

RESEARCH ARTICLE

ANALYSIS OF FINANCIAL BEHAVIOR AND COMPLAINTS RELATED TO ILLEGAL FINANCIAL ENTITIES IN INDONESIA (2023-2024)

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ABSTRACT

This research aims to analyze the financial behavior of Indonesian society and investigate complaints related to illegal financial entities, with a focus on the 2023-2024 period. The research method used is descriptive quantitative using secondary data from reports from the Financial Services Authority (OJK) of the Republic of Indonesia. Research findings show an increase in the activity of the Illegal Financial Eradication Officer Unit (Satgas Pasti) which has succeeded in stopping 311 illegal financial entities since the beginning of 2024. Cumulatively, the Task Force Pasti has stopped 8,892 illegal financial entities from 2017 to 13 February 2024. OJK also recorded the existence of 27,283 complaints during the period 2023 to 23 February 2024, with the majority coming from the banking sector and the financial technology (fintech) industry. The contribution of this research lies in an in-depth understanding of the dynamics of illegal investment and public complaints, providing insight for more effective countermeasures and better prevention policies in the future.

KEYWORDS

Financial behavior, illegal investment, public complaints, Financial Services Authority (OJK)

1. INTRODUCTION

The background to this research arises from the need to understand and analyze people's financial behavior as well as trends in complaints related to illegal financial entities in Indonesia, especially in the 2023-2024 time period. The Financial Services Authority (OJK) as a financial supervisory institution in Indonesia routinely releases data regarding the termination of illegal financial entities and the number of complaints received. This condition creates an opportunity to conduct in-depth case studies to gain further understanding of the factors that influence people's financial behavior and the dynamics of illegal financial entities.

In recent years, the OJK through the Illegal Financial Eradication Officer Unit (Satgas Pasti) has intensively taken action against illegal financial entities, such as illegal online loans, illegal investments, personal loans, and illegal pawning. Despite this, the public still experienced losses and demonstrated a significant level of complaints regarding these entities. Therefore, this research wants to dig deeper into people's financial behavior in interacting with illegal financial entities, the extent to which information from the OJK reflects actual dynamics, and how certain factors can influence people's decisions to engage with or avoid illegal financial entities.

This research has significant benefits in several aspects. First, this research can provide an in-depth understanding of people's financial behavior and the factors that influence the involvement or avoidance of illegal financial entities in Indonesia. By understanding these behavioral patterns, authorities and supervisory institutions, such as the Financial Services Authority (OJK), can design more effective policies to protect the public and tackle illegal practices in the financial sector.

Second, the results of this research can provide insight to the public about the risks and consequences associated with engaging with illegal financial entities. This can increase people's financial literacy, make them more alert to illegal investment schemes, and ultimately reduce the number of

victims of fraudulent investments. Third, this research can help authorities design more effective prevention and enforcement strategies against illegal financial entities. Research findings can be the basis for improving regulations, increasing supervision, and efforts to empower communities in detecting and reporting illegal practices.

This research aims to analyze the financial behavior of Indonesian society and investigate complaints related to illegal financial entities, with a focus on the 2023-2024 period. The specific objectives involve an in-depth understanding of how people's financial behavior contributes to involvement in or avoidance of illegal financial entities. In addition, this research aims to identify factors that motivate or hinder the public in reporting or complaining about illegal financial entities to the competent authorities, such as the Financial Services Authority (OJK). The final aim is to present findings and recommendations that can support efforts to prevent and overcome illegal financial entities in Indonesia.

This research has important significance in several aspects. First, a better understanding of social media user behavior in Indonesia provides researchers, government, and industry players with insight into trends and dynamics in the use of social media platforms. This information can be used to design more effective policies, and marketing strategies, and develop platforms that better suit user needs.

Second, the decline in the number of active social media users recorded in this study indicates a significant change in user preferences or behavior. Understanding the factors that may be causing this decline can provide valuable insight into understanding the dynamics behind social media usage trends and help stakeholders address potential issues or challenges.

Third, data on the duration of social media use and internet user behavior provides an in-depth view of the level of engagement and impact of social media on society. This information can be used to identify potential positive and negative impacts of social media, as well as assist in the

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development of strategies to increase benefits and minimize associated risks.

Thus, the importance of this research lies in its contribution to our understanding of social media behavior in Indonesia, providing insight for decision-makers, and helping to design better solutions to meet the needs and challenges related to social media use in society.

