proceedings which have the potential to prevent the crime, as well as to explain how to conceptualize the problem of crime in terms of the elements required (Mui & Mailley, 2015).

Routine activity theory has been used to explain various phenomena beyond crime rates over time, including the distribution of crime across geographic units (Tillyer & Eck, 2010). The

basic concept of routine activity theory echoed by Cohen and Felson in 1979 initially describes three basic elements needed to see the occurrence of direct contact with predatory criminals. The incident occurs when there are (1) motivated offenders, or the presence of motivated offender/offenders; (2) suitable target, or the appropriate target, at a certain time and place; (3) the absence of capable guardians (Eck, 2003; Mui & Mailley, 2015).

Cohen and Felson (1979) argue that only one of the three elements needs to be removed to prevent crime. The main premise of the routine activity theory is that a crime occurs when a motivated offender makes contact at a specific time and place with an appropriate target in the absence of adequate security control. If a security is not strong (weak), then it will be easy for the criminal to get a target. The success or failure of a crime is determined by how strong the security is in preventing the crime (Tillyer & Eck, 2010). The theory of routine activities can simply be seen in Figure 1.

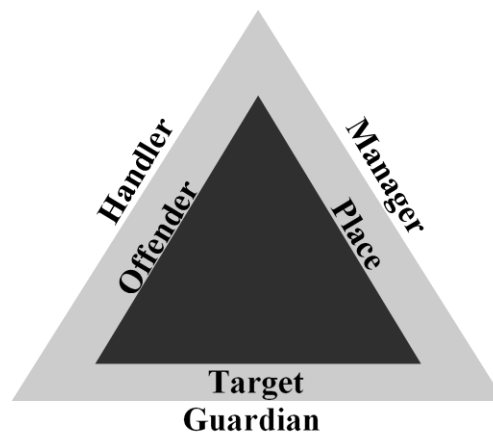


Figure 1. The Crime Triangle of Routine Activity Theory
Source: Tillyer & Eck (2010)

The crime triangle as shown in Figure 1 is a concept that has been widely adopted by the police as a conceptual tool to identify the problems faced, consisting of offender, a violator who is motivated to commit a crime; a target, an attractive or appropriate victim; place, a suitable place for the criminal to meet the target (Tillyer & Eck, 2010). The crime triangle takes a macro view on a crime by including the controller, perpetrator, victim, place, and super controller that governs the behavior of each controller. Super controller includes those who are responsible for the governance of an organization, such as board of directors, management, and regulators (Mui & Mailley, 2015). Figure 1 indicates that there are three elements inside the crime triangle, in reference to the original elements of the routine activity theory of Cohen and Felson (1979), which are needed for a crime to happen. Meanwhile, the outer side of the crime triangle is a more comprehensive version of the theory redefined by Eck (2003) and has other three main elements as the controllers or supervisors who are present to prevent problems/crimes, but must be absent or ineffective for the crime to occur (Tillyer & Eck, 2010).

The controller is at the heart of the problem or crime because the problem arises when the perpetrator and the target meet, while the controller fails to act which results in the controller's malfunction as the most important figure to conduct the prevention (Eck, 2003), and weaknesses in internal control are the main factors with the existence of fraudulent activities (Hamdani & Albar, 2016). Controller in this study refers to OJK and the SWI which are independent institutions assigned directly by the Indonesian government to regulate, supervise, examine, and conduct investigation toward the perpetrator of fraudulent online lending and borrowing services or illegal fintech lending.

Financial Technology (Fintech)

The presence of the technological innovations makes the financial sector able to mobilize savings. One of the examples is the birth of fintech financial services. The term fintech is used to denote the company that offers modern technology in the financial sector (Chuen, 2018; Saksanova & Merlino, 2017). Fintech is a financial technology that offers new innovations in the forms of applications, products, or business models in the financial industry by employing technology (Lee & Shin, 2018). Fintech is defined as an efficient combination of finance and technology to reach the unbanked and underserved (Chuen, 2018).

