

A COMPARATIVE LEGAL STUDY ON NEOBANK BETWEEN SOUTH KOREA AND INDONESIA

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Abstract

Development of technology in the banking sector has introduced the concept of Neobank (digital bank or Internet-only bank) in South Korea and Indonesia. This study aims to analyze the regulations of in South Korea and Indonesia in order to ascertain the differences and similarities of the regulations of the two countries and eventually to provide the ideal regulatory solution in managing Neobank. The research adopted a comparative law research which is one of the types under normative legal research. It utilized secondary data. The primary legal materials were the Act on Special Cases Concerning Establishment and Operation of Internet-Only Banks of South Korea and the Indonesian Bank Circular No.6/18/DPNP 2004 and Regulation of Financial Services Authority No.12 /POJK.03/2018. The secondary legal materials consisted of articles journals, books and other materials relevant to the topic under discussions. All secondary data was collected from library research and it adopted an analytical and juridical qualitative approach. It found that the establishment of a Neobank in South Korea and Indonesia are both regulated in the banking laws of each country in general, but have their own specific regulations. South Korea is under the Act and Indonesia is at the regulatory level of the Financial Services Authority. Fundamentally, South Korea's Neobank is more progressive in implementing its technology than Indonesia, which still uses conventional bank (commercial banks) as the backbone to operate in the form of digital bank.

Keywords: *Neobank, South Korea, Indonesia*

A. Introduction

Banks have been a ubiquitous feature of economic life since earlier than the late seventeenth century, when banks in their modern form started appearing in Britain. For most of the nineteenth and twentieth centuries and before the transformation of modern financial systems into a thick and complex web of claims and counterclaims, tradable assets, and risks, banks were the only important financial institution. The transformation that banks have undergone in the intervening centuries up until today's open global markets has made the struggle of making them safe even harder and more challenging. Whether operating under the principle of limited or unlimited liability, on a purely domestic or international basis, as mainstream lenders or as part of complex organizations, within a free banking environment or under the protective 'wings' of the lender of last resort facility of central

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banks, banks have never been simple creatures.¹ In the past 30 years, financial innovation has radically changed the way banks manage and diversify risk, as well as the process through which they deliver their services and allocate capital. Financial innovation is a market phenomenon that appears irregularly and in quite unpredictable ways and can sweep away all in front of it when it bursts forth.² The most prominent innovations of the last three decades have been the development of FinTech (Financial Technology) industry.

By the end of the century, the one-way relationship among financial service providers and the end consumer began to transfigured, because of that commerce began to push the limit on the existing systems. Global consumers are demanding flexibility option regarding delivery channels, there is no categorize in markets based on the physical traits that absolute by the specific geography. Over the last few decades, the uncertain consumer's selection and tremendous contest in the market resulting in enormous impacts of consolidation and transformation. Increasing investors and merging financial institutions are new entrants that compete with providing services that progressively similar to traditional banks services. The new entrants took advantage of technological advances and the absorbing use of the internet, and the concept of the unmanned bank or Internet-only bank emerged. "This was no surprise to most technologists, when you consider that banking is almost completely an electronic-based product, and banks have always been large users of technology."³

South Korea, with the newly launched internet-only bank, the interest from consumers is beyond expectation, and expectations are still growing and the entrance in the market of such banks could make a transformative impact in South Korea's banking industry. "K bank, the country's first branchless, internet-only bank, attracted more than 100,000 bank accounts in its first three days of operation, beginning April third, as of Thursday, the bank had 107,379 savings accounts with deposits totaling about 73 billion won (\$64.2 million) and had approved 8,021 loans and 91,130 debit card issuances." The average monthly online subscriptions of sixteen traditional commercial banks across the country are defeated by the exceeded subscription that is expected by the market. The traditional financial institutions are wide awake in terms of competitiveness in a mobile financial era, it's because the high interest in Internet-only bank, because of that it makes them pushed to digitalize their services faster, according to market insiders. With minimum employees less than 2 percent of a local commercial bank, the online-focused bank can gain benefits from saves costs by offering banking services through a mobile app without traditional

¹ Ross Cranston et al., "Banks in the Financial System," in *Principles of Banking Law* (Oxford University Press, 2018), 3.