2. THEORETICAL BASIS AND PRIOR RESEARCH

Prospect Theory, introduced by Daniel Kahneman and Amos Tversky in 1979, is an important theory in the context of financial decision-making (Kahneman and Tversky, 1979). This theory highlights that financial behavior is not always related to rational decisions and precisely calculated utilities, as traditional economic decision models assume. In contrast, Prospect Theory emphasizes that people tend to be more sensitive to losses than to gains, a concept known as the "Hedge Effect." This means that a person's financial decisions are influenced by how he perceives changes in reference values or the status quo.

This theory asserts that there are differences in how people assess gains and losses. Their utility functions have different forms for the two. In addition, reference values, which can be derived from initial wealth or status quo conditions, play a key role in financial decision-making. Changes in this reference value can influence a person's perception of their financial situation, either as a gain or a loss. By detailing the greater emotional impact of losses compared to comparable gains, Prospect Theory provides valuable insights into investor behavior and financial decision-making. This theory is not only relevant in economics but has also helped explain phenomena in psychology, business, and public policy.

In the context of analyzing financial behavior and complaints regarding illegal financial entities in Indonesia (2023-2024), the Prospect Theory perspective provides an understanding of how individuals make their financial decisions. Prospect Theory suggests that humans tend to be more sensitive to losses than to gains, and their perceptions of financial risks and outcomes are influenced by their zero reference point or initial conditions. In the context of illegal financial entities, people involved in investing or using illegal financial services may experience financial losses as a result of fraud or illegal practices. According to Prospect Theory, these losses tend to have a greater emotional impact than the gains they may have hoped for. Therefore, the perception of investment risk and the use of illegal financial services can be understood as an attempt to avoid losses rather than achieve profits.

In terms of complaints, Prospect Theory can also explain that when people experience financial losses or dissatisfaction with illegal financial entities, they tend to be more active in voicing complaints or grievances. Feelings of dissatisfaction or loss are stronger and encourage individuals to act, in line with the principle of inequality of sensitivity to losses and gains. By using a Prospect Theory perspective, research can dig deeper into the psychological factors that influence people's financial decisions regarding illegal financial entities, as well as the motives behind complaints received by financial authorities.

In this literature review section, the author will briefly explain five previous studies related to the research topic. The study will begin with the topic of informal fund transfer systems (IFTS) in China, better known as underground banks, which are one of two prototypes of unregulated fund transfer practices that can use or circumvent conventional banking institutions (Zhao, 2012). This article focuses on a type of underground banking system that primarily handles foreign exchange exchange and remittance transfers. This article proposes that underground banking be treated as an illegal enterprise rather than as part of organized crime. This first qualitative study gathered direct evidence from interviews conducted both in mainland China and the United States. By describing and analyzing China's IFTS links to human smuggling and money laundering, this article examines the extent to which the system is involved in criminal activities.

In the context of case studies regarding illegal financial entities in Indonesia, it should be noted that illegal practices such as the use of informal funds transfer systems (IFTS) or underground banks can be one of the methods used by perpetrators to hide and transfer funds resulting from their illegal activities. The existence of underground banks can be closely related to money laundering practices, where criminals try to clean up and disguise the origins of their illegal funds. In the context of financial behavior, the practice of using underground banks reflects a financial strategy that is less organized and controlled. The use of informal fund transfer systems can be understood as an act of evasion of applicable financial regulations. Additionally, the use of these underground banks may reflect a lack of financial literacy among the public, who may not fully

understand the risks and consequences associated with illegal financial entities.

In terms of complaints, the public may be less inclined to report these illegal practices to financial authorities, either because of distrust of the complaints process or because they are afraid of the possible consequences. Therefore, understanding people's financial behavior and the factors that influence complaints against illegal financial entities is crucial in efforts to prevent and overcome illegal activities in the financial sector. In addition, China's case study of underground banks shows that a disorganized financial system can have serious impacts on economic stability and encourage illegal practices that harm society. Therefore, understanding the implications of financial behavior toward illegal financial entities is key to designing effective policies and response strategies in Indonesia.

As in many other developing countries, in China, businesses and individuals often use informal, unmonitored financial methods to conduct transactions (Passas et al., 2012). The impact can be positive, such as when funds are used for legitimate purposes, such as providing working capital for businesses in need, but can also be negative when funds are used for illegal purposes, such as financing criminal activities or laundering the proceeds of crime. Although this phenomenon has a significant impact, literature and research on this topic are still limited. Therefore, further studies are needed to understand in detail the political, economic, and social reasons behind this diversity of non-bank funding as well as its legal and economic implications. This paper aims to pave the way for further research by reviewing the existing literature, placing it in context, and identifying key questions that need to be answered in future research.

