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Impact of Changes in the Nomenclature of Rural Credit Banks on the Law on the Development and Strengthening of the Financial Sector

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Abstract: The change in the nomenclature of Rural Credit Banks (BPR) to Rural Financing Banks in Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK) reflects a fundamental transformation in the direction of national financial sector policy. This change is not only symbolic but has a significant impact on the legal, institutional, and operational aspects of BPR. This study uses a normative legal method with a statutory and conceptual approach to analyze the legal implications, implementation challenges, and the need for new adaptive regulations. The analysis results show that the new nomenclature expands the role of BPRs in productive financing, opens up opportunities for integration with financial technology, and demands regulatory harmonization and strengthening the role of the OJK as a supervisory authority. The transformation is expected to enhance BPR's competitiveness in encouraging financial inclusion and people-based economic development.

Keyword: Rural Financing Bank, UU P2SK, Nomenclature

Abstrak: Perubahan nomenklatur Bank Perkreditan Rakyat (BPR) menjadi Bank Pembiayaan Rakyat dalam Undang-Undang Nomor 4 Tahun 2023 tentang Pengembangan dan Penguatan Sektor Keuangan (UU P2SK) mencerminkan transformasi mendasar dalam arah kebijakan sektor keuangan nasional. Perubahan ini tidak hanya bersifat simbolik tetapi berdampak signifikan terhadap aspek hukum, kelembagaan, dan operasional BPR. Penelitian ini menggunakan metode penelitian hukum normatif dengan pendekatan perundang-undangan dan konseptual untuk menganalisis implikasi hukum, tantangan implementasi, dan kebutuhan regulasi baru yang adaptif. Hasil analisis menunjukkan bahwa nomenklatur baru memperluas peran BPR dalam pembiayaan produktif, membuka peluang integrasi dengan teknologi finansial, serta menuntut harmonisasi regulasi dan penguatan peran OJK sebagai otoritas pengawas. Transformasi ini diharapkan dapat meningkatkan daya saing BPR dalam mendorong inklusi keuangan dan pembangunan ekonomi berbasis kerakyatan.

Kata Kunci: Bank Pembiayaan Rakyat, UU P2SK, Nomenklatur

INTRODUCTION

Indonesia has enacted Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UUP2SK) as part of a comprehensive effort to strengthen the foundations of the national financial system. This law is an important milestone in financial sector reform to promote stability, inclusion, and efficiency of the national financial system (Ahmad, 2023). One crucial aspect of this law is the change in the nomenclature of Rural Credit Banks (BPR) to Rural Financing Banks, as regulated in Article 314 letter (b) which states: "Changing the term Rural Credit Banks to Rural Financing Banks" (Murni, 2023). This change in nomenclature is not only limited to adjusting the term, but is part of the government's strategy in expanding the functions and roles of BPRs in supporting the community's economy, especially in the micro, small, and medium enterprises (MSMEs) sector. In addition, this change is also based on the need to align policies with the dynamics of the economy and the increasingly rapid development of financial technology (Muhamad, 2020).

The changes are also reinforced in Article 7 paragraph (1) letter b of the UUP2SK which states that: "The Financial Services Authority (OJK) has the authority to regulate and supervise the business activities of Rural Financing Banks, including changes to the nomenclature and scope of its business by the provisions of laws and regulations." Thus, this new nomenclature provides a legal basis for BPRs to expand the types of financing services and products that can be provided to the public, which previously may have been limited by the old provisions (Awanto, 2024). The main objective of this change is to expand public access to financing, strengthen the role of micro banking in the national financial system, and create synergy between financial sector business actors so that they can be more responsive to community needs (Ramadhan, 2024). In this context, the transformation of nomenclature is expected not only to be a symbol of reform but to be an entry point for strengthening the institutional capacity of BPRs to be more adaptive and competitive amidst the challenges of globalization and digitalization of the financial sector.