The Indonesian Fintech Association (AFTECH) states that fintech can provide convenience for consumers in using/utilizing various financial services digitally, such as payment, investment, and insurance (AFTECH, 2021). According to Bank of Indonesia Regulation Number 19/12/PBI/2017 Article 1 concerning the Implementation of Financial Technology, financial technology (fintech) is the use of technology in the financial system that produces new products, services, technology, and/or business models which can have an impact on monetary and financial stability, efficiency, smoothness, and security, as well as the reliability of the payment system (Rahmayani, 2018). Fintech has increased the ability to innovate freely and to collaborate and serve customers with low profit margin (Chuen, 2018).

Fintech concept adapts the technology for the banking facilities to serve various financial transactions in order to be more practical, safe, and modern which are called digital financial services (Chrismastianto, 2017). The use of fintech in Indonesia is regulated by the Financial Services Authority Regulation Number 77/POJK.01/2016 concerning Information Technology-Based Lending Services. According to the OJK, fintech is an innovation in the financial services industry that utilizes the technology (OJK, 2019).

Fintech is to answer the problems to access the public finance in the conventional financial institutions (banks) which often takes long time and is difficult for some people. Also, fintech enables easy access to the information, reduces frictions for transactions, and minimizes costs for consumers (Chuen, 2018). According to Anikina et al. (2016) there are two main reasons for the emergence of fintech companies. First, the global financial crisis of 2008 which clearly demonstrated to the consumers the shortcomings of the traditional banking system that caused the crisis. Second, the emergence of new technologies that help provide mobility, ease of use (visualization of information), speed, and lower costs of financial services. Therefore, the presence of fintech has stimulated the work revolution in the traditional financial institutions (Ferri & Hartina, 2018) and increased the financial efficiency at the low costs (Anikina et. al., 2016; Chuen, 2018; Koffi, 2016; Vlasov, 2017).

The Financial Stability Board (FSB) has divided fintech activities into five categories based on their economic functions, namely (FSB, 2017): (1) Payment, clearing, and settlement; (2) Deposit, loan, and capital raising; (3) Insurance; (4) Investment management; (5) Market supports. Bank of Indonesia also divides the implementation of fintech in Indonesia into five categories, namely (BI, 2017): (1) Payment system (payment, settlement, and clearing); (2) Market supports (market aggregator); (3) Risk and investment management; (4) Loan, financing and provision of capital (crowdfunding and peer to peer (P2P) lending); (5) Other financial services.

Peer to Peer Lending (Fintech Lending)

Fintech Lending or known as Peer-to-Peer (P2P) Lending is an information technology-based lending and borrowing services. Fintech Lending was first introduced by Zopa in the UK in 2005 (Arz & Bholat, 2016). According to the OJK, fintech lending is a financial service which brings together the lenders and borrowers in order to make lending and borrowing agreements in rupiah currency directly through the electronic system using the internet network (OJK, 2017).

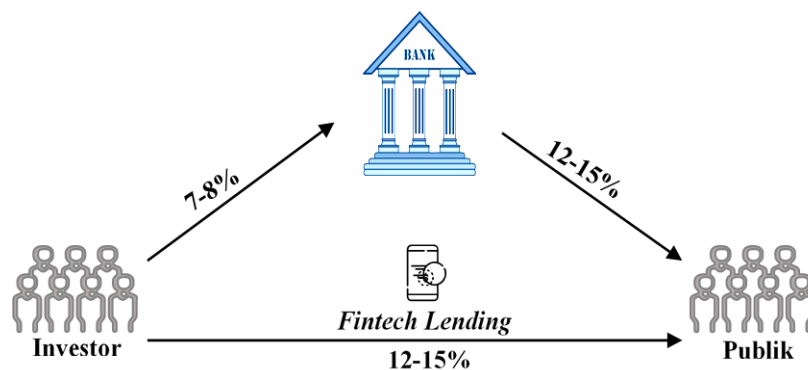


Figure 2. Fintech Lending Basic Concept (Sree, 2016)

Thus, fintech lending is an alternative investment and serves as a very practical source of funding for Indonesian people. Investing through fintech lending promises quite significant returns for the lenders, and the borrowers can obtain loans at a lower rate without collateral (Magee, 2011). Fintech lending provides various flexibilities for lenders and borrowers, since collaterals are not needed as in other financial institutions. The basic concept of fintech lending can be seen in Figure 2.