In the context of analyzing financial behavior and complaints regarding illegal financial entities in Indonesia, the phenomenon of informal funding and unmonitored financial methods, as often occurs in China, can provide additional insight. The use of informal financial methods can have both positive and negative impacts, depending on the purpose for which they are used. In a case study using data from the Financial Services Authority of the Republic of Indonesia, it can be explored to what extent the trend of using informal financial methods in Indonesia is how it impacts people's financial behavior and whether the emergence of illegal financial entities is related to this informal funding. Additionally, the research could pay attention to how governments and financial authorities address these challenges, both in terms of regulation and law enforcement, to reduce the risk of illegal financial entities and protect the interests of investors and society.

The next research review will review research that seeks to explore and de-commodify money through United States (US) federal banking data, with a focus on the state of Utah (Tenenbaum, 2021). US banking laws are used as a tool to determine the location of money. The research revealed that Utah banks report a disproportionate share of U.S. money relative to the size of the economy. The importance of the social relations embedded in the commodity of money in Utah banks is discovered through tracing the history of US banking law. Banking law played a key role in the process that gave Utah such a remarkable share of the sub-national monetary landscape. In the Indonesian context, this can provide insight into how banking regulations and laws influence people's financial behavior as well as potential complaints regarding illegal financial entities. In conclusion, it is important to understand the impact of laws and regulations on people's finances in the context of illegal investments.

The next review will describe research that aims to increase anti-money laundering (APU) professionals' understanding of the impact of money laundering (PU) on various financial institutions (FIs) and how FIs can respond to detect, prevent, and reduce PU risks (Kumar and Lokanan, 2022). The data used comes from secondary sources, including FI cases such as banks, financial services businesses (MSBs), and insurance companies. The research findings emphasize the importance of a compliance culture within the organization, where top management has a key role in setting the tone for compliance. Money launderers tend to exploit every opportunity to convert illegitimate proceeds into clean proceeds with various institutions or professions.

The final review will briefly explain combined with data from China's broadband pilot, panel data on financial fraud in prefectural cities from China Judgments Online used to examine the impact of Internet technology on financial fraud (Xue et al., 2023). The results show that internet technology significantly increases cases of financial fraud in cities. The causal effect is still visible after testing the validity of the model, by grouping China's broadband pilot cities and internet reporting effects. furthermore, health effects are a prominent mechanism, and heterogeneity analysis presents that internet technology exerts a more

significant impact on financial fraud committed by highly educated and young fraudsters as well as financial fraud related to high technology.

Regarding the analysis of financial behavior and complaints related to illegal financial entities in Indonesia, the findings present a picture of public financial behavior and complaint patterns related to illegal financial entities. The case study approach uses OJK data as the main basis for understanding the dynamics of illegal investment and the public's response to complaints about financial violations. The link between these findings and financial behavior analysis confirms the identification of complaint patterns and factors that motivate or hinder the public in reporting illegal financial entities. This contributes to a further understanding of the interaction between people's financial behavior and the problems of illegal financial entities in Indonesia.

3. RESEARCH METHODS

This research aims to analyze financial behavior and complaints related to illegal financial entities in Indonesia during the 2023-2024 period. The data used was obtained from the Financial Services Authority (OJK) of the Republic of Indonesia, which includes information about the number of illegal financial entities stopped by the OJK Illegal Financial Eradication Officer Unit (Satgas Pasti). The research method that will be used is descriptive quantitative, where secondary data presented by the OJK will be analyzed to identify trends, patterns, and characteristics of illegal financial entities.

4. DISCUSSION

Based on a press release report issued by the Financial Services Authority (OJK) on March 4, 2024, the Illegal Financial Eradication Officer Unit (Satgas Pasti) under the auspices of the OJK succeeded in stopping the activities of 311 illegal financial entities from the beginning of 2024 to February 13, 2024. In the previous year, the number of illegal financial entities stopped reaching 2,720. Of this number, 233 entities are illegal online loans, while the other 78 entities are personal loan services. Accumulation from 2017 to February 13 2024 shows that the Definite Task Force has stopped 8,892 illegal financial entities, consisting of 6,913 illegal loans, 1,218 illegal investments, 510 personal loans, and 251 illegal pawns. OJK also noted that they received 27,283 complaints during the period 2023 to 23 February 2024. Of this number, around 12,420 complaints came from the banking sector, 7,183 from the financial technology (fintech) industry, 5,142 from the finance company industry, and 1,820 from the insurance industry. The remaining complaints came from capital market services and other Non-Bank Financial Industries (IKNB) (Rizaty, 2024).

