



The Single Presence Policy for Rural Banks

Bachtiar Marbun

Ekuitas University, Indonesia

***Corresponding author:**

Bachtiar Marbun, Ekuitas University,
Indonesia. ✉ bachtiar.m.marbun@gmail.com

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Abstract

Background: Indonesian banking regulation has undergone significant structural transformation with the enactment of OJK Regulation No. 12/POJK.03/2020. This regulatory shift raises critical legal questions about its implications for Rural Bank institutions.

Objective: This research aims to understand and examine the single presence policy for Rural Banks, which is predicted to be implemented, and to determine the consequences of the single presence policy regulation after the issuance of the Commercial Bank Consolidation POJK.

Methods: The research methods applied include qualitative research with normative legal methods, employing statute and conceptual approaches to analyze primary legal materials, including Bank Indonesia Regulations, OJK Regulations, and the P2SK Law (Law No. 4/2023).

Results: The single presence policy for Rural Banks is predicted to be implemented with the aim of increasing banking stability, resilience, and competitiveness at the national level, as well as facilitating digital revitalization in the financial industry. Regarding the harmonization of bank control regulations through controlling shareholders, the Commercial Bank Consolidation POJK also regulates changes related to the minimum capital requirements for bank tier thresholds. The current core capital requirements are as regulated in Article 147, paragraph (1) of the Republic of Indonesia Financial Services Authority Regulation Number 12/POJK.03/2021 concerning Commercial Banks, which are grouped into 4 (four) KBMI.

Conclusion: The emergence of the single presence policy is unsuitable and irrelevant for banking, especially for BPR, considering that the history of the formation of BPR, which aimed to help people in rural areas, is contrary to the single presence policy.

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INTRODUCTION

Banking practices have been seen since ancient times, including in Babylonian, Greek, and Roman times (Vlašić, 2023). During this period, banking practices played an important role in facilitating trading activities. In the beginning, the focus of banking in those days was currency exchange. Over time, the practice of banking evolved into an activity that involved receiving savings, storing money, and lending with interest. Until now, banking practices continue to experience continuous development toward increasingly sophisticated directions (Budisantoso, 2014).

Indonesia's banking regulatory architecture has undergone fundamental transformation through a sequence of OJK regulations governing ownership structures. The evolution from Bank Indonesia Regulation No. 8/16/PBI/2006 (introducing the Single Presence Policy) through OJK Regulation No. 39/POJK.03/2017 to the currently operative OJK Regulation No. 12/POJK.03/2020 on Commercial Bank Consolidation represents a progressive relaxation of ownership

concentration restrictions for commercial banks. However, this regulatory evolution raises an unresolved legal question: whether a Single Presence Policy framework, whether in its original or relaxed form, can or should be applied to Rural Banks (BPR), given BPR's distinct legal mandate, operational scope, and position in the dual-banking structure of Indonesian law.

Indonesia's banking policy has a more dominant influence coming from international thinking and trends than domestic indicators (Sukarman & Indonesia, 2014). One example of a widely known economic deregulation policy is the Policy of October 27, 1988. This policy was adopted with the aim of encouraging Indonesia's economic growth, which experienced instability in 1983. One of the first actions taken was to deregulate the banking sector in 1983, which was commonly known as the June Package (Pakjun).

The claim that the SPP does not apply to BPR requires stronger legal and institutional support, specifically: (1) Legislative Scope Clarification: Bank Indonesia Regulation No. 14/24/PBI/2012 explicitly applies to "Commercial Banks" and does not extend its single-ownership provisions to BPR as a distinct legal category. Similarly, OJK Regulation No. 12/POJK.03/2020 on Commercial Bank Consolidation applies to "Bank Umum" and its definitions do not encompass BPR. This legislative scope analysis establishes that the SPP framework, as currently legislated, was never intended to apply to BPR. The rationale does not translate proportionally to BPR, whose competitive positioning and digital capacity are structurally different, further weakening the basis for SPP extension to BPR.