The basic concept of fintech lending is directly replacing the role of the bank that connects the investors as the lenders and the public as the borrowers. Digital innovations in the financial sector changes the behavior in business, one of which is fintech lending to offer the facilities without intermediaries and change the company's method of providing services and products (Darma et al., 2020).

Fintech lending facilitates not only those who need loans, but also the investors who want to invest their capital (Darman, 2019). Although fintech lending offers an easy and fast process and becomes the community's favorite in obtaining loans, it also bears the risks that should be considered, including failure to pay (bad credit) by the borrowers (Pokorna & Sponer, 2016) and illegal circulation of personal data by the fintech lending providers (AFTECH, 2021).

Research Method

This research uses qualitative approach whose the main core lies in the purpose of exploring and understanding data in more depth (Bandur, 2016). The method used is case study which is an empirical method that investigates the contemporary "cases" related to a certain phenomenon in depth and in real-world context (Yin, 2018). According to Creswell (2015) case study is a research strategy in which the researcher investigates carefully a program, an event, an activity, a process, or a group of individuals. Case study method can be a strategy to achieve the research objectives. The cases investigated in the case study are usually limited by time and activity where researchers collect complete and in-depth information, begun by observing the cases that occurred in the community and become public attention. In this study, the researchers collected the cases related to fintech lending fraud from the community reports to the Yogyakarta Regional Police Department.

This study aims to identify the strategies implemented by the Yogyakarta OJK to prevent fintech lending fraud in the community. There are four methods used to collect data in qualitative research, namely observation, interview, document analysis, and audio-visual material analysis (Creswell & Creswell., 2018). The data collection in this study used semi-structured interview to five informants. The informants in this study were categorized into key informants and supporting informants. The key informants were three individuals who represented the Yogyakarta OJK Office, and the supporting informants were two individuals who represented the Yogyakarta Regional Police Department (POLDA).

The Yogyakarta Regional Police Department acts as the supporting informant because the Yogyakarta Regional Police Department is a member of the Regional Investment Alert Task Force

(SWID) and together with OJK Yogyakarta are tasked to safeguard the increasing public interest and trust in the financial service products, one of which is fintech lending (OJK, 2020). Table 2 shows the list of core informants and complementary informants that the researchers chose.

Table 2. Informant Data

No	Informant	Gender	Organization
1	A	Female	OJK Yogyakarta
2	B	Female	OJK Yogyakarta
3	C	Female	OJK Yogyakarta
4	D	Male	POLDA Yogyakarta
5	E	Male	POLDA Yogyakarta

Source: Processed data

Prior to the interview process, the researcher had a list of topics to be covered and an interview guide. However, in an interview a flexibility is granted in terms of interview time and questions to be asked so that the interviewee can respond as expected (Evans, 2018). In addition, the researchers used a voice recorder to facilitate the data retrieval. Computer Assisted Qualitative Data Analysis Software (CAQDAS), namely the NVivo 11 was used for data processing and concluding the answers to the problem formulation. The software was also used to assist the analysis process and to present the results and conclusion of the study.