4.1 Author's Analysis

The OJK report regarding the actions of the Certain Task Force in stopping illegal financial entities shows significant actions to maintain the stability of the financial sector in Indonesia. The increase in the number of entities suspended from the previous year, namely from 2,720 to 311 in less than two months, reflects the authorities' rapid response to the threat of illegal financial entities.

The existence of categorization of illegal financial entities, such as illegal loans, personal loan services, illegal investments, and illegal pawns, provides a more detailed understanding of the types of violations encountered. Illegal loans dominate the number of entities terminated, highlighting the urgency of monitoring the online lending sector. The high level of complaint acceptance, especially from the banking and fintech sectors, shows the high level of public awareness of illegal practices and the importance of reporting. Despite this, the number of complaints originating from the insurance industry is low, perhaps indicating a higher level of trust in the sector or a related expansion of awareness.

Identification of key issues involves looking at the main challenges and risks faced by the financial sector related to illegal entities in Indonesia. Some of the main problems that can be identified include

- **Increase in the Number of Illegal Entities:** The increase in the number of illegal financial entities year on year, especially in the illegal lending category, indicates an escalation of this problem and may indicate challenges in controlling the growth of the illegal sector.
- **Imbalance in Sources of Complaints:** Despite the high number of complaints, the imbalance in sources of complaints from the banking and fintech sectors compared to the insurance industry may reflect differences in the level of awareness or transparency between these sectors.

- **Cumulative Investment Risk:** The accumulation of illegal entities, including illegal investments, indicates that the risk of illegal investments continues. This may indicate that existing preventive measures have not been fully effective in stopping this illegal practice.
- **High Influence of Illegal Online Loans:** The majority of illegal entities that are stopped are illegal online loans. This reflects the dominance of illegal financial entities in the online lending sector and may indicate a lack of control and regulation within it.

Analysis of this problem can provide a basis for regulators, supervisory institutions, and other stakeholders to develop more effective strategies and solutions in dealing with the problem of illegal financial entities in Indonesia.

4.2 Financial Behavior Analysis

Analysis of the financial behavior of Indonesian society and investigation of complaints related to illegal financial entities, especially during the 2023-2024 period, revealed several important findings. First, the increasing number of illegal financial entities stopped by the Illegal Financial Eradication Officer Unit (Satgas Pasti) highlights the escalation of this problem in recent years.

The financial behavior of Indonesian society is reflected in the high number of complaints, most of which come from the banking and fintech sectors. This shows that the public is increasingly aware of the risks and impacts of illegal financial entities, especially in the online lending sector. Investigations into illegal financial entities show that illegal online loans dominate the number of entities terminated, reflecting the prevalence of illegal practices in this sector. Meanwhile, complaints from the finance and insurance company industry also indicate that there are similar problems in these sectors.

The 2023-2024 period illustrates that regulations and law enforcement need to be strengthened to overcome the challenges of illegal financial entities. Public awareness of risks and willingness to report complaints shows the importance of financial education and collaboration between regulators, supervisory institutions, and the financial industry. Overall, this analysis shows that public understanding of the risks of illegal financial entities is increasing, but further efforts are needed to eradicate these illegal practices and protect the public's financial interests.

Identifying the factors that motivate or hinder the public in reporting or complaining about illegal financial entities to competent authorities, such as the Financial Services Authority (OJK), leads us to a deeper understanding of the dynamics of public behavior regarding complaints. Some factors to consider include:

- **Distrust of Legal Processes:** People may be reluctant to report illegal financial entities if they feel that legal processes are ineffective or slow to follow up on complaints. The belief that their reporting will not result in real change may inhibit motivation to report.
- **Ignorance or Uncertainty:** A lack of knowledge about how to report illegal financial entities or uncertainty regarding the protections that will be provided to whistleblowers can be a barrier. Public education regarding the reporting process and protection for whistleblowers can increase motivation to report.
- **Threats or Intimidation:** Some people may fear experiencing threats or intimidation from parties involved in illegal financial entities. Safety factors and protection for whistleblowers are key in motivating the public to report illegal activities.
- **Data Security and Privacy:** People may be reluctant to report illegal financial entities if they are concerned about the security of their data. Building a secure reporting system and ensuring the privacy of reporters can help overcome these obstacles.
- **Moral or Social Drives:** Factors such as moral values and social drives can motivate people to report illegal financial entities, especially if they feel they support the common good or uphold ethical norms.