The policy implemented on June 1, 1983, was the starting point for a free economic system in the national banking sector, with a significant impact on the banking system as a whole (Djiwandono, 2006). The policy aims to abolish credit limits, give banks the freedom to set interest rates on their loans, savings, and deposits, as well as terminate Bank Indonesia's Liquidity Credit (KLBI) contributions, except for loans related to cooperatives and export promotion. This initial step in deregulation succeeded in creating a strong competitive environment among banks. Many private banks have grown and developed since deregulation in 1983. The deregulation that occurred in 1983 was an inseparable component of a series of liberalization and reform efforts in various other fields, such as tax reform, simplification of international trade regulations, optimization of customs, exemption of access to raw materials, liberalization of imports for many existing products affected by market domination, and decontrol with the aim of encouraging the growth of non-oil and gas exports.

Banks, as financial institutions with a role as intermediaries, play a very significant role in the development of the national economy (Suhardi, 2003). In comparison to other financial institutions, the banking sector is known as "the most highly regulated industry" (Djumhana, 2008). Regulations are crucial in monitoring the progress of the banking sector (Nayak, 2021). This is due to the existence of systemic risks inherent in banking, which are risks that arise when financial institutions experience difficulties or failures, which can then cause instability in the banking sector, and can even have a long-term negative impact on the national economy (Nabella et al., 2020). For this reason, improving the rules in the banking framework is very important to maintain the health of the banking sector in Indonesia (Husen Sobana, 2016). Consolidation of the banking sector, solid regulations, and consistency in their implementation are among the efforts needed to build a solid and stable banking system, including the preparation of rules that can serve as a guideline in the comprehensive implementation of banking functions.

In this regard, the Financial Services Authority (OJK), as an institution that has the authority to regulate the financial services sector, has issued "Financial Services Authority Regulation No. 12/POJK.03/2020 concerning Consolidation of Commercial Banks." This regulation is designed with the aim of encouraging the development of the banking sector in the hope of strengthening the structure, resilience, and competitive level of these banks, both at the national level and on a global scale. In this Commercial Bank Consolidation POJK, one of the aspects regulated is the bank's ownership scheme, including the single-presence ownership guidelines that were previously in effect according to "Financial Services Authority Regulation No. 39/POJK.03/2017."

The provisions outlining the Single Presence Policy, which previously required the guidelines for sole ownership in the banking sector, involving mergers, establishment of bank holding companies, or holding companies for controlling shareholders who own more than one

bank, have been amended through "Financial Services Authority Regulation No. 12/POJK.03/2020 concerning Consolidation of Commercial Banks." Now, controlling shareholders are allowed to own more than one bank through various consolidation schemes, such as mergers, consolidations, integrations, and the formation of Bank Business Groups (KUB).

Under "Financial Services Authority Regulation No. 12/POJK.03/2020" concerning Consolidation of Commercial Banks, controlling shareholders are permitted to operate more than one bank through the formation of a Bank Business Group (KUB). Article 3 of the regulation states that bank consolidation can be carried out through various schemes: (1) Mergers, consolidations, or integrations; (2) Acquire and simultaneously merge, consolidate, or integrate; (3) Establish a Banking Business Group; (4) Initiate a Banking Business Group in the event of a sharia business unit spin-off; (5) Initiate a Banking Business Group because of an acquisition.

The issuance of the Commercial Bank Consolidation POJK resulted in the discontinuation of the Single Presence Policy, which now allows major shareholders to own more than one bank through the creation of a Bank Business Group (KUB).

The emergence of a Single Presence Policy for Rural Banks (BPR) presents a fundamental problem: the policy is essentially unsuitable and irrelevant to BPRs, considering that the history of the formation of BPRs is contrary to the single ownership policy.

Based on this phenomenon, when considered under POJK No. 12/POJK.03/2020, the Single Presence Policy is no longer absolute even for commercial banks themselves, as it now permits the formation of Bank Business Groups (KUB).

A study by Lee (2024) emphasizes that ownership concentration through consolidation policies can enhance financial stability and efficiency in the banking sector, particularly in large commercial banks. However, this study adopts a macro-financial perspective and assumes institutional homogeneity, thereby overlooking the functional and structural differences between commercial banks and smaller institutions such as Rural Banks (BPR).