In analyzing the data, the researchers referred to the data analysis model of Miles and Huberman (cited in Morrisson, 2019), namely data reduction, data display, and conclusion drawing. Firstly, the data reduction technique in this study was conducted by coding process and framework matrices. Coding is the process of filling the nodes with the information related to the concept categories (codes) that have been formed in the node system with the aim to form the main categories based on the various data sources collected by the researchers (Bandur, 2016). The coding process was carried out in three steps, namely open coding, axial coding, and selective coding. As for the matrix framework, a form of data presentation was created in NVivo 11 to make a table that can be exported to Microsoft Excel. The data in this matrix framework was to briefly present the data sources. Second, the data display in this study was carried out using analytical maps display and matrix coding query. Analytical maps are idea sketching (maps) about the research. At this stage the researcher made an analytical map to describe the concept of thoughts related to the topic studied in the NVivo 11 software application. Meanwhile, the matrix coding query was done to see the frequency and the number of the relationships between one node and the other nodes. Third, conclusion drawing is a process of reviewing the results from the data analysis and assessing the implications of a meaning that arises from answering the questions during the research process. The researchers continuously put the efforts to draw conclusions in the field.

Furthermore, the data collected were analyzed and tested for the validity using triangulation. Triangulation is a technique to check the validity of data by comparing the information from various sources (Sekaran & Bougie, 2016). This study used source triangulation where the various data from different sources, time, and places were compared for their degree of trust through different informants to develop a comprehensive understanding of the strategies implemented by OJK Yogyakarta to prevent fintech lending fraud.

Results and Discussion

The presentation of the results in this study refers to the content analysis results of the interview transcripts coding using NVivo 11 application. Figure 3 displays the data coding and the analysis results.

