ABSTRACT

Objective: This study aims to analyze the dynamics of the regulation of Rural Credit Banks in Indonesia, the urgency of legal reform for Rural Credit Banks in order to face the challenges of globalization, and legal reform for Rural Credit Banks based on Pancasila Values.

Theoretical Reference: Legal reform considers: The moral relationship between citizens and the law; and the ability of the legal and political systems to meet the needs and demands of the people for justice.

Method: Normative Juridical Method, referring to laws and regulations as rules or norms, thus this study does not use the term data but rather legal materials.

Results and Conclusions: Referring to Law Number 10 of 1998 concerning amendments to Law Number 7 of 1992 concerning Banking, that BPR is limited to ownership only by Indonesian Citizens, Indonesian Legal Entities and Regional Governments. However, Rural Credit Banks in facing globalization, Rural Credit Banks requires funding and capital, especially to issue shares through the stock exchange. This requires a renewal of Banking Law in Indonesia related to the Arrangement of BPR based on Pancasila values in facing the challenges of globalization by guaranteeing the sovereignty of the people's economy without discrimination.

Implications: Can foster new needs including in the ease of transactions that can be realized by Rural Credit Banks through banking digitalization or the provision of electronic banking facilities.

Originality: Efforts to reform the law on Rural Credit Banks in developing its business require funding and capital carried out through stock issuance on the stock exchange based on Pancasila values.

Keywords: Legal Reform, Banking Law, Rural Banks, Globalization, Digitalization, Pancasila.

RESUMO

Objetivo: Este estudo tem como objetivo analisar a dinâmica da regulamentação dos Bancos de Crédito Rural na Indonésia, a urgência da reforma legal dos Bancos de Crédito Rural para enfrentar os desafios da globalização e a reforma legal dos Bancos de Crédito Rural com base nos Valores de Pancasila.

Referência Teórica: A reforma jurídica considera: A relação moral entre os cidadãos e a lei; e a capacidade dos sistemas jurídicos e políticos de atender às necessidades e demandas do povo por justiça.

1 Doctoral Program, Faculty of Law, Diponegoro University, Jl. Dr. Antonius Suryo, Tembalang, Semarang City, Central Java, Indonesia 50275 E-mail: pidarisinaga.law@gmail.com Orcid: https://orcid.org/0000-0002-6106-6391
2 Faculty of Law, Diponegoro University, Jl. Dr. Antonius Suryo, Tembalang, Semarang City, Central Java, Indonesia 50275 E-mail: profyusriyadi@gmail.com Orcid: https://orcid.org/0000-0002-9560-6683
3 Faculty of Law, Diponegoro University, Jl. Dr. Antonius Suryo, Tembalang, Semarang City, Central Java, Indonesia 50275 E-mail: silvianafhundip@gmail.com Orcid: https://orcid.org/0000-0001-2655-5886
Método: Método Jurídico Normativo, referindo-se a leis e regulamentos como regras ou normas, portanto, este estudo não usa o termo dados, mas sim materiais legais.

Resultados e Conclusões: Referindo-se à Lei nº 10 de 1998 relativa a emendas à Lei nº 7 de 1992 relativa ao setor bancário, que o BPR está limitado à propriedade apenas por cidadãos indonésios, pessoas jurídicas indonésias e governos regionais. No entanto, ao enfrentarem a globalização, os bancos de crédito rural exigem financiamento e capital, especialmente para emitir ações através da bolsa de valores. Isso requer uma renovação da Lei Bancária na Indonésia relacionada ao Arranjo do BPR com base nos valores Pancasila para enfrentar os desafios da globalização, garantindo a soberania da economia do povo sem discriminação.

Implicações: Pode promover novas necessidades, incluindo a facilidade das transações que podem ser realizadas pelos bancos de crédito rural através da digitalização bancária ou da disponibilização de facilidades bancárias eletrônicas.

Originalidade: Os esforços para reformar a lei dos Bancos de Crédito Rural no desenvolvimento de seus negócios requerem financiamento e capital realizado através da emissão de ações na bolsa de valores com base nos valores de Pancasila.

Palavras-chave: Reforma Legal, Direito Bancário, Bancos Rurais, Globalização, Digitalização, Pancasila.
1 INTRODUCTION

Globalization has become the most discussed concept, especially in the last decade (Doing, 2016). The word globalization often appears in different contexts in various media, in various discourses, including politics and economics. The term globalization, or "going global", does not provide limitations in its use or understanding. In this context, globalization is not limited to the world capitalist system which is called "neoliberalism" (Hudson, 2000) but includes all factors that influence all aspects of society's life until development seems to be impressed. does not face any "obstacles" or "impediments" at all, including by state borders or policies, either the state itself or other countries (Ngadino, 2014).