Similarly, research by Antwi (2024) finds that consolidation policies can improve competitiveness and resilience in emerging market banking systems, but may simultaneously reduce market diversity and limit access to financial services for underserved communities. Both studies focus primarily on commercial banking systems and do not address the legal and functional implications of extending ownership concentration policies. This study fills this gap by applying a legal-functional analysis to assess whether the rationale underlying SPP is compatible with the institutional characteristics of BPRs within Indonesia's dual banking system.

The central legal problem of this study is the potential regulatory spillover of the Single Presence Policy (SPP) from the commercial banking sector to Rural Banks (BPR). Specifically, the problem concerns whether the policy rationale underlying the SPP, the systemic risk concentration associated with bank holding structures, applies with equal legal justification to BPR, given BPR's distinct legal character, operational scope, and social mandate under Indonesian banking law.

This study is grounded in Legal Functionalism Theory. The functionalist approach to banking law Carmichael (2002) posits that banking regulations should be designed and evaluated based on the functions they serve rather than formal institutional labels. From this perspective, applying identical ownership restrictions to functionally different institutions (commercial banks vs. BPR) without functional justification constitutes regulatory overreach. This framework provides the analytical basis for evaluating the legal compatibility of SPP application to BPR.

The objective of this research is to evaluate the legal relevance and policy suitability of SPP implementation for Rural Banks, while its benefit lies in providing a more context-sensitive regulatory perspective that supports financial inclusion, preserves the socio-economic role of BPRs, and informs more balanced banking policy development in Indonesia.

METHOD

Types of Research

The research method applied was qualitative research with a normative legal approach. The author chose a normative legal research approach as the research approach in this study. The normative legal research approach refers to research that focuses on analyzing the application of existing rules or standards in legislation (Ibrahim, 2006).

The normative legal approach was operationalized in this study through three specific procedures: (1) Hierarchical Legal Source Analysis: Legal materials were analyzed in hierarchical order per the Indonesian legal system. In cases of apparent conflict between regulations, the *lex superior derogat legi inferiori* principle was applied. (2) Teleological Interpretation: The purpose-based interpretive method was applied to determine legislative intent behind the Single Presence Policy (SPP) provisions and their consolidation exemptions. The primary question asked of each provision was: "What regulatory purpose did this provision serve, and did that purpose extend to BPR as a distinct legal category?" (3) Systematic Interpretation: The SPP provisions were interpreted within the broader system of Indonesian banking law, including their relationship to BPR's enabling legislation and special regulatory regime.

Research Approach

In legal studies, two approaches were identified and applied, namely the statute approach and the conceptual approach. The legislative approach involved examining all relevant laws and regulations with respect to the legal issues in the disputed process (Peter). Meanwhile, the conceptual approach was grounded in the viewpoints and perspectives that have emerged in legal science.

Types and Sources of Legal Substances

In legal studies, the term "data" is not commonly used because in normative legal research, information is obtained from references and not from field investigations. Therefore, the more general term is "legal material." In normative legal research, literature is considered a primary source that is often referred to as a secondary legal source in the context of research. These legal sources are divided into primary legal materials and secondary legal materials (Soekanto, 2007).

Secondary data refers to information gathered through literature review or analysis of reading materials relevant to the research topic. The secondary data utilized in this study were as follows (Fajar & Achmad, 2015):

a. Primary legal material constitutes the legal basis, in the form of legal regulations relevant to the research. The legal regulations applied to examine this problem were:

Primary legal sources are legal sources with direct binding authority, including laws relevant to this research. Some of the laws used to analyze this issue include: a) "Bank Indonesia Regulation No. 14/24/PBI/2012 concerning Sole Proprietorship in Indonesian Banking"; b) "POJK No. 12/POJK.03/2020 concerning Consolidation of Commercial Banks."

Secondary legal materials consist of books, articles, research results, reports, and similar works relevant to the problems discussed in this study.

Tertiary legal materials, supplementing primary and secondary legal sources, consist of general dictionaries, legal dictionaries, magazines, scientific journals, and sources from outside the relevant disciplines that may be used to enrich the information provided in the preparation of this study.

Legal Material Collection Techniques

The method of collecting legal materials applied was library research. This method involved collecting materials from various literature sources, such as legal regulations, books, publications, journals, and internet sources relevant to the issues reviewed in this study.