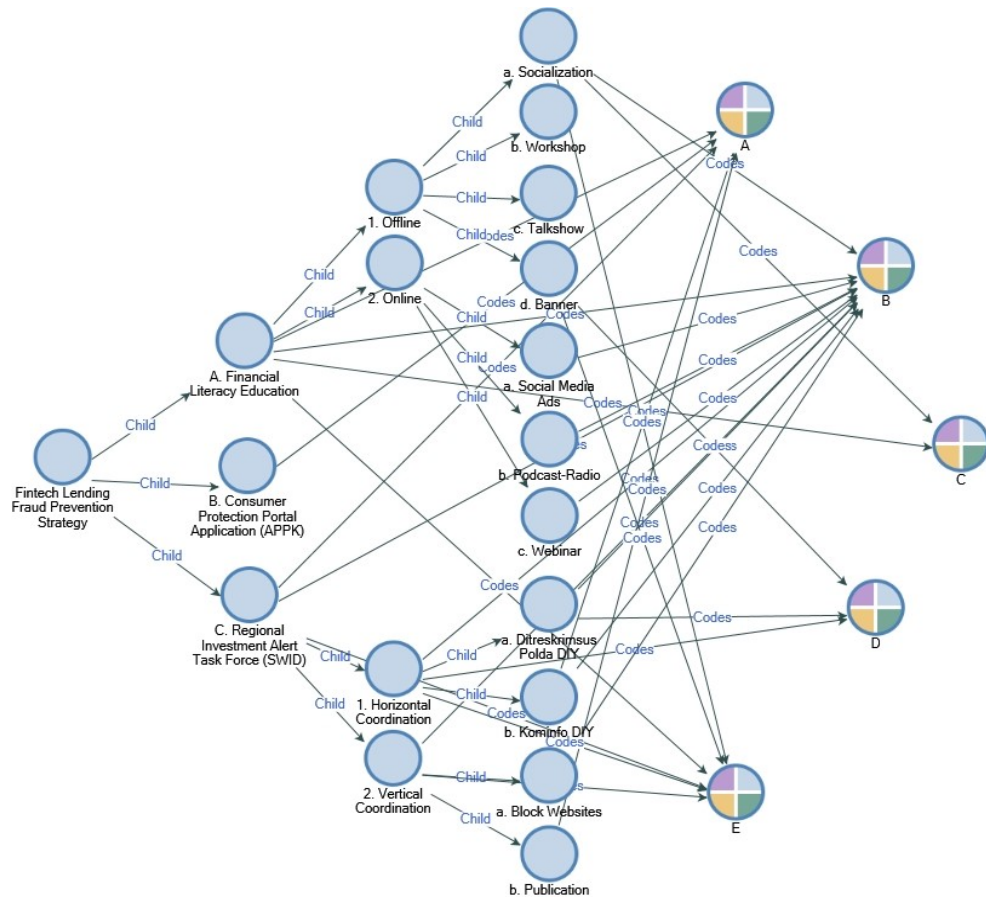


Figure 3. Map Analysis of Fintech Lending Fraud Prevention Strategies in Yogyakarta
Source: Processed by researchers

Based on the analysis map in Figure 3, the results of the research on the Yogyakarta OJK strategies to prevent fintech lending fraud are described as follows.

Fintech Lending Fraud Prevention Strategy: Financial Literacy Education

Financial literacy in general can be understood as knowledge, skills, and belief of a person which influence his attitudes and behavior to improve the quality of his financial decision making. It is very important for the community to have financial literacy because lack of financial knowledge can lead someone to bad financial decisions, one of which is being trapped in the fraudulent fintech lending.

Therefore, to prevent the fraudulent fintech lending in Yogyakarta, one of the strategies implemented by the OJK Yogyakarta is providing financial literacy education. The implementation of financial literacy education by OJK Yogyakarta is conducted offline and online.

Offline Financial Literacy Education

The offline implementation of financial literacy education is carried out face-to-face among OJK Yogyakarta, the community, and consumers of fintech lending. The various forms of face-to-face financial literacy education conducted by OJK Yogyakarta including dissemination, workshop, talk show, and banner installation. This is evidenced by the statements of the following informants:

“We often carry out the financial literacy education to students, the community, and government employees,” Informant B (2022a).

“Many agencies and campuses have asked for the cooperation for the implementation of educational outreach talk show related to fintech lending and other financial services,” Informant C (2022a).

“We gather people to do dissemination at the Village Hall, in the District. We'll see what the object is, what the problem is, and give the education on the use of money, you have to be careful not to be influenced by unreasonable lures,” Informant E (2022).

This offline fintech fraud prevention strategy can also be seen in the following statements of informant D and informant E.

“One of the literacy education campaigns is carried out with a talk show with several financial service providers in the community,” Informant D (2022).

“One way to prevent the victims of the crime is through the banners, posters related to online fraud, don't be a victim. But, still there are victims,” Informant E (2022).

Online Financial Literacy Education

Ideally, financial literacy education is carried out face-to-face, however, it is not easy to reach the public and consumers at a large scale, especially during the Covid-19 pandemic. As a result, OJK Yogyakarta conducted financial literacy education online which was carried out in various platforms, including; social media advertising, webinars, podcasts, and radio. This can be seen from the statements of informant B and informant A as follows.

“In the era of the covid-19 pandemic, we were conducting educational outreach by means of webinars. Many institutions and campuses were asking for cooperation. In addition, education was carried out through advertisements on social media regarding the tips to avoid fintech lending fraud,” Informant B (2022a).

“Then we have education through podcasts and radio broadcasts. For example, in Smart FM on educational topics,” Informant A (2022).

To increase the level of public awareness of fraudulent fintech lending crimes, online financial literacy education was also carried out by the Yogyakarta OJK through public service advertisements. The statement of informant C illustrates it.

“The way we educate is by publishing public service advertisements. This is one of our collaborations with the Ministry of Communication and Information to post information on videotron,” Informant C (2022a).

Though the implementation of offline and online financial literacy education is one of strategies of OJK Yogyakarta to prevent fintech lending fraud, it was not run optimally yet because so far the implementation was only waiting for certain moments, such as entering the month of Ramadhan when OJK Yogyakarta held it through the *Gebyar Safari Ramadhan* program. In addition, the implementation was mostly carried out impromptu because there was no tentative or special schedule for the program. OJK Yogyakarta was passive and seemed active in educating the community only if a case had occurred in the community. This is corroborated by the following statement from informant E.