The change in nomenclature from Rural Credit Bank (BPR) to Rural Financing Bank as mandated in Law Number 4 of 2023 is not merely a change in administrative terms but reflects a profound paradigm shift in the direction and function of microfinance institutions in Indonesia. The term "credit" has so far given the impression that BPR is only limited to credit-providing activities while the nomenclature of "financing" is broader in scope, covering various forms of financing, including sharia financing, and providing space for innovation in other financial products (Yasin, 2019). Thus, the substantive meaning of this change is the strengthening of BPR's identity as a financial institution that not only provides loans but also can act as a strategic financial partner for MSMEs and small communities. It indicates that BPR is now expected not only to be a provider of funds but as an institution that empowers the community's economy based on more inclusive and adaptive financing (Sinaga, Nasution, & Siregar, 2013).

The change also has a real impact on the practice and orientation of micro-banking. Previously, many BPRs operated with limited product and service coverage due to strict regulatory provisions and narrow business focus. Now, through the new nomenclature and support from UUP2SK, BPRs are given more flexible space to innovate and expand the types of financial services, including cross-sector cooperation, digital integration, and expansion of sharia products. The implication is the demand for internal changes that are not small, ranging from adjusting operational systems, and improving human resource competencies, to adjusting business strategies and governance. This change also encourages BPRs to be more ready to compete with other financial institutions in providing fast, easy, and safe services, as well as helping to encourage the growth of national financial inclusion which is one of the main objectives of strengthening the financial sector in the long term.

Rural Financing Banks (BPRs) have a strategic role in supporting the national economy, especially in fostering and serving Micro, Small, and Medium Enterprises (MSMEs) and low-income communities that have not been touched by conventional banking services (Lubis, 2010). The existence of BPRs is imperative in increasing financial inclusion, especially in remote areas, rural areas, and areas that are geographically difficult to reach by commercial banks (Syaichu, 2013). It is by the mandate of Article 8 paragraph (2) of Law Number 4 of 2023 concerning P2SK, which states that: "The Financial Services Authority encourages the provision of financial services by Financial Services Institutions which reaches the wider community, including communities in remote, rural, and/or unserved areas." In this context, BPR becomes an important factor in distributing financial services evenly, providing access to capital, and fostering sustainable community financial management (Fuady, 1999). With its local and community-based capacity, BPR can establish social closeness with its customers, so it has great potential to create a more productive, inclusive, and competitive local economic ecosystem (Manurung, 2015).

The change in the nomenclature of BPR to Rural Financing Bank has direct implications for the supervision and regulatory system that governs it, especially in terms of strengthening the role of the Financial Services Authority (OJK) as the main supervisory institution. Along with the expansion of the scope of BPR's business which is now not only limited to credit but also includes financing in a broad sense, the supervision carried out by OJK has become more comprehensive and intensive. This is emphasized in Article 7 paragraph (1) letter b of Law Number 4 of 2023, which states that OJK has the authority to regulate and supervise the business activities of Rural Financing Banks. Regulatory adjustments are inevitable, from strengthening internal governance, and implementing more complex risk management, to complying with the principle of prudence in conducting the intermediation function. BPRs are required to improve the quality of reporting, financial transparency, and readiness to face stricter audits and examinations.

The implementation of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), especially in changing the nomenclature of Rural Credit Banks (BPR) to Rural Financing Banks, cannot be separated from the various challenges that must be faced by these financial institutions. One of the main challenges is the readiness of human resources (HR) owned by BPRs, which are generally still limited, in terms of number and technical competence. There needs to be training and capacity building for employees so that they can understand and adapt to new regulations and carry out financing functions that are more complex than before. In addition, adjustments to internal systems, such as updating operational procedures, information technology systems, and risk management policies, are urgently needed so that BPRs can meet the governance standards set by the OJK. No less significant is education for the community, especially BPR customers in rural areas who do not necessarily understand the implications of this change, so effective communication is needed so as not to cause confusion or distrust (Husein, 2003).