The loss of boundaries in the context of globalization has implications for high demands for adjustment. Adaptive and dynamic behaviors and actions are important in facing globalization because basically globalization is not a process or phenomenon that can be rejected, but must be accepted with certain attitudes (Rahardjo, 1997). Globalization is intended to enable each individual to gain the most profit or benefits from all activities or aspects of life (Anheier et al., 2022). However, it cannot be denied that; The aspect most influenced by the concept of globalization, apart from technology and information, is economics (6). Every individual has the right to obtain economic access for the purpose of obtaining economic prosperity and developing his or her full potential (Iskandar, 2011).

2 THEORETICAL FRAMEWORK

Research by Hassanain in the implementation of the sharia banking system in the era of globalization shows that public trust in the development of the Sharia Banking system plays a very fundamental role, where with public trust and knowledge, sharia banking which manages the financial system will attract public interest so that it will be easier to develop and develop. deeply rooted in people's lives. Apart from that, the development of sharia financial systems in various regions cannot be separated from local culture and wisdom. The role of positive law, which is supported by openness and harmony between religious communities and mutual respect as Indonesians, will make the sharia financial system an alternative in the global economy to support the national economy which is embedded in local wisdom (Haykal et al., 2024).

Interestingly, globalization does not only talk about "individuals", but also business entities and their funding (Baker et al., 2005). Globalization has penetrated not only various
aspects of human life, but also in the context of the lower middle to upper and lower middle classes (Suprijanto, 2011). Apart from that, economic globalization also brings an inclusive economic concept that allows all levels of society to participate in all forms of economic activity (Wibowo, 2010). It is relatively easy for the middle to upper economic group to adjust to the demands of globalization, but this is different from the lower middle class which often faces various forms of challenges in being able to enjoy the benefits of globalization, (Purwanto, 2020) funding problems for example (Aziz et al, 2020).

The lower middle class community in terms of funding relies heavily on the existence of Rural Banks. RURAL BANK, referring to Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (Banking Law) is a bank whose task is to carry out business activities conventionally and/or based on Sharia principles which does not provide services in payment traffic. which is conducted. RURAL BANK has striking characteristics when compared to conventional banks which have greater ability to reach economically weak communities in gaining economic access to improve their economy. The existence of RURAL BANK has a high level of importance in funding issues for economically weak communities, especially in the context of globalization which tends not to favor these economically weak communities.

Ironically, RURAL BANK, which has an important position in improving people's economic access, faces its own obstacles, especially in developing its business. The presence of fintech, especially fintech payments or other startups, poses a serious threat to the existence of RURAL BANK. RURAL BANKs in developing their business of course also need funding which can generally be done through share issuance via the Stock Exchange or Capital Market, however Article 23 of the Banking Law is still an obstacle in carrying out share issuance because basically RURAL BANKs can only be established and owned by Indonesian citizens and Indonesian Legal Entities whose owners are all Indonesian citizens which indirectly hinders foreign investment (Ashari, 2020).

In contrast to RURAL BANK, start-ups that do not have similar obstacles, especially in terms of regulations, have more opportunities to obtain foreign investment. Start-ups in this scenario are easier to develop in the era of globalization compared to RURAL BANK. Don't forget that RURAL BANK is also experiencing problems in digitalization. In the context of economic globalization, digitalization is an important factor in supporting business development, while referring to Financial Services Authority Regulation Number 12/ PFINANCIAL SERVICES AUTHORITY.03/ 2016 concerning Business Activities and Rural Bank Office Network Areas Based on Core Capital which provides limitations on electronic
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activities banking which can only be done by Rural Bank Business Activities 3 with a minimum core capital of IDR. 50,000,000,000,- (50 billion rupiah). The funding problems and limitations of banking activities faced by RURAL BANKs, especially in the context of globalization, certainly present their own problems: on the one hand there is a need for business development, and on the other hand, legal regulations hinder this development.

In terms of innovation in the banking sector, there is previous research on Islamic banks that comparing bank profitability measures in a technological context provides valuable insight for strategic decision making in the banking and financial sectors. The findings from this research can guide tailored strategies to use advances to increase profitability and competitiveness, across both types of banking institutions. However, on the other hand, in the practical implications of technology-based banking innovation, Nur Laely's research recommends introducing fraud simulations and strengthening security systems to improve the comprehensive banking experience for customers (Aleli et al., 2024). In addition, this study shows the importance of continuous security protection with best-in-class data management and the need for government awareness to consistently promote victimization in the banking business. These practical implications aim to increase the attractiveness of features, minimize customer identity theft, and provide a safer and more efficient banking experience for customers. Overall, the recommended strategies can help banks create more comprehensive customer experiences and increase customer confidence in banking services. A similar implementation should also be carried out by BPR, but it is necessary to study the supporting elements in carrying out innovation in the era of globalization (Laely, et al, 2024).