² Ibid, P. 15.

³ Michael Chesher, Rukesh Kaura, and Peter Linton, "Financial E-Business," in *Electronic Business & Commerce* (London: Springer London, 2003), 51, <https://doi.org/10.1007/978-1-4471-0077-5>.

bank branches. “With the cost savings, K bank aims to provide subscribers higher deposit interest rates and lower borrowing rates.”⁴ While in Indonesia, PT Bank BTPN Tbk recorded that until the end of December 2019, the number of registered users in the Jenius (Digital Bank) application reached more than 2.4 million users. Not only that, loans also grew 108 percent or as much as Rp141.8 trillion throughout 2019. Bank BTPN President Director Ongki Wanadjati Dana said the number of 2.4 million Jenius users grew 97.8 percent from the previous year. So that BTPN will continue to develop Jenius as a platform to serve a wider segment of customers while simultaneously meeting the needs of digital economy players.⁵

Even the development of technology in the banking sector has not escaped the legal regulations governing the banking industry, banking law is the law that governs everything related to banking. In addition to regulating banking, banking law also regulates bank financial institutions namely all aspects of banking with others, banking as everything related to banks, which includes institutions, activities, businesses, and ways and processes of carrying out their business activities.⁶ Hence, this study aims to analyze the regulations of in South Korea and Indonesia in order to ascertain the differences and similarities of the regulations of the two countries and eventually to provide the ideal regulatory solution in managing Neobank.

B. Identified Problems

Many centuries ago, the banking system was antiquated and complex to run and takes time, it leads to the sluggish process of the transactions. “Ironically, we live in an age where everything needs to be faster and even more efficient. Much has changed as a result of the rise of the Internet, and the realm of finance is no exception.” New approaches on banking have risen and have become innovatively fulfill the demand from society nowadays. Different terms are used in the fintech community to describe new banks that operate and offer digitally their services, some called digital bank, online bank, internet bank, internet-only bank, virtual bank, challenger bank, mobile bank, and Neobank. Fundamentally, “there are two types of online banking in terms of internet dependence. The first type is the traditional offline bank, simply providing online access to its customers. These additional online channels may provide more convenience; however, they do not provide additional financial incentives. The second type, the internet-only bank, was created to satisfy customers who wished to access

⁴ The Korea Herald, “Will Internet-Only Banks Shake Up Korea’s Banking Industry?,” The Nation Thailand, 2017, <https://www.nationthailand.com/tech/30311987>.

⁵ VOI, “Pengguna Aplikasi Jenius Capai 2,4 Juta,” VOI, 2020, <https://voi.id/berita/3988/pengguna-aplikasi-jenius-capai-2-4-juta>.

⁶ Zainal Asikin, *Pengantar Hukum Perbankan Indonesia*, First Ed (Jakarta: Rajawali Pers, 2016).

banking services using the internet, without ever having to visit physical branches.”⁷

Progression of Neobank Ecosystem in Indonesia and South Korea, ever since South Korea survived the financial crises both in 1997 and 2007-08, banking business environment has been changed toward the enlargement and globalization of financial institutions. Encouraged by the government policy in such direction, two Internet-only banks have obtained the government license. On April 3th, 2017, K bank, the first Internet-only bank in Korea, began its operations with industrial capital as its principle axis. The second Internet-only bank, Kakao Bank followed suit on June 27, 2017. K bank and Kakao Bank are expected to have a considerable impact on the conservative operating environment of the existing banks in Korea. Two Internet-only banks are now in the fierce competition each other. K bank, as of the first week of August 2017, has some 440,000 subscribers in total. In comparison, Kakao Bank's subscribers exceeded 2 million as of August 9, nearly five times more than K bank. The total amount of deposits with K bank stands at around 710 billion won and total loans at around 630 billion won. Kakao Bank, which launched almost three months later, has outpaced its rival, having received 917 billion won in deposits and issued 758 billion won in loans.⁸ “Recently Kakao Bank, made a turnaround last year with its net profit standing at 13.7 billion won. Backed by the nation’s largest mobile messenger firm Kakao, the online bank’s subscriber base has surpassed 12 million, which is more than a fifth of the nation’s entire population. The number of monthly active users exceeded 10 million - the largest among banking apps available in the nation.”⁹ There's study on the impact of consumers’ perceived values on internet-only bank service satisfaction and usage intention in South Korea, the study found that perceived value affected the usage intention of internet-only bank services, with convenience value as the most important factor in South Korea. “The reason for convenience value having the greatest effect on usage intention is that ease of use, as revealed by Van der Heijden, results in customers recognizing services as useful, which ultimately enhance their intention to use them. internet-only banks provide high interest rates and low lending rates at low costs, because they do not require physical branches or hire employees to meet customers. This is the biggest advantage of internet-only banks. Consumers want to continue using internet-only banks because they can provide necessary banking services at low costs, and the results show that emotional value has a positive effect on a customer’s intention to use internet-only banks. Consumers enjoy using internet-only banking services,