Behind these challenges, there are great opportunities that can be utilized by BPR to optimize its role in the national financial system. This change in nomenclature opens the way for BPR to be better integrated with the national financial ecosystem, including opportunities for collaboration with other financial institutions, financial technology companies (fintech), and government programs in the field of MSME financing. A wider business scope allows BPR to develop more varied financial services, such as digital technology-based financing, sharia products, and creative microfinance that can reach more levels of society. With the strengthening of the role from the regulatory side and support from the P2SK Law, BPR has the opportunity to increase competitiveness and strengthen its position as an important pillar in encouraging financial inclusion and economic empowerment of communities at the local level.

The change in the nomenclature of BPR to Rural Financing Bank as part of the implementation of the P2SK Law emphasizes the urgency of the presence of synchronous, adaptive, and progressive regulations, to be in line with the spirit of national financial sector reform. The regulations that are enforced must be able to answer real needs in the field, not only normative or administrative, but also truly support the strengthening of BPR from various aspects, ranging from institutions, and operations, to strengthening technological capabilities. In this context, harmonization between OJK regulations, Bank Indonesia, and policies from related ministries such as the Ministry of Cooperatives and SMEs is necessary, so no overlap or confusion in its implementation. Space also needs to be opened for policy flexibility that allows BPR to adapt to the dynamics of digitalization and local economic needs without losing the principle of prudence. With the support of visionary and responsive regulations, BPR will be able to become a modern, professional financing institution, and have high competitiveness in supporting the growth of the people's economy in the era of digital financial transformation.

METHOD

This study uses a normative legal research method, namely legal norms written in laws and regulations as the basis for analysis (Mamudji, 2002). This method aims to examine the provisions of applicable positive law, especially about the change in the nomenclature of Rural Credit Banks (BPR) to Rural Financing Banks as regulated in Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK). In its implementation, this study applies two main approaches, namely the statute approach and the conceptual approach. The statutory approach is used to examine various related regulations, such as the P2SK Law, the Law on Banking, and regulations from the Financial Services Authority (OJK).

Meanwhile, the conceptual approach is by examining the ideas or basic concepts that underlie the change in nomenclature and its objectives in the context of financial sector reform and national financial inclusion. To obtain relevant data, data collection techniques are conducted through library research, namely by reviewing legal literature, scientific journals, laws and regulations, and official documents related to financial sector policies. The main data sources come from primary legal materials such as laws and OJK regulations, as well as secondary legal materials such as books and academic articles. The data analysis technique used is qualitative analysis, which is carried out by interpreting and reviewing the contents of applicable legal regulations and linking them to relevant legal theories and concepts (Marzuki, 2014). This analysis aims to systematically describe how changes in BPR nomenclature affect the legal system and practices of micro-banking in Indonesia and to evaluate the extent to which existing regulations can accommodate these changes within an ideal and implementable legal framework.

RESULT AND DISCUSSION

Legal Regulations Regarding Changes in the Nomenclature of Rural Credit Banks to Rural Financing Banks in the P2SK Law

The change in the nomenclature of Rural Credit Banks (BPR) to Rural Financing Banks is explicitly regulated in Article 314 letter (b) of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK). The article states: "Every mention of Rural Credit Banks in the provisions of laws and regulations that are still in force, is changed to Rural Financing Banks." This provision shows that the change in nomenclature is comprehensive and applies to all regulations that previously used the term "Rural Credit Bank". This means that not only the P2SK Law is affected, but also all implementing regulations, derivative regulations, and technical policies that have so far regulated the existence and operations of BPRs. From a legal perspective, this change marks the starting point for the transformation of the role of BPRs to be broader, not just as credit-providing institutions, but as entities that have a more diverse scope of financing, including sharia-based financing.