There are two main problems in this argument, namely: RURAL BANKs are required to have certain core capital to meet the challenges presented by globalization, especially the process of digitizing bank services; However, in obtaining this funding, RURAL BANKs are faced with limitations, especially in issuing shares to the stock market, which originate from the Banking Law and FINANCIAL SERVICES AUTHORITY Regulations which limit RURAL BANK ownership to only: Indonesian citizens, legal entities whose entire ownership is Indonesian citizens, or Regional Governments. In this perspective, there is a gap between RURAL BANKs and Commercial Banks or start-ups, namely in the freedom to access capital through stock exchange issuance via the stock exchange, so that it is possible for shares to be offered by: Indonesian citizens, Indonesian legal entities, (Foreign) legal entities, and Foreigners, which of course cannot be done by RURAL BANK. This could have implications for RURAL BANK's failure to face developments that have emerged through globalization.
RURAL BANK’s failure to keep up with current developments, especially those caused by globalization, also has the potential to impact economically weak communities. The people's right to economic prosperity is actually guaranteed by the 1945 Constitution of the Republic of Indonesia, including communities with weak economies. The state has an obligation to protect and provide social justice for its people, especially in the context of globalization. So Rural Banks need to be given flexibility in obtaining funding by legalizing share issuance through the stock exchange which is only possible through reforming banking laws (Hidayat et al., 2021). The reform was carried out by removing the restrictions on RURAL BANK ownership which were only allowed for Indonesian citizens, legal entities (Indonesia) and local government. This reform should have a direction that is in line with Pancasila values which are the source of basic legal norms in Indonesia because in facing globalization with a neoliberal nuance, an approach is needed that is rooted in local noble values, namely Pancasila.

So the main problems in this research are: [1] What are the dynamics of Rural Banks in Indonesia?, [2] What is the urgency of legal reform for Rural Banks in facing the challenges of economic globalization?, and [3] How will the Pancasila-based banking law be reformed in the context of structuring Rural Banks to face the era of economic globalization?

3 METHODOLOGY

This research is legal research using a Normative Juridical approach method. In the Normative Juridical research approach, law is conceptualized as what is written in statutory regulations (law in books) or law is conceptualized as rules or norms which are benchmarks for human behavior that are considered appropriate, thus in this research the term data is not used but rather legal material. The legal materials in question are the 1945 Constitution of the Republic of Indonesia and laws related to banking, specifically laws related to Rural Banks. All of this primary legal material was obtained through literature study and analyzed qualitatively.

4 RESULTS AND DISCUSSIONS

A. Rural Banks and the Dynamics of Their Regulation in Indonesia

Rural Banks were originally intended to help farmers, employees, laborers or in short people with weak economies to escape forms of economic oppression such as the snare of moneylenders (loan sharks) in the 19th century (1). When providing loans (credit), moneylenders often apply high interest rates so that they tend to harm debtors, in this case
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Economically weak communities. However, in line with developments over time, Rural Banks have developed by providing wider banking services compared to the initial purpose of their formation. Referring to Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, Rural Banks are banks that carry out business activities conventionally or based on sharia principles whose activities do not provide services in traffic. payment. When compared with commercial banks, in terms of the scope of their activities, Rural Banks have a relatively narrower scope of activities, including accepting current accounts; carry out foreign exchange activities; and insurance.

Rural Banks by carrying out banking activities are basically devoted to providing services to Micro, Small and Medium Enterprises (MSMEs) and the community, both in rural and urban areas. Rural Banks themselves can take the form of legal entities in the form of Limited Liability Companies, Regional Companies, or Cooperatives as regulated in Article 1 of Government Regulation Number 71 of 1992 concerning Rural Credit Banks. Apart from that, Rural Bank business activities can only be carried out with permission from the Financial Services Authority (FSA) including in its establishment.