⁷ Sang Joon Ahn and Seong Ho Lee, “The Effect of Consumers’ Perceived Value on Acceptance of an Internet-Only Bank Service,” *Sustainability* 11, no. 17 (2019): 1–9, <https://doi.org/10.3390/su11174599>.

⁸ Park Whon-Il, “Internet-Only Bank,” *Korean LII*, 2021, http://koreanlii.or.kr/w/index.php/Internet-only_bank?ckattempt=3.

⁹ The Korea Herald, “S. Korea’s Virtual Banks Come of Age in COVID-19 Era,” *Inquirer.net*, 2020, <https://business.inquirer.net/299344/s-koreas-virtual-banks-come-of-age-in-covid-19-era>.

which strengthens intent of use, by developing a positive attitude toward internet-only banks. This study shows why Korean customers have flocked to them in recent years.”¹⁰

While in Indonesia digital banks are mostly linked to Jenius services and Digibank. Both are often referred to as the pioneers of the first digital bank.¹¹ Currently, the most active digital banks are still under the name of conventional banks, such as BTPN Jenius (2016) and DBS Digibank (2017).¹² As of the end of May 2020, the total Jenius users have reached more than 2.5 million. Meanwhile, the total third party funds (DPK) collected by BTPN through Jenius as of May has reached Rp 10 trillion. It is hoped that the collection of funds will increase with an increase in the number of users.¹³ While Digibank, since its launch in 2017, Digibank users have only reached around 600,000 customers.¹⁴

This research poses the following questions regarding Neobank in Indonesia and South Korea: 1) What are the governing laws relating to Neobank in the two countries? 2) What are the differences of Neobank in the two countries? 3) What is the ideal regulation for Neobank.

C. Research Methods

The type of research used was normative legal research. A normative legal research is usually known as a study of documents, utilizes a qualitative method in analyzing data, and using secondary data as the sources, such as legal theories, regulations, court decisions, books, and doctrines.¹⁵ A normative legal research is to analyze the data because it has interpretation, which is defined as the process of changing from something that unknown to be known and understand.¹⁶ Furthermore, it is conceptual as it appears on the rules and regulations in society¹⁷ and it also studies the law as norm.¹⁸ More specifically, the research adopted a comparative law research which is one of the types under normative legal research. It utilized secondary data. The primary legal materials were the Act on Special Cases

¹⁰ Ahn and Lee, “The Effect of Consumers’ Perceived Value on Acceptance of an Internet-Only Bank Service.”

¹¹ Corry Anestia, “Indonesia to Realize Digital Bank Initiative in 2020,” DailySocial.id, 2020, <https://dailysocial.id/post/indonesia-to-realize-digital-bank-initiative-in-2020>.

¹² Marsya Nabila, “Welcoming the Digital Bank in Indonesia,” DailySocial.id, 2020, <https://dailysocial.id/post/welcoming-the-digital-bank-in-indonesia>.

¹³ Dina Mirayanti Hutaaruk, “BTPN Himpun Dana Rp 10 Triliun Hingga Mei 2020 Melalui Jenius,” Kontan.co.id, 2020, <https://keuangan.kontan.co.id/news/btpn-himpun-dana-rp-10-triliun-hingga-mei-2020-melalui-jenius>.