“In general, when there was a case, we would go to educate. Scheduled, systematic, and massive [program] up to the lower levels of society don't exist yet” Informant E (2022).

Fintech Lending Fraud Prevention Strategy: Consumer Protection Portal Application (APPK)

The Consumer Protection Portal application or APPK is a consumer service system in the form of website-based application. The APPK, which was launched in the early 2021, is part of OJK's strategy to provide protection to the public and consumers to avoid fintech lending fraud. APPK can be accessed online by all parties, both consumers and general public. Services for inquiries, information, and complaints can be made through APPK. For example, information regarding the legality of fintech lending service providers and other financial products and services.

In addition to the information, APPK also facilitates the consumers in submitting complaints to Financial Services Businesses (PUJK) regarding the financial products or services they use. APPK benefits all the parties involved, especially consumers. APPK can easily be accessed by anyone since only with a gadget (mobile phone or computer) the consumers and public can surf to visit the APPK browser page through <http://kontak157.ojk.go.id> as long as the gadget is connected to the internet. This can be seen from the following statement of informant C.

“Consumers can file [a complaint] independently with APPK. It can be accessed at 157.ojk.go.id. To input any inquiry, they must include their personal data, identity, then choose the name of the financial service they want to complain against,” Informant C (2022b).

APPK makes the consumers more easily to submit their complaints to PUJK. All the consumer complaints can be made at anytime and anywhere online. In addition, APPK can also be accessed and directly integrated with OJK, PUJK, and Alternative Dispute Resolution Institution for the Financial Services Sector or LAPS SJK so that the complaints submitted by the consumers to the relevant PUJK can be monitored for the handling process at any time by the OJK through APPK. If the consumer does not agree with the settlement of the problem from the PUJK and then a dispute arises, through the APPK the consumer can continue to seek a resolution for the dispute to the SJK LAPS as stated by the informant C as follows.

“This APPK system is an integrated system for OJK, consumers and public, and financial service institutions supervised by OJK and LAPS. If there is no settlement between the consumer and the financial service institution, it will be forwarded to an alternative dispute resolution institution,” Informant C (2022b).

From the analysis, it can be implied that the use of APPK as a strategy to prevent fintech lending fraud for the people of Yogyakarta is not yet optimal so far because although the APPK service has been integrated and become a shortcut for the public/consumers to file complaints against fintech lending fraud to the PUJK, this APPK does not proceed with the investigation on those who are alleged doing illegal fintech lending fraud. APPK services can only accommodate the consumer complaints if the reported fintech lending platform is legal or has operational permit from the OJK.

Thus, when a victim of an illegal fintech lending fraud makes a complaint online through the Consumer Protection Portal Application (APPK), he or she cannot directly resolve the complaint, especially if the reported fintech lending provider is not on the list of the authorized fintech lending platforms of the APPK. This is evidenced by the statements of informant A and informant C as follows.

“When he (the victim) accesses the APPK to make a complaint, of course, he must fill in several of the questions provided. All the fintech lending [providers] that we supervise must be there (APPK), but not illegal fintech lending [ones]. Because they are not registered and do not have permission from OJK, the victim cannot find the illegal platform in the application,” Informant A (2022).

“Of course, the financial service institutions (fintech lending) selected there (at APPK) are those having been registered at OJK, while the illegal ones are definitely not listed there. When we talk about illegal fintech lending, this APPK cannot be used because it [the illegal one] is not included in the list of Financial Services supervised by OJK,” Informant C (2022b).