The background to this legislative change was born from the spirit of national financial sector reform which was the core of the formation of the P2SK Law. In the general explanation of the P2SK Law, it is stated that the Indonesian financial system needs to be strengthened through various reforms, including strengthening the institutions and roles of small-scale banks such as BPR. The change in terminology from "Credit" to "Financing" reflects the expansion of the paradigm, where BPR is no longer only considered as a conventional credit provider, but as a flexible financing institution that can accommodate various modern financing models. It includes the integration of financial technology, creative microfinance, and sharia financial services that were previously not specifically emphasized. Therefore, the change in nomenclature is not only symbolic but has structural implications for the design of policies, supervision, and the direction of BPR development in the future.

Synchronization with previous regulations is one of the important challenges that must be overcome to ensure consistency and legal certainty. One of the main regulations affected is Law Number 10 of 1998 concerning Banking, especially the provisions regarding BPR as a bank that only serves the activities of collecting and distributing funds in a simple form. In the Banking Law, BPR is narrowly defined as a financial institution with limited business activities compared to commercial banks. With the enactment of the P2SK Law and changes in nomenclature, various provisions in the Banking Law that mention "BPR" need to be adjusted normatively and substantively so that there are no conflicts in implementation. This change also opens up opportunities for the preparation of derivative regulations or revisions to previous laws that are more accommodating to the strategic role of BPR in the era of digital transformation and national financial inclusion.

The change in nomenclature from Rural Credit Bank (BPR) to Rural Financing Bank in Law Number 4 of 2023 (P2SK Law) has strategic legal and economic objectives. Legally, the term "financing" provides a broader legal scope than "credit". Credit in terminology in banking regulations is often associated with conventional schemes, while the term "financing" includes other financial models such as sharia financing, venture capital, or digital technology-based financing. Thus, this change aims to expand the legal framework so that BPR can move more flexibly in providing financial products and services. From an economic perspective, the new nomenclature reflects the need to encourage the role of BPR as a motor of regional economic growth and a driver of financing for the productive sector, especially MSMEs, through a more innovative approach that is not limited to traditional credit patterns (Paramitha, 2020).

The changes line up with the spirit of national financial sector reform which is the main spirit of the P2SK Law. The government through the P2SK Law seeks to create a financial ecosystem that is more resilient, inclusive, and adaptive to changing times. In this context, BPR is no longer positioned as a "second-class bank", but rather as an institution that has a strategic role in building a financial system that reaches all levels of society, especially in rural and remote areas. With the new nomenclature, it is hoped that there will be institutional revitalization and the role of BPR in supporting national economic growth evenly. This spirit is reflected in a number of provisions in the P2SK Law which provide space for BPR to expand the reach of services, strengthen capital structures, and increase digital and institutional capacity (Ningtyas, Winarno, & Istislam, 2015).

Furthermore, the change in terminology to "People's Financing Bank" is also a form of adjustment to international practices and the development of the digital financial system. In various countries, microfinance institutions or communities often use the terms “financing” or “community financing institutions” to reflect the diversity of their financial approaches—whether based on loans, investments, or capital partnerships. In the context of digitalization, the term “financing” opens up opportunities for collaboration between BPRs fintech and other financial technology players, which have tended to operate in the non-banking sector. Therefore, this new nomenclature is not only an administrative refreshment, but also an important foundation for BPRs in transforming into modern people's banks that are responsive to changes in technology, market needs, and global regulations (Meriyati, 2021).