¹⁴ Ipak Ayu H. Nurcaya, “DBS Incar 3,5 Juta Nasabah Baru,” Bisnis.com, 2019, <https://finansial.bisnis.com/read/20190509/90/920589/dbs-incar-35-juta-nasabah-baru->.

¹⁵ C. F. G Sunaryati Hartono, *Penelitian Hukum Di Indonesia Pada Akhir Abad Ke-20* (Bandung: Alumni, 1994).

¹⁶ Ibid, P. 142

¹⁷ Abdulkadir Muhammad, *Hukum Dan Penelitian Hukum*, First Ed (Bandung: Citra Aditya Bakti, 2004).

¹⁸ Soerjono Soekanto and Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat* (Jakarta: Rajawali, 1995).

Concerning Establishment and Operation of Internet-Only Banks of South Korea and the Indonesian Bank Circular No.6/18/DPNP 2004 and Regulation of Financial Services Authority No.12 /POJK.03/2018. The secondary legal materials consisted of articles journals, books and other materials relevant to the topic under discussions. All secondary data was collected from library research and it adopted an analytical and juridical qualitative approach.

D. Research Findings and Discussions

1. Governing Laws on Neobank in South Korea and Indonesia

The Establishment of a Neobank in South Korea is regulated by Act No. 15856 on Special Cases Concerning Establishment and Operation of Internet-Only Banks, in this regulation the Neobank is called as an Internet-Only Bank and defined in Article 2 which referring to transactions defined in subparagraph 1 of Article 2 of the Electronic Financial Transactions Act, which stated The term "internet-only bank" in this Act means a bank which conducts the banking business mainly by means of electronic financial transactions, and The term "electronic financial transaction" means any transaction whereby a financial company or an electronic financial business entity provides financial products and services through electronic apparatus (hereinafter referred to as "electronic financial business") and users use them in a non-facing and automated manner without any direct contact with employees of the financial company or electronic financial business entity. The status of an Internet-Only Bank regarding to Article 3 the bank shall be governed by the Banking Act and shall be deemed a bank established with authorization under the Banking Act. The minimum capital of an internet-only bank may be at least 25 billion won and a non-financial investor may hold not more than 34/100 of the total outstanding voting stocks of an internet-only bank.

While in Indonesia, The Establishment of a Neobank in Indonesia is regulated by Regulation Of Financial Services Authority No.12/POJK.03/2018 On The Implementation Of Digital Banking Services By Commercial Banks, in this regulation the type of Neobank is called as a Digital Banking Service, referring to Article 1 paragraph 4 Digital Banking Service is an Electronic Banking Service developed by optimizing the use of customer data in order to serve customers faster, easier, and according to their needs (customer experience), and can be carried out entirely independently by customers, with due regard to security aspects. Referring to Article 7 Bank operates Digital Banking Services which can be in the form of advanced products from Electronic Banking Services and stated clearly on Article 18 (c) that Banks that provide Digital Banking Services as referred to in Article 7 must meet this requirements, included in the Commercial Bank group based on business activities

that can at least conduct Electronic Banking Services business activities as stipulated in the provisions of the Financial Services Authority. Referring to Law No. 10 of 1998 On Amendments to Law No. 7 of 1992 On Banking Article 1 paragraph 3 Commercial Bank is a Bank which based its activities on conventional and/or Syariah Principles in doing so provides services in payment transactions. Based on the regulation, the type of Indonesia Neobank is still required a conventional bank as a backbone on operates the digitalize banking. The objective and the purpose of it is stated on Article 4, Banks in Indonesia shall have the objective of supporting national development for the purpose of improving equitable distribution, economic growth, and dynamic sustainable growth, and dynamic sustainable national stability, aimed at improving the welfare of the common people. To establish a bank in Indonesia referring to Article 5, Paid-up capital for the establishment of Bank is stipulated at no less than Rp 3,000,000,000,000.00 (three trillion rupiah). And owning the bank referring to Article 6 paragraph 2, Ownership of foreign citizen and/or foreign legal entity as specified in paragraph (1) point b shall be at the most 99% (ninety nine percent) from the total paid-up capital of Bank.