Fintech Lending Fraud Prevention Strategy: Regional Investment Alert Task Force (SWID)

The rising phenomena of public fund-raising activities, investment management without permit, and other financing services misusing financial licenses that occur in Indonesia initiates the establishment of Investment Alert Task Force which is abbreviated as SWI. SWI consists of OJK, law enforcement officers, regulators, and supervisory agencies. OJK is mandated as the chairman of SWI in coordination with 13 members. All the members of SWI have their roles according to

the duties, principles, and functions inherent in the agency of each member. For example, OJK as a regulator works to supervise and grant permits to financial service institutions. Likewise, the police as the member of SWI has the main task in the law enforcement related to the financial service institution involved in a financial crime.

SWI at the level of the provincial level known as the Regional Investment Alert Task Force (SWID) is a representation of the Central SWI. As in the Central SWI, SWID has a chairman and members from the representatives of each regency/municipality which are structured the same as that of the Central SWI. The chair or coordinator of SWID Yogyakarta is OJK Yogyakarta as mentioned in the statement of informant B.

“SWI exists at the central and regional levels. We are here to form SWID DIY. SWID DIY structure refers to that of the Central SWI. OJK Yogyakarta also automatically becomes the SWID Coordinator,” Informant B (2022a).

Furthermore, to quickly optimize, streamline, and respond to complaints or reports from the public regarding activities to raise funds and manage investments without a permit as well as fraud in financial services, OJK DIY maximizes the role of SWID as a preventive strategy, especially related to fintech lending fraud. There are two steps taken by SWID to prevent fraudulent fintech lending in Yogyakarta, namely horizontal coordination and vertical coordination.

SWID: Horizontal Coordination

Horizontal coordination is a coordination pattern involving the fellow members of SWID Yogyakarta who are connected to each other to oversee the occurrences of fundraising and investment management without permission as well as fraudulent online financial services (fintech lending). The horizontal coordination is carried out through the limited meetings between OJK Yogyakarta and the members of SWID Yogyakarta. The main purpose of the meeting is to coordinate the preventive actions related to the issues circulating in the community regarding illegal investment fraud and illegal fintech lending in Yogyakarta. In the horizontal coordination, there are two institutions that intensely discuss the fintech lending, namely the Directorate of Special Criminal Investigation (*Ditreskrim*) of Yogyakarta Police Department and the Yogyakarta Information and Communications Office. This can be seen from the following statements by informant B and informant D.

“Here, we (SWID) do activities too. SWID always has coordination activities because the information about this illegal fintech issue can be reported to the OJK, or to the Police Department of Yogyakarta, or to Kominfo. Finally, in the coordination meeting, there we usually exchange the information,” Informant B (2022b).

“The coordination meeting is [conducted] at least once in every 6 months. If there is something that is of public concern, we will immediately hold a SWID coordination meeting to determine the next action steps, both prevention and enforcement,” Informant D (2022)

SWID: Vertical Coordination

The vertical coordination is to provide the information related to the list of problematic (illegal) fintech lending providers in Yogyakarta which were reported by the public and are being followed up by the Central SWI. Vertical coordination is a coordination pattern between Yogyakarta SWID and Central SWI. The implementation of vertical coordination is based on the handling of illegal fintech lending fraud cases which are still fully under the authority of the central SWI. Thus, the real task of SWID is to coordinate with the Central SWI to provide the information related to the illegal fintech lending cases especially on the illegal fintech lending fraud occurred in Yogyakarta. This is in line with the following statements from informant B and informant E as follows.

“Because the authority for [processing the] illegal fintech lending is still at the central [level], we forward it [the case] to the Central Task Force. Central SWI will coordinate in the forums with its member agencies to follow up the case in accordance with the authority [instructions],” Informant B (2022b).
“The reports of fintech lending fraud are submitted to SWID, and Regional SWIs report them to Central SWI,” Informant E (2022).

From this coordination, the Central SWI can take the steps to prevent the occurrence of fintech lending fraud in Indonesia, especially for the people of Yogyakarta through SWID Yogyakarta. These preventive measures include blocking the illegal fintech lending sites/applications and publishing the list of legal and illegal fintech lending providers. This can be seen from the following statements from informants B and A.