Legal Materials Analysis Techniques

The analysis of legal sources was structured and developed by detailing data from literature sources relevant to this study. The analytical tool applied was legal interpretation. According to Mertokusumo (2019), this method of interpretation enables the reader to interpret the text of the law clearly and relate it to concrete situations. In this regard, legal interpretation helps clarify the meaning of the law and explains how the provisions of the law can be applied in positive legal practice.

RESULTS AND DISCUSSION

Results

The Single Presence Policy for Rural Banks (BPR) is predicted to be enforced

The history of Rural Banks began during the Dutch colonial period in the 19th century with the establishment of the Village Granary (Lumbung Desa), Village Bank (Bank Desa), Farmers' Bank (Bank Tani), and Village Commercial Bank (Bank Dagang Desa). The purpose of the establishment of these institutions was to assist farmers, employees, and laborers in avoiding the practice of high-interest lending carried out by loan sharks. After Indonesia's independence, various types of small financial institutions and rural financial institutions, such as Market Banks and Village Production Work Banks (BKPD), were established, and starting from the early 1970s, the regional government established Rural Credit Fund Institutions (LDKP).

In 1988, the government issued the October 1988 Policy Package (PAKTO 1988) through Presidential Decree No. 38, which became the starting point for the establishment of new BPRs. This policy provided clarity on the existence and activities of the Rural Banks or BPR. With the enactment of Law No. 7 on Banking in 1992 (Law No. 7/1992 on Banking), BPR was given a firm legal basis as a type of bank, other than a commercial bank.

Based on Law No. 7/1992 concerning Banking, non-bank financial institutions that had obtained a business license from the Minister of Finance had the right to convert their business activities into banks. In addition, it was also stated that small financial institutions such as Village Banks, Village Lumbung, Market Banks, Employee Banks, LPN, LPD, BKD, BKK, KURK, LPK, BKPD, and other similar institutions could be granted the status of BPR as long as they met the conditions and procedures set by Government Regulation (PP).

Furthermore, Government Regulation No. 71/1992 set a deadline of October 31, 1997, for these financial institutions to qualify to become BPRs. However, not all financial institutions managed to meet the requirements within the deadline. BPRs established after PAKTO 1988 and financial institutions that were granted BPR status in accordance with Government Regulation No. 71/1992 were subject to the regulations stipulated in the Banking Law and regulations issued by Bank Indonesia as a bank supervisory institution.

Especially for the Village Credit Agency (BKD), although this institution was given BPR status in accordance with Law No. 7/1992 concerning Banking, due to its relatively simple structure, limited business scope, and operations that were not carried out every day, the regulation and supervision of BKD could not be treated the same as BPR. Given its special characteristics, limited numbers, and supervisory history prior to PAKTO 1988 under the authority of BRI, BKDs supervision was still carried out by BRI on behalf of Bank Indonesia.

The Single Presence Policy Guidelines, as they are often referred to, are described in "Bank Indonesia Regulation No. 14/24/PBI/2012" regarding Single Ownership in Indonesian Banking, issued on December 26, 2012. Previously, this regulation was first enforced in October 2006 through "Bank Indonesia Regulation Number 8/16/PBI/2006" concerning Single Ownership in Indonesian Banking. The rule emphasizes that each individual or entity can only be the primary controlling shareholder of one bank in Indonesia.

According to "Bank Indonesia Regulation Number 14/24/PBI/2012," the Single Presence Policy guidelines do not apply to: 1) The controlling shareholder has ownership in two banks where each bank operates with a different orientation, one bank follows a conventional approach, while the other bank is based on Sharia principles; 2) The primary controlling shareholder has ownership in two banks, one of which is a joint venture bank.