In relation to business permits and activities of Rural Banks, initially this could only be done with the permission of the Minister of Finance but after amendments to Law Number 7 of 1992 concerning Banking with Law Number 10 of 1998, in accordance with the provisions of Article 16 paragraph (1) that the Rural Bank business license is granted by the leadership of Bank Indonesia (BI). Furthermore, after the enactment of Law Number 21 of 2011 concerning the Financial Services Authority, all permits relating to financial institutions or financial service providers are under the jurisdiction of the FINANCIAL SERVICES AUTHORITY, including Rural Banks. The Financial Services Authority as regulated in Article 1 point 1 of Law Number 21 concerning the Financial Services Authority is an independent institution and free from intervention from other parties with the function of duties and authority in regulating, supervising, examining and investigating all activities related to financial services. Referring to the duties and authority of the FINANCIAL SERVICES AUTHORITY, all forms of financial services are under the supervision of the FINANCIAL SERVICES AUTHORITY, such as the banking industry, capital markets, mutual funds, finance companies, pension funds and insurance.

The Financial Services Authority (FSA) legally only has the power to regulate and supervise activities in the financial services sector which is expected to be able to answer the challenges of the efficiency of coordination mechanisms in handling problems in the financial system. Rural Banks are very dependent on the Financial Services Authority (FSA) in the
context of legal relations. So that all activities, including the establishment of Rural Banks are regulated directly through the Financial Services Authority (FSA). Referring to FINANCIAL SERVICES AUTHORITY Regulation no. 20/ POJK.03/ 2014 concerning Regional Credit Agencies, parties that can establish Rural Credit Banks are limited to: a. Indonesian citizen; b. Indonesian legal entity whose owners are all Indonesian citizens and/or; c. Regional Government.

Rural Banks in obtaining a business license, are required to at least have an organizational and management structure, capital, ownership, expertise in the banking sector, and the feasibility of a work plan, apart from that, they must also pay attention to the level of healthy competition between banks, the level of saturation of the number of banks in certain areas, and equal distribution of economic development. In relation to corporate form, Rural Banks which can take the form of a Limited Liability Company, Regional Company, or Cooperative also apply the respective laws relating to these legal forms, such as Law Number 40 of 2007 concerning Companies Limited to Rural Banks in the form of a Limited Liability Company legal entity; Law Number 23 of 2014 concerning Regional Government for Rural Banks in the form of Regional Companies; and Law Number 17 of 2012 concerning Cooperatives for Rural Banks in the form of cooperatives. Apart from having to fulfill these requirements, there are several other important aspects in establishing a Rural Bank, one of which is: the capital aspect.

Referring to FINANCIAL SERVICES AUTHORITY Regulation Number 12/P FINANCIAL SERVICES AUTHORITY.03/2016 concerning Business Activities and Rural Bank Office Network Areas Based on Core Capital, capital has an influence on the types of activities that can be carried out by Rural Banks. In this regulation, RURAL BANKS are grouped based on Business Activities which is determined based on core capital. Referring to P FINANCIAL SERVICES AUTHORITY Number 12; There are limitations or restrictions on the forms of activities that can be carried out by Rural Banks, which are categorized based on core capital, namely the initial capital deposited by Rural Banks. In this regulation, Rural Banks are grouped into three RURAL BANK Business Activities, namely: a. RURAL BANK Business Activities 1 with core capital of less than Rp. 15,000,000,000,- (fifteen billion rupiah); b. RURAL BANK Business Activities 2 with core capital between Rp. 15,000,000,000,- (fifteen billion rupiah) up to Rp. 50,000,000,000,- (fifty billion rupiah); and c. RURAL BANK Business Activities 3 with core capital of more than Rp. 50,000,000,000,-

In general, the forms of Rural Bank activities are also regulated in the FINANCIAL SERVICES AUTHORITY Regulations, which include: raising funds; distribution of funds;
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placement of funds; foreign exchange; activities as an organizer and agent of officeless financial services within the framework of financial inclusion; provision of Electronic Banking services; salary payment services for RURAL BANK customers; cooperation activities in the context of fund transfers which are limited to receipt of remittances from abroad; activities as an ATM Card issuer, activities as a Debit Card issuer, activities as an Electronic Money issuer and marketing activities for Electronic Money from other issuers; transfer of funds for both own interests and customer interests through RURAL BANK accounts at commercial banks; collaborative activities with insurance companies to refer insurance products to customers related to RURAL BANK products; and receive deposits of funds for bill payment services such as payment of electricity, telephone, water and tax bills. However, Article 5 of the FINANCIAL SERVICES AUTHORITY Regulations regulates limitations on the activities of Rural Credit Banks, where RURAL BANK Business Activities 3 has more freedom in carrying out banking activities, especially those related to electronic services or electronic banking.