2. The Differences of Neobank in South Korea and Indonesia

Table 1 The Difference of Neobank in South Korea and Indonesia

Identification	South Korea	Indonesia
Purpose/Principle	to promote financial innovation and sound competition in the banking business and enhance convenience of financial consumers, thereby contributing to sound development of the financial industry and national economy, by means of providing for special cases on an internet-only bank in which finance and information and communications technology are merged.	Banks in Indonesia shall have the objective of supporting national development for the purpose of improving equitable distribution, economic growth, and dynamic sustainable growth, and dynamic sustainable national stability, aimed at improving the welfare of the common people.

Definition	The term “internet-only bank” in this Act means a bank which conducts the banking business mainly by means of financial products and services through electronic apparatus and users use them in a non-facing and automated manner without any direct contact with employees of the financial company or electronic financial business entity	Commercial Bank is a Bank which based its activities on conventional and/or Syariah Principles in doing so provides services in payment transactions. That operates Digital Banking Service, DBS is an Electronic Banking Service developed by optimizing the use of customer data in order to serve customers faster, easier, and according to their needs (customer experience), and can be carried out entirely independently by customers, with due regard to security aspects.
Governed by	<ul style="list-style-type: none"> - Act No. 14826 on Banking - Act No. 15856 on Special Cases Concerning Establishment and Operation of Internet-Only Banks 	<ul style="list-style-type: none"> - Law No. 10 of 1998 On Amendments To Law No. 7 of 1992 On Banking - Regulation of Financial Services Authority No.12/POJK.03/2018 on the Implementation of Digital Banking Services by Commercial Banks
Minimum Capital	The capital of an internet-only bank may be at least 25 billion won.	Paid-up capital for the establishment of Bank is stipulated at no less than Rp 3,000,000,000,000.00 (three trillion rupiah).
Maximum Outstanding Voting Stocks	a non-financial investor may hold not more than 34/100 of the total outstanding voting stocks of an internet-only bank.	Ownership of foreign citizen and/or foreign legal entity as a owner of the bank shall be at the most 99% (ninety nine per cent) from the total paid-up capital of Bank.

Source: Analysed from the primary legal source.

Based on the table the purpose/principle of both countries have similarities in supporting sound development in economic growth, although there are slight differences, namely in making the level of regulation, such as South Korea making laws specifically regulating the specificity of its Neobank, namely the Act No. 15856 on Special

Cases Concerning Establishment and Operation of Internet-Only Banks, while Indonesia is still only on sectoral regulations namely the Regulation of Financial Services Authority No.12/POJK.03/2018 on the Implementation of Digital Banking Services by Commercial Banks.

In the definition of the Neobank, the technical process in each country, South Korea has been at a very advanced stage in technology where the tradition of conventional banks in the form of buildings that are gateways in serving banking services has been eliminated and replaced with technology in the realm of Neobank progress, while Indonesia still adhere to and oblige the development of banking innovation using the core existence of conventional banks interspersed with technology.

Interestingly, in outstanding voting stocks in each country, in South Korea for non-financial investors the ownership is not more than 34/100 of the total outstanding voting stocks of an internet-only bank, while in contrast to Indonesia ownership of a bank, the maximum is 99% of the total paid-up capital of the bank. based on that, it is clear that South Korea adheres to the principle of separation in its banking system and Indonesia does not adhere to the principle.

3. The Ideal Regulation for Neobank

To establish an ideal law may not be easy since it must be applicable and in harmony with other existing regulations. Hence, this research adopts the Progressive Legal Theory of Satjipto Rahardjo as an analysis tool to propose the ideal regulation for Neobank. Progressive legal theory in Indonesia was popularized by Professor Satjipto Rahardjo.¹⁹ Soetandyo Wignjosoebroto tried to interpret the meaning of "progressive" "law". He interpreted progressive as the opposite of the word "regressive" or "conservative" and then overhauled the formulation of progressive law referred to by Satjipto Rahardjo's Progressive Law as a new legal paradigm that wishes to answer the problems that can no longer be solved based on the old paradigm (positivism paradigm).²⁰ Satjipto Rahardjo called progressive law as an intellectual movement, a paradigm, the concept of how to judge, and gave the title "progressive legal science".²¹

Some keywords that are attached to a progressive law, namely²²:

1. Law is for humans, not humans for law. In essence, every human being is good so that these characteristics are worthy of being capital in building his life of law. Law is not a king (everything), just a tool for humans to give

¹⁹ Wikipedia, "Satjipto Rahardjo," Wikipedia, 2022, https://id.wikipedia.org/wiki/Satjipto_Rahardjo.