Differences in the restrictions regulated in the latest Bank Indonesia Regulation compared to the previous PBI: In the previous PBI, there were exemptions for Bank Holding Companies (BHC) in accordance with Article 2 paragraph (2). However, in the new Bank Indonesia Regulation, the exemption for Bank Holding Companies (BHC) has been eliminated. The application of the Single Presence Policy had a significant impact during the period regulated by "Bank Indonesia Regulation Number 8/16/PBI/2006" related to Single Ownership in Indonesian Banks. In 2008, banks operating in Indonesia took several major steps to comply with the provisions of the Single Presence Policy. This could be seen from the number of commercial banks that decreased during the period, from 128 banks to 124, as several banks merged to meet the single ownership requirement. This consisted of seven banks that merged in 2008 to comply with

the Single Presence Policy regulations.

With the increasing demand for digitalization from the public, small banks face difficulties in keeping up with these developments. Meanwhile, large banks that intend to carry out corporate actions by acquiring other businesses face obstacles due to the existence of the Single Presence Policy regulation. They must apply for a merger before they can acquire a small bank.

The emergence of the Single Presence Policy for Rural Banks raises concerns, as the policy is essentially unsuitable and irrelevant for these institutions, especially BPRs, given that the history of BPR formation runs contrary to the single ownership policy.

The P2SK Law (Law No. 4/2023) is relevant to this study specifically to the extent it affects BPR regulation and OJK's supervisory authority over BPR. The BPR-specific implications of the P2SK Law are as follows: regarding strengthened OJK authority over BPR, the P2SK Law reinforces OJK's supervisory mandate over BPR, including authority to impose consolidation requirements and set capital standards. This creates a potential regulatory pathway through which Single Presence Policy-type provisions could be extended to BPR through OJK rulemaking, even in the absence of an explicit statutory mandate. Regarding BPR capital requirements, the P2SK Law mandates OJK to strengthen BPR capital adequacy frameworks to improve institutional resilience. Higher capital requirements for BPR could create pressures for BPR consolidation analogous to the BUKU I commercial bank consolidation driven by POJK No. 12/2020.

In this regard, OJK has released "OJK Regulation No. 12/POJK.03/2020 concerning Consolidation of Commercial Banks" with the aim of modifying the Single Presence Policy. In the regulation, the controlling shareholder is allowed to own more than one bank. This can be achieved by establishing Bank Business Groups (KUB). As explained in Article 3, bank consolidation can be applied through a variety of methods, including: 1) Mergers, consolidations, or integrations; 2) Acquisition followed by a merger, consolidation, or integration; 3) Establishing a Bank Business Group (KUB) from the banks owned; 4) Establishing a Bank Business Group (KUB) if it includes a sharia business unit; 5) Establishing a Bank Business Group (KUB) due to new ownership.

The issuance of the Commercial Bank Consolidation POJK resulted in a significant reduction in the scope of the Single Presence Policy arrangement. Thus, the controlling shareholder is allowed to own more than one bank through the establishment of a Bank Business Group (KUB). KUB is a group business entity consisting of several banks, in which one main entity and one or more subsidiary business units are related through ownership or control.

Due to the various changes and challenges present, the authorities determined that the current regulatory framework was outdated and not optimal for supporting the people's economy in the financial sector. Given the existing problems and challenges, the government felt it was important to carry out reforms in the financial sector, including in the capital market sector. This was realized through the issuance of "Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law)."

The issuance of "Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law)" is a step taken by the government to improve the financial welfare of society by restructuring the financial sector in Indonesia. One concrete reason behind the release of the P2SK Law is concerns about the low level of consumer protection in the financial sector. Consumer protection is considered an important area to be strengthened in order to bolster public confidence in financial products and services, thereby supporting financial stability (Barkas, 2024). Some of the latest provisions regulated in the P2SK Law are not included in "Bank Indonesia Regulation Number 22/20/PBI/2020 concerning Consumer Protection of Bank Indonesia." The same applies to the "Personal Data Protection Act (PDP Law)" and the G20/OECD high-level principles on Financial Consumer Protection. Therefore, Bank Indonesia needs to review the substance of the regulation to ensure it is consistent with consumer protection standards in line with the implementation of the Law.