Through this regulation, it is illustrated that capital has an important role in providing Rural Banks with flexibility in diversifying business activities which will become a special attraction for customers. However, the existence of regulations regarding ownership of Rural Banks which are only permitted to be owned by Indonesian Citizens or Legal Entities which are wholly owned by Indonesian Citizens has implications for limited capital participation by foreign parties or non-Indonesian Citizens. The limitations that exist through applicable laws and regulations, especially in the types of activities that can be carried out by Rural Banks, have implications for reducing the competitiveness of RURAL BANKs against other financial service providers, such as People's Business Credit facilities provided by Commercial Banks, fintech, or startups operating in the financial sector. When compared to RURAL BANK, these three RURAL BANK competitors have flexibility in the field of capital participation because there is no regulation regarding business ownership which is required to be entirely owned by Indonesian citizens.

The three RURAL BANK competitors mentioned above have more relevance to globalization conditions with an emphasis on the process of economic digitalization. As has also been mentioned, electronic banking activities can only be carried out by RURAL BANK Business Activities 3, which of course requires larger core capital. Although the FINANCIAL SERVICES AUTHORITY, through its roadmap for the development of Rural Banks and Sharia Rural Banks, plans to provide flexibility for collaboration between the two banking service providers with fintech lending through a many to one scheme which is expected to increase agility, resiliency, adaptability and contribution in Providing financial access to MSEs and local
communities is still not considered appropriate for solving the main problems faced by Rural Banks, namely capital problems.

Capital problems in this case stem from restrictions on ownership of Rural Banks which are limited to Indonesian citizens, Indonesian Legal Entities and Regional Governments. In fact, this capital problem can be overcome by issuing shares through the stock exchange, but this means that RURAL BANKs can be owned by non-citizens because in the capital market, capital offerings can come from foreigners, or legal entities owned by foreigners. Of course, if you refer to the Banking Law and FINANCIAL SERVICES AUTHORITY Regulations, both of these things cannot be done, which has implications for limited capital and ultimately can hamper the RURAL BANK development process.

B. The Urgency of Legal Reform for Rural Banks in Facing the Challenges of Globalization

Economic development has the main goal of freeing people from the trap of poverty. Access to finance is considered to be an important aspect that allows someone to change their production activities and work to get back out of the poverty trap (1). Countries with more developed financial systems have greater opportunities for economic growth, in other words, financial system development has positive implications for the formation of economic stability and performance, especially within a country (2). Banks are one of the agents that are considered important in relation to economic growth because banks are financial intermediaries whose main task is to collect funds and distribute them to the public through banking products.

The collection of funds and distribution of public funds is basically aimed at supporting national development in a country. In this perspective, banks can be called agents of development (1). The objectives and functions of the bank in Indonesian Legislation are regulated through Articles 3 and 4 of Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking (Banking Law). Banks in the context of globalization play an important role in ensuring economic inclusion for society. It needs to be acknowledged that sustainable economic development in developing countries such as: Indonesia, India, Ghana, South Africa, and so on will be difficult to maintain without the implementation of inclusive economic development programs to correct development imbalances, especially development imbalances between urban and rural areas (2).

However, on the other hand, banking regulations and policies that focus too much on triage in the banking sector and its reforms are a form of pragmatic reaction to problems in domestic economic development. This focus, which is too focused on problems of domestic economic development, often results in inefficiency within the banking system itself. Banking
as a financial intermediary has a big responsibility for economic growth, while not being given the same opportunity or freedom to maintain banking stability as an entity in the financial sector, not forgetting that banking also has an interest in developing its business.

Realizing an inclusive economy, especially in this era of globalization, also means providing easier access to funding, especially for economically weak communities or groups (1). Even though globalization contains strong elements of capitalism and liberalism, it must be acknowledged that this is a consequence of the disappearance of boundaries and barriers that previously existed, both through regional boundaries and policies between countries. Globalization, which is characterized by economic openness, demands adjustments to openness in other aspects, including the economy, which further encourages the concept of an inclusive economy (2).

The concept of Rural Banks is actually a solution for equitable economic development, not forgetting to realize an inclusive economy. Economically weak communities have rights that are no different from other communities, especially to obtain economic and social welfare. Economic and social welfare must be realized with full justice. The concept of justice in the context of economically weak communities means providing easy access to enable them to escape the trap of economic and social injustice, so that these groups must receive different treatment as a form of compensation for the disadvantages they experience. Rural Banks are nothing other than the concept of realizing economic and social justice for communities or groups with weak economies.

Globalization which encourages inclusive economic development for each individual must be followed by the strengthening of Rural Banks as an institution. Nobel laureate Douglass North defines institutions as "rules of the game in a society, or, more formally, humanly devised constraints that shape human intervention". Institutions in relation to economic growth must be able to enable a country to allocate its capital for productive purposes. Such institutions require various forms of support, especially support from an effective legal system and a healthy and efficient financial system (1).