²⁰ Mohammad Mahfud Mahmudin et al., *Satjipto Rahardjo Dan Hukum Progresif: Urgensi Dan Kritik* (Jakarta: Epistema Institute, 2011).

²¹ Ibid, P. 52.

²² Ibid, P. 55-58.

- grace to the world and humanity. The law does not exist for itself, but for something broader and bigger. So, every time there is a problem in and with the law, the law that is reviewed and corrected is not a human being forced to be included in the legal scheme. Therefore, Satjipto Rahardjo also wrote about the need to place the legal system in the deep groove of deep ecology, so the key words above can be spelled as a law for the context of universal life, where humans are no longer the sole central point;
2. Law must be pro-people and pro-justice. The law must side with the people. Justice must be established above the rules. Law enforcers must dare to break through the rigidity of the regulation text - termed the mobilization of the law - if indeed the text harms the people's sense of justice. These pro-people and pro-justice principles are measures to prevent this progressivism from deteriorating, misusing, misusing, and other negative things;
 3. The purpose of law is to give people prosperity and happiness. The law must have a goal further than that proposed by liberal philosophy. In post-caliber philosophy, the law must be prosperous and happy. This is also in line with the Eastern perspective which gives priority to happiness;
 4. Law is always in the process of making the law (law as a process, law in the making). Law is not a final institution, but is determined by its ability to serve humans. Law continuously builds and transforms towards a better level of perfection. Each stage of the legal journey are decisions made to achieve the ideal of law, whether made by the legislative, judicial, or executive branches. Each decision is terminal to the next decision which is better. The law can never marginalize the autonomous forces of society to regulate their own order. These forces will always be there, even in latent form. At a certain moment, he will appear and take over the work that cannot be done well by the laws of the land. So, it is better if the law is allowed to flow alone;
 5. Law emphasizes good life as a good legal basis. The legal basis lies in the behavior of the nation itself because it is the nation's behavior that determines the quality of the nation's law. Fundamentals of law do not lie in legal material, legal systems, legal thinking, etc., but rather on humans or human behavior. In the hands of bad behavior, the legal system will be broken, but not in the hands of people with good behavior;

6. Law has a responsive type. Law is always linked to goals outside the legal narrative of the law itself, which Nonet and Selznick call the sovereignty of purpose. This opinion also criticizes the doctrine of due process of law. This opinion also criticizes the doctrine of due process of law. The responsive type rejects legal autonomy which is final and cannot be sued;
7. Law encourages the role of the public. Considering the law has limited ability, entrusting everything to the power of law is an unrealistic and wrong attitude. On the other hand, the community apparently has an autonomous power to protect and organize themselves. This power is temporarily submerged under the domination of modern law which incidentally is state law. For this reason, progressive law agrees to mobilize the autonomous power of society;
8. Building a rule of law that has a conscience. In the rule of law, the main thing is culture, the cultural primacy. The culture of people's happiness is meant here. People's happiness can be achieved if a state with conscience takes precedence over the legal structure of the state;
9. Law is carried out by spiritual intelligence. Spiritual intelligence does not want to be rule-bound, nor is it just contextual, but it wants to get out of the situation in an effort to seek deeper truth or meaning;
10. Law is replaceable and free. Progressive law rejects the status quo and submissive attitude. The status quo attitude causes us to not dare to make changes and consider doctrine as something necessary to do. Such an attitude only refers to the maxim of "the people for the law".

Table 2 Identification of Progressive Laws²³

Identification	Progressive Laws
Assumption	<ol style="list-style-type: none"> 1. Laws for humans and not vice versa; 2. Law is not an absolute and final institution but is always in the process of making (law as a process, law in the making).
Purpose	Human well-being and happiness.
Spirit	<ol style="list-style-type: none"> 1. Liberation of the types, ways of thinking, principles and theories that have been used (dominated); 2. Liberation of the culture of law enforcement (administration of justice)

²³ Ibid, P. 237-238.