By identifying and understanding these factors, steps can be taken to increase public motivation to report illegal financial entities and overcome barriers that may arise. Education, protection of whistleblowers, and strengthening the legal system are some of the key elements that can be implemented to achieve this goal.

From analyzing the financial behavior of Indonesian society and investigating complaints related to illegal financial entities, several

findings that can be obtained involve an in-depth understanding of society's mindset and actions regarding illegal finance. Some potential findings include:

- **Investment Behavior Patterns:** This can reveal people's investment behavior patterns, whether they tend to be involved in illegal investment schemes or look for legitimate investment options.
- **Motivating Reporting Factors:** Identify factors that motivate people to report illegal financial entities, such as moral compulsions, desire for financial security, or concern for social impact.
- **Barriers to Reporting:** Understanding the barriers that people may face in reporting illegal activities, such as distrust of the legal system, unfamiliarity with reporting procedures, or fear of threats.
- **Complaint Patterns:** Know the most common types of complaints, whether related to illegal online loans, fraudulent investments, or other illegal financial entities.
- **Effectiveness of OJK Action:** Assess the extent to which the actions of the Financial Services Authority (OJK) and the Illegal Financial Eradication Officer Unit (Satgas Pasti) are effective in stopping the activities of illegal financial entities.
- **Whistleblower Security and Protection Patterns:** Find out to what extent the whistleblower protection system works and whether the public feels safe in reporting illegal financial entities.

By detailing these findings, authorities can design more targeted strategies to mitigate illicit financial risks, increase public awareness, and strengthen reporting and enforcement systems.

4.3 Prevention and Control Measures

In dealing with the problem of illegal financial entities in Indonesia, holistic prevention and control measures need to be implemented. First, it is necessary to strengthen education and financial literacy among the community. Education programs focused on the risks of illegal investments and how to identify illegal financial entities should be enhanced. Apart from that, the need to strengthen regulations and supervision by the Financial Services Authority (OJK) is key. Tighter regulations and more effective oversight can help close the loopholes for illegal practices.

Mitigation efforts must also involve the financial industry sector. Close cooperation with financial platforms and financial service providers is necessary to detect and stop illegal entities. The application of technology can also be an effective tool, such as the use of online reporting applications and cybersecurity systems to track and address security threats. In addition, the government needs to provide protection and incentives for individuals who dare to report illegal financial entities. Providing security to anonymous whistleblowers and strict law enforcement against illegal practices can be an encouragement for the public to participate in prevention.

Public awareness campaigns must also be increased through mass media and digital platforms. Increasing public awareness about the risks of illegal investment can be the first line of defense against this practice. Finally, international collaboration also needs to be increased for information exchange and coordination in tackling illegal practices globally. With these steps, it is hoped that a safer financial environment can be created and protected from the threat of illegal financial entities.

6. CONCLUSION

Based on reports and analyses related to illegal financial entities in Indonesia, it can be concluded that the problem of illegal investment and

financial practices that are detrimental to society is still a serious challenge. Record losses reach astonishing figures, indicating an alarming escalation, especially in 2022. Factors such as promises of unreasonable profits, use of public figures, and risk-free claims are attractive for people, especially young age groups, to get involved in investing illegally. The Investment Alert Task Force (SWI) under the OJK has played an important role in stopping the activities of illegal entities, especially in the online lending sector. However, the high number of complaints shows that this challenge is still not fully resolved. Moreover, low financial literacy and the FOMO phenomenon are factors that worsen the situation, increasing the potential for community losses.

A holistic approach involving education, strengthening regulations, and cross-sector collaboration is needed to overcome this problem. Strengthening financial literacy, increasing supervision, and public awareness campaigns can be effective steps. In addition, stricter regulations and strict sanctions are needed to provide a deterrent effect and protect the public from illegal practices. Illegal investment is not only an economic problem, but also a social problem that can harm many parties. Therefore, awareness and joint action from the government, financial institutions, and society are the keys to creating a safe financial environment and avoiding harmful illegal practices.

This research has limitations in terms of time, space, and research methods. Limited data originating from OJK and SWI reports and press releases limits an in-depth understanding of specific cases and certain aspects of illegal investment. The use of quantitative descriptive methods can also limit in-depth insights regarding people's motivations and behavior. As a recommendation for further research, it is recommended to involve qualitative research methods, such as in-depth interviews, and conduct comparative analysis between countries or regions. Additionally, research on financial literacy and the social impact of illegal investments can provide a more holistic understanding. A more in-depth policy evaluation is also needed to identify weaknesses and potential improvements in the mitigation measures that have been implemented.

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