Strong globalization with nuances of capitalism and liberalism needs to be acknowledged that it will provide benefits to parties with strong access to capital which not only applies to individuals, but also to institutions, especially Rural Banks (RURAL BANK). Facing globalization can sometimes be difficult, especially for developing countries. This difficulty factor originates from none other than legal issues which are still relatively rigid in dealing with very dynamic changes in circumstances as a result of the openness of technology and information. Legal resistance, especially in the context of Rural Banks, can actually be seen
as an antithesis to globalization, under the pretext of protecting it from capitalist parties. At a time when other parties are trying to gain more benefits from globalization, the state, under the pretext of protecting capitalism, is becoming an inhibiting factor, especially for communities and economically weak groups, to gain the maximum benefits from globalization itself (1).

If we look further back, globalization in the economic aspect is a rational reaction to the issue of the global economic slowdown, which revolves around the problem of the mismatch between economic potential and actual performance, thus giving rise to a new economic concept. The new economic concept through globalization is intended to increase economic growth in developing countries, however, if developing countries cannot gain maximum benefit from this new wave: world economic inequality will only get worse. This phenomenon can be widely observed in Asia, however, South Korea provides a different example (1).

Various countries provide different responses to globalization, including in relation to Rural Banks, such as India with its nationalization of RURAL BANK. RURAL BANK in India occupies a very important position considering the high level of debt, especially in rural areas in India (1). Rural communities, the majority of whom work as farmers, need access to term funding which they use in their economic activities (2). Not much different from RURAL BANK in Indonesia, RURAL BANK in India is aimed at reducing the gap in economic development in rural and urban areas. Various reforms were carried out, including through institutional reform with the nationalization of Indian RURAL BANKs into state ownership, plus reforms to banking and agricultural laws. These steps were taken based on consideration and awareness of the potential and needs of rural communities who predominantly work as farmers. Digitalization in RURAL BANK India is also carried out in order to obtain maximum benefits through globalization and the realization of an inclusive economy for rural communities. Different approaches were taken to RURAL BANK reform in Ghana and Uganda.

Ghana and Uganda have similar problems, namely creating an inclusive economy amidst the economic difficulties of their communities (1). Both countries can see the potential through globalization. Ghana and Uganda are also experiencing the same problem, namely the proliferation of non-formal banking institutions that provide savings and lending services (Susu institutions) (2) as faced by Indonesia in the early days of the formation of RURAL BANK, as a response, the local government collaborated with several Non-Government Organizations (NGOs) to provide financial services to the community, especially in rural areas (3). NGOs operating in the financial sector on average come from countries outside these two countries, and are only able to carry out activities and organize because of globalization itself, and the
government does not provide excessive resistance in identifying and responding to problems that are developing in these two countries.

The last update to the Banking Law was carried out in 1998, which is now important for adjustments to the dynamics of the development of the economic, social and community situation, especially communities or economically weak groups that need inclusive economic development, which in this argument depends on the existence of RURAL BANK. The presence of FINANCIAL SERVICES AUTHORITY Regulations Number 12 Number 12/POJK.03/2016 which places restrictions on activities for RURAL BANKs based on their core capital, while the Banking Law places limitations on RURAL BANKs in obtaining access to capital, especially salam issuances through the stock exchange, which allows ownership of RURAL BANKs to no longer be entirely owned by Indonesian citizens. This is different from RURAL BANK's main competitors such as People's Business Credit from Commercial Banks, fintech, and start-ups which have flexibility in acquiring capital plus flexibility in digitalizing their products and services, where digitalization plays an important role in the era of globalization which is justified by the public's need to carry out transactions without limitations of distance and time.

Restrictions on activities by the state through statutory regulations on Rural Banks in the context of their duties in providing access to social and economic justice, especially for economically weak communities, also means that the state also limits community access to social and economic justice. This certainly contradicts the constitutional mandate in the preamble to the 1945 Republic of Indonesia Constitution which requires the state to realize justice and prosperity and promote general welfare. However, in line with this mandate, the state also has an obligation to provide protection to society through protection of RURAL BANK, especially from the negative influences brought about by globalization.