	<p>which has been in power and is felt to hamper the law in solving problems.</p>
Progressivity	<ol style="list-style-type: none"> 1. Aiming for the welfare and happiness of human beings and therefore view the law as always in the process of making (law as a process, law in the making); 2. Sensitive to changes that occur in the community, whether local, national, or global; 3. Rejecting the status quo when it creates decadence, corrupt atmosphere and is very detrimental to the interests of the people so that it causes resistance and rebellion which results in a progressive interpretation of the law.
Character	<ol style="list-style-type: none"> 1. Progressive legal studies try to shift the focus of legal studies that originally used legal optics to behavior; 2. Progressive law consciously places its presence in close relations with humans and society, borrowing the terms Nonet and Selznick, responsive type; 3. Progressive law shares its understanding with legal realism because law is not seen from the perspective of the law itself, but rather is seen and valued from the social goals to be achieved and the consequences arising from the operation of the law; 4. Progressive law has a closeness to the sociological jurisprudence of Roscoe Pound which studies law not only limited to the study of regulations but goes out and sees the effects of law and the operation of law; 5. Progressive law has a closeness to the theory of natural law, because it cares about things that are "meta-judicial"; 6. Progressive law has closeness to critical legal studies but, its scope is wider.

Based on the aspect of progressive legal theory by Professor Satjipto Rahardjo, the conditions implemented by each country in supporting technological developments in the banking sector have broadly fulfilled the scope of regulatory progression, but in a narrower scope, based on Seotandyo Wignjosoebroto's interpretation of the meaning of 'progressive' and 'law' he stated as progressive as opposed to the word regressive or conservative, in this case, it can be seen that the reflection of banking regulations in Indonesia in regulating Neobanks is still in the initial process stage, namely by requiring banking digitalization to use conventional commercial banks to carry out bank digitization. and South Korea which has gone far and truly implements the spirit of progressivity within the regulatory sphere that governs Neobank.

Indonesia, in this case, Bank Indonesia and the Financial Services Authority have aimed to deliver prosperity to the public in taking a breakthrough in digitizing bank, that is aligned with a progressive legal philosophy, namely law as a process and responsive but not completely due to the status quo orientation, the reason is because of the issuance of Bank Indonesia Circular Letter To All Commercial Banks In Indonesia No.6 / 18 / DPNP / 2004 which prohibits the establishment of Internet-only banking in Indonesia, in contrast to South Korea which has actually implemented progressive legal theory both broadly and narrowly, the stakeholders concerned have seriously built a modern banking system in almost any sector. Fundamental aspects of the progressive legal theory have been implemented, starting from the specificity of regulations governing Neobanks, namely internet-only banks, and allowing information and communication technology companies to engage in advancing the economic system through the banking system they innovated.

Ideally, the regulation that regulates Neobank based on the theory of progressive law is to reject the status quo that is detrimental to society and the country's economy, however, this all depends on the readiness of a country, stakeholders in Indonesia at this time may consider bigger things in legalizing the establishment of an internet-only bank. namely the readiness and risks to be faced, while currently, South Korea has taken a step further in the progressive banking law and its legal implementation has been ideally aligned from the point of view of progressive law theory which we should appreciate and adhere.

E. Conclusions

The establishment of a Neobank in South Korea and Indonesia are both regulated in the banking laws of each country in general, but have their own specific regulations, where South Korea is under the Act and Indonesia is at the regulatory level of the Financial Services Authority, and Fundamentally, South Korea's Neobank is more progressive in



implementing its technology than Indonesia, which still uses conventional bank (commercial banks) as the backbone to operate in the form of digital bank. With almost the same capital, investors can set up a Neobank in each country but with different levels of ownership in each country because South Korea adheres to the principle of separation and Indonesia does not, even so each country has the same purpose/principles to support sound development in economic growth in each country, especially through the Neobank ecosystem. In theory, the progressive law of each country shows that this theory is still harmoniously consistent and with the progression that each country shows, there is still a development even though it is not the same and the difference shows that each country is moving towards a better direction in realizing the distribution of welfare for its people.

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