“Because generally this authority is like blocking illegal sites, websites, fintech lending applications, not at the Regional Kominfo but at the Central Kominfo. So, our task in Jogja is only to coordinate with the Central SWI” Informant B (2022b).

“Collaborating with the telecommunications service providers to provide mass publications via whatsapp, sms and e-mail related to building public awareness of illegal online loans and the publication of a list of OJK-licensed fintech lending services, so the [legal fintech service] providers can be identified and utilized as an alternative to public funding,” Informant A (2022).

Although the Yogyakarta OJK utilizes SWID's performance as a strategy to prevent fintech lending fraud, the researchers see that the strategy is not yet optimal because SWID has not been actively engaged in providing fintech lending fraud prevention campaigns. So far, SWID will wait until a case occurs or move only when it gets the information from the community. Soon after then the SWID will get down to the community providing the education. In addition, the cases that occur at the regional but have a national scope will be taken over by the Central SWI. This is evidenced by the following statements from informant D and informant E.

“SWI in this area seems less than optimal because we at SWID are passive. For example, if there is no report, we cannot follow [anything] up. Then if it happens in the [regional] area and the scope or the nature of the case is national, it is taken over by the national (Central SWI),” Informant D (2022).

“We wait for the case first, and then we go down to the community. SWID is active when responding to cases,” Informant E (2022).

Conclusion

Fintech lending is basically a concept of digitizing financial service that brings together lenders or investors and loan recipients or consumers/society. Many conveniences are obtained by the community when using the fintech lending platform as needed. However, due to the limited information related to financial services or the low level of financial literacy of the community, it is difficult to contain fintech lending fraud. The victims of fintech lending fraud appeared one by one in the media with various confessions giving testimony that they were entangled in a vicious circle due to lacking knowledge of utilizing fintech lending financial services.

Therefore, the OJK as an independent institution that regulates and oversees the financial services continues to provide protection to the consumers to avoid fraudulent illegal fintech lending services. The fintech lending fraud prevention strategies currently being carried out by the OJK Yogyakarta include increasing financial literacy education in the community by regularly holding the seminars, workshops, talk shows, webinars, and placing public service advertisements on illegal fintech lending activities. In addition, the APPK is introduced to the community so that the public and consumers can at any time report to PUJK in case of fintech lending fraud. Moreover, another strategy is maximizing the role of the SWID to continue to coordinate with both fellow SWID members and the Central SWI so that the fintech lending platforms that are problematic or do not have permission from the OJK can be closed/blocked.

However, these three main strategies still cannot enable OJK Yogyakarta or OJK in general to directly handle the complaints from the people who are trapped in illegal fintech lending fraud. In fact, the victims generally suffer substantial material losses from the alleged illegal fintech lending scams. OJK Yogyakarta can only recommend to the Central SWI a list of illegal fintech lending platforms to be immediately blocked even though this step of blocking websites or applications is ineffective because, at any time, the fintech lending fraud perpetrators can create a new website to re-run the actions. This should be seriously concerned by the Indonesian government, especially the OJK, so that in the future there will be the solutions to overcome those illegal fintech lending activities whose numbers keep increasing all the time.

This research was conducted with five informants, three of whom represented the Yogyakarta OJK Office, and the other two were from the Yogyakarta Police Department. The small number of the resource persons who participated from OJK Yogyakarta was due to the limited access given to the researchers to determine or choose the employees of OJK Yogyakarta to be the informants. In addition, to collect every item of the data, the researchers must have followed the same administrative process and wait for the schedule determined by the Yogyakarta OJK to conduct interviews with the informants. However, the results of this study are expected to improve the public financial literacy to prevent fintech lending fraud. The researchers realize that the discussion on fintech lending fraud in this study does not distinguish illegal platforms from legal ones. Therefore, further researchers can choose one of the legal or illegal fintech lending platform to be the focus of the research and increase the number of the informants and the coverage of the OJK working areas in Indonesia.

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