Talking about social justice, when referring to the theory of justice put forward by John Rawls, justice must fulfill two principles, namely: first, the principle of equal liberty and second, the principle of difference (Anggara, 2013). The first principle relates to a person's freedom to obtain basic rights as a human and citizen (Rawis, 2009). Meanwhile, the second principle departs from differences in the socio-economic conditions of society. The two principles put forward are relevant to the problems currently being faced by RURAL BANKs, namely the emergence of gaps in access to capital between commercial banks and RURAL BANKs which of course can affect the justice that will be felt by the community, especially those who have weak socio-economic conditions or are left behind from the general public.
John Rawls's second principle of justice emphasizes that there must be provision of more benefits for groups who do not have access to freedom, especially those who have various limitations, both economic, political and social limitations. Even the second priority rule, which is a derivative of the principle, states that: (a) An inequality of opportunity must enhance the opportunities of those with the lesser opportunity; (b) An excessive rate of savings must be on balance mitigating the burden of those bearing this hardship. In relation to RURAL BANK, limited access to development lies in the limitation of ownership of RURAL BANK, namely Indonesian citizens, which of course has implications for the prohibition on issuing shares through stock exchange to answer capital problems. Capital has become an urgent problem, especially since the presence of the FINANCIAL SERVICES AUTHORITY Regulation regarding limits on banking activities for RURAL BANKs, which also has an impact on how RURAL BANKs can survive in the era of globalization which requires the provision of electronic banking services to the provision of ATM machines (automated teller machines).

C. Legal Reform for Rural Banks Based on Pancasila Values

Globalization and digitalization, especially in economic and business activities, make it possible to carry out borderless trade in all corners of the world (Winarno, 2007). This progress automatically, both directly and indirectly, has implications for the existence of the laws that regulate it. Principles in business must basically reflect ethics which include five principles, namely: autonomy; honesty; justice; win-win solution; and moral integrity. This is actually in line with the Caux Round Table: Principles for Business which regulates the application of principles in business, namely: responsibility; economic and social impact, business, innovation, justice and world society; business conduct; respect rules; supporting multilateral trade; respect the environment; and avoiding dirty practices (Sitompul, 2005).

The principles in doing business above are actually also applied to the banking world, including Rural Banks. There are two factors in this case, namely: principles in doing business, as well as adjustments to dynamics, social, economic and development. The dynamics of Indonesia's development in the context of globalization are certainly inseparable from the influence of technology and information; incorporation of artificial intelligence; big data; (Rohida, 2018) until automation becomes the new standard in business. This is done to keep up with the market which is also developing along with changes in civilization. However, ironically, amidst increasingly fierce competition that demands the transformation of business to a digital format, Rural Banks, which are one of the spearheads of realizing an inclusive economy for economically weak communities, are experiencing many obstacles and
limitations. The obstacles faced by Rural Banks are fundamental problems; namely law or statute.

Law as a driver of development is basically an effort to build law in a larger context, either through reviewing existing law and implementing a new legal system systematically and planning to build a legal system that embodies the ideals of law in accordance with what is contained in the 1945 Republic of Indonesia Constitution and Pancasila. Lili Rasjidi and IB Wyasa Putra stated that legal development was carried out to build a legal system to place Indonesia in the middle of the global map and carry out its role in the global situation through legal reform. Legal reform can be carried out through legal reconstruction, intensification and development of legal functions through legal structuring, management and development.

Legal reform is only carried out with the aim of realizing prosperity and happiness in society through justice and order in an effort to equalize, grow and expand national and international economic activities carried out through policies directed at improving the trade business climate (fair business competition). In the context of globalization which is closely linked to free competition, it will certainly provide more benefits to parties who have greater economic capacity, whether they are individuals, groups or legal entities. Rural Banks, which are legal entities, basically do not have as strong a total capital capacity as commercial banks or digital-based companies. Plus, the two RURAL BANK competitors legally have more flexibility in terms of capital, unlike RURAL BANKs whose ownership is limited by citizenship status.

Increasingly tight competition, the pressure of globalization has placed Rural Banks in a difficult position and it is not impossible that the difficulties faced by RURAL BANKs will also spread to society, especially communities with weak economies. The biggest inhibiting factor currently comes from regulations on RURAL BANKs themselves which are considered to be less capable of dealing with the dynamics of problems arising from current developments, so legal reform efforts are needed.

Legal reform cannot be carried out haphazardly but must also take into account local values which reflect the morals of a country's society (Nugroho, 2017). Legal reform should be carried out by paying attention to: The moral relationship between citizens and the law (state); and the ability of the legal and political systems to meet the people's needs and demands for justice. Rural Banks have an important role in realizing social and economic justice for the people through the realization of an inclusive economy.