The regulation in "Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (P2SK Law)" in the capital market sector aims to promote the implementation of the principles of same activity, same risk, and same regulation. It aims to facilitate activities involving financial instruments, expand access and competitiveness, including

through interoperable financial infrastructure, developing carbon markets, and increasing the variety of financial instruments. In addition, the P2SK Law also includes regulations regarding special purpose entities for the diversification of financial instruments and trust fund management. All of this aims to deepen and optimize the participation of capital market users, improve data transparency policies, and promote good governance practices. Through the issuance of the P2SK Law, it is hoped that the capital market sector will contribute more to increasing company capital, providing a safe and trusted investment environment for the public, and providing more diverse financial instruments in accordance with the times, all while maintaining protection for investors.

To achieve this goal, regulators need to prepare strategic work programs and implementing regulations necessary to carry out the duties and authorities mandated by the P2SK Law. In addition, business actors in the capital market sector also need to understand the latest provisions regulated in the P2SK Law to increase industry readiness in implementing it. Therefore, more in-depth presentations, discussions, and consultation sessions are needed to understand the core regulation of the capital market sector in the P2SK Law and how to implement it, together with expert speakers in this field.

The relationship between the main corporation and the corporate branch results in the parent company having the authority to manage the group of companies, including subsidiary companies (Achmad & Indradewi, 2021). In line with the regulation in "Law Number 40 of 2007 concerning Limited Liability Companies," which allows controlling shareholders to acquire shares of other companies and establish relationships between main corporations and corporate branches, the subsidiary still maintains its legal autonomy; the parent company, therefore, does not bear liability related to the legal actions taken by the corporate branch. The establishment of Bank Business Groups (KUB) reflects the application of the principle of limited liability as stipulated in the Limited Liability Company Law. Therefore, the assets owned by the parent company and the subsidiary are kept separate, isolating the potential losses of each company (Harahap, 2011).

In this context, controlling shareholders who want to form a Bank Business Group (KUB) must meet adequate financial requirements to support the capital needs of banks that are members of the KUB. This is because the parent company is required to make financial contributions to meet the minimum core capital requirements set in the POJK related to Commercial Bank Consolidation. Thus, it is hoped that the operations of the subsidiaries in the group can develop better and can be properly supervised by the main corporation as the controlling shareholder. The exemption policy from the Single Presence Policy aims to strengthen the banking framework and optimize resilience and competitiveness.

In addition, in the OJK Regulation on Consolidation of Commercial Banks, there are adjustments related to the minimum equity requirements that must be achieved by banks. This requirement was previously Rp. 100 billion but has since been increased to Rp. 3 trillion, which must be achieved by the end of 2022 at the latest. However, for banks that are part of the KUB or the main corporation in the KUB, this requirement is no greater than Rp. 1 trillion. Through the KUB formation plan, this will make it easier for parties or investors who want to rescue a bank through acquisition without the need to merge first, in accordance with the previous OJK Regulation regarding Single Ownership in Indonesian Banks.

The Impact of the Single Presence Policy After the Issuance of the Commercial Bank Consolidation POJK

The KUB mechanism requires parent banks to meet minimum capital contributions exceeding Rp. 1 trillion. This capital threshold structurally excludes BPR from functioning as KUB parent entities, as most BPR operate well below this capital threshold. The KUB mechanism thus represents a commercial-bank-specific consolidation tool that does not offer equivalent benefits to BPR while still exposing them to competitive pressure from consolidated commercial bank groups.

The Single Presence Policy (SPP) is a policy that was first formally enforced through "Bank Indonesia Regulation Number 8/16/PBI/2006" in October 2006, building upon the banking liberalization framework established by the October Policy Package (PAKTO 1988). Prior to this,

the national banking sector had introduced the concept of "liberalization." SPP was implemented as part of the Indonesian Banking Architecture (API) with the intention of strengthening the national banking framework and improving supervisory activities. This guideline required all bank controllers, especially controlling shareholders, to integrate their holdings in various banks that were members of a single business group, with a deadline of 2010 (Ibrahim & SH, 2020).

The core provision of the Single Presence Policy (SPP) is that each individual or entity is only allowed to be the majority owner of one commercial bank in Indonesia. If an individual is already a major shareholder in several banks or acquires shares of other banks with the result that they become the primary shareholder in various banks, then they are required to comply with the single ownership requirements. For major controlling shareholders, this means that they need to take certain actions to comply with the rules.