The realization of this inclusive economy is actually an elaboration of the principles of justice initiated by John Rawls, in particular the second principle. The second principle of
justice according to John Rawls is: An excessive rate of saving must be on balance mitigating the burden of those bearing this hardship (Garcia, 2017). Parties who experience difficulties in this case can be interpreted as RURAL BANKs who have difficulty in getting access to capital through share issuance through the stock exchange which in the long term can be interpreted as difficulties that economically weak communities will face in getting funding through RURAL BANKs because RURAL BANKs will be unable to compete with Commercial Banks and start-ups that have access to capital through share issuance. The injustice faced by RURAL BANK in this argument can have implications for the injustice that economically weak communities will receive in the future, because RURAL BANK itself is intended to reduce inequality between strong and weak economic communities by providing access to funding with low interest rates and various the convenience. So there is a need to reform banking law to overcome this inequality towards RURAL BANK.

The development of legal materials in legal reform to face the challenges of globalization, especially those faced by Rural Banks today, should reflect the values of Pancasila and be in line with the spirit outlined in the 1945 Constitution of the Republic of Indonesia. As has been explained, legal reform must pay attention to the moral relationship between citizens and their country. In this argument, Pancasila is certainly the only source and basis that can describe the moral relationship between citizens and the state. Furthermore, legal reform should be carried out by paying attention to several aspects: Law is not a tool or facility for achieving rationality, but the law itself must reflect a rational nature (Kadaryanto, 2012). The rational nature in this case describes the law's ability to realize the legal objectives, and as a reflection of the nation's noble values: tolerance, humanity, unity, democracy and justice (Erwinsyahbana, 2012).

Pancasila values describe an Indonesian nation that is moral, respects each other, and protects human rights without discrimination; upholding unity for all elements of the nation; and building social justice in the economic and societal fields to realize people's sovereignty and law, both on a national and international scale (Waluyo, 2019). Legal reform will certainly be faced with various challenges and obstacles, especially the influence of ideologies that do not reflect the nation's values. So it is necessary to carry out legal reforms that are rooted in the nation's values, namely the values of Pancasila. The state must always pay attention to and assess all statutory regulations, including those in the banking sector. In this perspective, the new banking law must adhere firmly to the values of Pancasila in regulations relating to both national and international transactions; or all forms of financial cooperation, especially those involving foreign capital participation (Suprijanto, 20xx)
It is hoped that the reform of banking law for Rural Banks can realize legal harmonization that can accommodate people's aspirations while being able to meet the needs of the times. Indonesia, which is part of the economic globalization process, must have the ability to face the current fast-paced global economic dynamics. Countries are required to build domestic economic resilience through realizing an inclusive economy for all their people. The state has the responsibility to increase the competitiveness of Indonesian products as well as the consequences of carrying out legal arrangements so as not to hamper the national development process.

5 CONCLUSION

Through the analysis carried out, several conclusions were obtained, namely:

1. The dynamics of the regulation of Rural Banks in Indonesia, that Rural Banks were initially intended to help farmers, employees, laborers or in short, people with weak economies to escape forms of economic and social disadvantage. Referring to Law Number 10 of 1998 concerning Amendments to Law Number 7 of 1992 concerning Banking, Rural Credit Banks are banks that carry out business activities conventionally or based on sharia principles whose activities do not provide services in payment traffic. After the enactment of Law Number 21 of 2011 concerning the Financial Services Authority, all permits relating to financial institutions or financial service providers are under the jurisdiction of the FINANCIAL SERVICES AUTHORITY, including Rural Banks. Rural Banks are limited to ownership by Indonesian Citizens, Indonesian Legal Entities and Regional Governments.

2. The urgency of legal reform for Rural Banks in facing the challenges of globalization, that Rural Banks are the country's spearhead in realizing an inclusive economy for all Indonesian people because of their nature in providing banking services to economically weak communities. RURAL BANK requires large capital to be able to provide electronic banking services, however, RURAL BANK has limited capital, especially for issuing capital through the stock exchange which allows ownership by non-Indonesian citizens which is contrary to the Banking Law.

3. Legal reform for Rural Banks based on Pancasila Values, that legal reform efforts for RURAL BANK must pay attention to the noble values of the nation which are reflected in the Pancasila values of morality, mutual respect and protecting human rights without discrimination; upholding unity for all elements of the nation; and building social justice
in the economic and societal fields to realize people's sovereignty and the law. The state must always pay attention to and assess all statutory regulations, including those in the banking sector. In this perspective, the new banking law must adhere firmly to the values of Pancasila in regulations relating to both national and international transactions; or all forms of financial cooperation, especially those involving foreign capital participation.

Suggestions that can be given are: The House of Representatives is expected to reform the Banking Law in Indonesia relating to the structuring of Rural Banks based on Pancasila values in order to face the challenges of globalization by guaranteeing the people's economic sovereignty.

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