The SPP is regulated in "Bank Indonesia Regulation Number 14/24/PBI/2012 concerning Single Ownership in Indonesian Banks." Essentially, this regulation applies to shareholding in commercial banks and does not include branches of foreign corporations owned by the primary controlling party after the implementation of the regulation. However, to achieve this policy objective, the Controlling Shareholders (PSPs) of commercial banks who controlled several commercial banks when the regulation was enacted were required to adjust the structure of their shareholdings in the commercial banks they controlled.

In substance, there is little difference between "Bank Indonesia Regulation No. 14/24/PBI/2012 concerning Single Presence Policy" and the provisions enacted in 2006, namely "Bank Indonesia Regulation No. 8/16/PBI/2006," which established uniform regulations. However, there are some differences, which include:

In 2006, regarding the obligation to adjust the ownership structure due to the Single Presence Policy guidelines, Bank Indonesia Regulation provided three options: transfer of shareholding, merger/consolidation, and formation of a bank holding company. However, in 2012, the option of transferring ownership was abolished and replaced with the establishment of a holding function.

Under the 2006 Bank Indonesia provisions, the deadline for compliance by entities affected by the Single Presence Policy guidelines was 2010. However, under the 2012 Bank Indonesia Regulation, the implementation deadline was set at no later than 2013.

Under the 2006 Single Presence Policy guidelines, exceptions were granted for majority shareholders who owned several banks with different orientations, namely conventional and Islamic banks, as well as joint venture banks and holding companies. However, under the 2012 guidelines, the bank holding company exemption was eliminated, and holding companies are therefore no longer included in the category of excluded parties.

Previously, the Single Ownership Policy regulated in "POJK No. 39/POJK.03/2017" restricted controlling shareholders from expanding their bank ownership, with the requirement that they carry out a merger, form a parent entity, or establish a banking holding company if they planned to acquire and thereby control shares in other banks. This policy could be an obstacle for investors who want to implement corporate actions, especially in efforts to rescue small banks. In October 2019, before the POJK regulation on the consolidation of commercial banks was implemented, there were 13 banks in the BUKU I category, namely banks with a maximum core capital of Rp. 1 trillion. If this problem was not addressed, there was a risk that BUKU I banks would close or cease operations. The closure of multiple national banks could have a negative impact on the domestic economy (Uddin et al., 2021).

As is well understood, banks carry systemic risks that, if materialized, can cause substantial losses to the national economy over an extended period of time. In addition, the Single Presence Policy, which requires the merger of all banks under one majority shareholder, does not always create the expected synergy. On the other hand, the implementation of a merger can be burdensome for smaller banks, especially if the banks involved are oriented toward different industries and must be integrated with large-scale banks. Therefore, OJK was contemplating improving the Single Presence Policy regulation, as conveyed by Heru Kristiyana, Chief Executive of OJK Banking Supervision. This in turn resulted in "POJK No. 12/POJK.03/2020 concerning Consolidation of Commercial Banks," which repealed the rules of the Single Ownership Policy.

The launch of the POJK on Commercial Bank Consolidation is expected to encourage

improvement in the national financial sector. This is due to the permission for majority shareholders to acquire more banks through the establishment of Bank Business Groups (KUB), without having to merge the acquired banks. With KUB, synergy between banks in the group can be created, and parent companies can provide institutional financial support to subsidiary companies. The adjustment of the Single Presence Policy guidelines also impacts the minimum core capital requirement that must be achieved by banks in Indonesia, which has been set at Rp. 3 trillion by the end of 2022. In line with "Article 29 of the Banking Law," banks are required to maintain their financial stability in accordance with capital adequacy requirements as one of the key indicators. Therefore, banks that do not comply with capital requirements will face disciplinary action ranging from warning letters, business activity restrictions, and cessation of business activities to revocation of operating licenses.

The author concludes that, with the release of "POJK No. 12/POJK.03/2020 concerning Consolidation of Commercial Banks," the guidelines for the Single Presence Policy have changed significantly. The controlling party is currently allowed to own more than one bank through the Bank Business Group (KUB) model. This transformation illustrates the government's proactive stance, which considers the Single Presence Policy regulated in "POJK No. 39/POJK.03/2017" as inappropriate and capable of hindering efforts to restructure national banks.

Therefore, after the Commercial Bank Consolidation POJK was issued, there was an increase in acquisition activity by larger banks targeting smaller banks. For example, BCA acquired Bank Royal, PT Mega Corpora acquired BBHI, and BNI acquired Bank Mayora. As a result of this series of acquisitions, by 2021, banks in the BUKU I category had been fully absorbed, referring to banks with core capital of up to Rp. 1 trillion. Even so, OJK, as the institution that regulates and supervises the banking sector, must be judicious in implementing foreign ownership regulations for national banks. This is so that external ownership in national banks does not monopolize nor have a detrimental effect on the national economy over the long term.

Furthermore, a new regulation, namely the Regulation of the Financial Services Authority of the Republic of Indonesia Number 12/POJK.03/2021 concerning Commercial Banks, regulates core capital based on the grouping of banks as stipulated in Article 147 paragraph (1) of the Regulation of the Financial Services Authority of the Republic of Indonesia Number 12/POJK.03/2021 concerning Commercial Banks, which reads:

"(1) Based on the Core Capital owned, banks are grouped into 4 (four) KBMIs: a. KBMI 1 is a bank with a Core Capital of up to IDR 6,000,000,000,000.00 (six trillion rupiah); b. KBMI 2 is a bank with a Core Capital of more than IDR 6,000,000,000,000.00 (six trillion rupiah) to IDR 14,000,000,000,000.00 (fourteen trillion rupiah); c. KBMI 3 is a bank with a Core Capital of more than IDR 14,000,000,000,000.00 (fourteen trillion rupiah) to IDR 70,000,000,000,000.00 (seventy trillion rupiah); and d. KBMI 4 is a bank with a Core Capital of more than Rp70,000,000,000,000.00 (seventy trillion rupiah)."

Next, with the aim of maintaining the stability of the banking sector, the P2SK Law was issued to address overly complex regulatory conditions. This was done in an effort to harmonize various regulations in the financial sector, covering various sectors, each with its own level of regulatory complexity. In addition, the legislative changes also accommodate the needs of the public and present solutions to problems in the community. The P2SK Law modifies several regulations related to the financial sector, including the OJK Law, which grants additional authority to OJK. Some of these authorities may have existed under the previous OJK Law, but the P2SK Law reinforces this authority as a form of legal certainty. In addition, this law also increases the independence of OJK by requiring that members of the board of commissioners have no political party affiliation and by establishing an OJK supervisory body, which aims to strengthen the independence of OJK and prevent conflicts of interest (Syafitri, 2023).

CONCLUSION

The Single Presence Policy for Rural Banks (BPRs) is predicted to be implemented with the aim of increasing the stability, resilience, and competitiveness of banking at the national level, as well as facilitating digitalization in the financial industry. Regarding the alignment of bank control regulations through the main shareholder controller, POJK Consolidation of Commercial Banks then regulates changes related to the requirements of the bank's basic asset threshold. The

current core capital requirements are in accordance with Article 147 paragraph (1) of the Financial Services Authority Regulation of the Republic of Indonesia Number 12/POJK.03/2021 concerning Commercial Banks, which are grouped into 4 (four) KBMIs.

The emergence of the Single Presence Policy is unsuitable and irrelevant for banks, especially for BPRs, considering the history of the establishment of BPRs aimed at helping people in rural areas, which is contrary to the Single Presence Policy. If BPRs merge with large capital owners, the goal is likely to change. Meanwhile, the impact of the Single Presence Policy, issued after the POJK of Consolidation of Commercial Banks, has led to a series of acquisitions that are generally carried out by larger banks over smaller banks. Thus, this study recommends that if ownership governance regulations are extended to BPRs, they must be proportionally designed, with lower capital thresholds, community banking protection provisions, and mandatory social mission preservation clauses, to reflect BPR's distinct legal character and avoid undermining BPR's foundational mandate.

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AUTHOR CONTRIBUTION STATEMENT

Bachtiar Marbun was solely responsible for the conceptualization of the study, research design, data collection, analysis, and interpretation of the findings, as well as the preparation, review, and finalization of the manuscript.

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