The change in nomenclature from Rural Credit Banks (BPR) to Rural Financing Banks has quite significant legal implications, although normatively it does not immediately change the institutional status of BPRs as part of the national banking system. However, this change requires an administrative, institutional, and operational adjustments. The change in the term from "credit" to "financing" has a broader legal meaning, indicating that BPRs in the future can carry out various forms of financing, including sharia financing, partnership-based financing, or more inclusive financial services (Kusnandar, 2013). Therefore, although legally it does not form a new legal entity, this change in nomenclature substantively demands changes in the functions, strategies, and internal structures of BPR operations. In line with this, new legal obligations have emerged that must be complied with by BPRs during the transition period and after the full implementation of the P2SK Law. Among them are adjustments to business licenses and operational activities, which must be reviewed by the OJK to ensure that BPRs can carry out financing functions according to their new nomenclature. The scope of business activities has been expanded from merely providing credit to financing in a more general sense, including the potential for service integration with financial technology (fintech). In terms of supervision, BPRs are now under more intensive supervision by the OJK, because the scope of their business and responsibilities to customers are increasingly broad. Consequently, BPRs must meet higher governance standards, update their risk management systems, and improve the competence of their human resources to comply with new regulations and optimize their economic function in the national financial system.

As an authorized institution to regulate and supervise the financial services sector, the Financial Services Authority (OJK) has a central role in the transition process of this BPR nomenclature. Article 7 paragraph (1) letter b of the P2SK Law explicitly gives OJK the authority to formulate regulations and supervise the business activities of financial institutions, including BPRs. In the context of this change in nomenclature, OJK has the task of formulating technical policies and derivative regulations that can support the operations of Rural Financing Banks in the future. This includes a revision of the POJK (OJK Regulation) which previously only regulated BPRs in the context of "credit", so it needs to be adjusted to accommodate the "financing" aspect in its various forms (Romlah, Budiartha, & Putra, 2023).

More than just a regulator, OJK also plays a role as a facilitator and mentor in assisting BPRs in facing the transition process. Policy socialization, technical guidance, and strengthening of managerial and technological capacity at the BPR level are vital so that the implementation of this new nomenclature does not cause confusion or stagnation at the operational level. In addition, the OJK is expected to be able to design a risk-based supervision system that is more adaptive to new forms of financing that are potentially implemented by BPRs, including collaboration with fintech or digital cooperatives. With the support of a progressive and collaborative OJK, it is hoped that BPRs will be able to transform themselves into modern, professional people's financial institutions that still uphold the principle of prudence.

Before the enactment of the P2SK Law, regulations regarding BPRs generally referred to Law Number 10 of 1998 concerning Banking, which limits the scope of BPR activities to collecting funds in the form of deposits and distributing funds in the form of simple credit. BPRs are not permitted to carry out activities such as foreign exchange, credit cards, and cross-border transaction services. In this regulation, BPRs are seen more as a complement to commercial banks, with business segmentation limited to the local scale and small communities. However, after the P2SK Law was enacted, the nomenclature and paradigm of BPR changed. Regulations after the P2SK Law opened up the possibility for BPR to conduct financing in a broader form, as well as encourage collaboration with digital economy actors and other national financial systems.

The change in terminology from "credit" to "financing" affects the legal interpretation and strategic position of BPR in the national banking system. Now, BPR is not only positioned as a micro-credit institution but as a grassroots community financing actor, which can collaborate with various financing entities, including fintech and cooperatives. Evaluation of the alignment of the P2SK Law and its implementing regulations is critical because inconsistencies between regulations can create legal uncertainty for BPR business actors. Therefore, harmonization between the P2SK Law and sectoral regulations from the OJK, BI, and other agencies must be immediately prepared comprehensively, so that this new nomenclature is not only a name change but also reflects a new vision to strengthen inclusive finance and the stability of the national financial system.

Legal and Practical Impact of the Change in Nomenclature on the Role and Function of BPR in the National Banking System

The change in nomenclature from Rural Credit Bank to Rural Financing Bank as stipulated in Article 314 letter (b) of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK), legally has important implications for the status and function of BPR. Although it does not explicitly change the form of the legal entity or its institutional status as a bank, this change in nomenclature affects the legal perception of the characteristics of the institution and the scope of business that can be carried out by BPR. Previously, BPR was legally understood as an institution that carries out credit functions, with limited and conservative regulations as stated in Law Number 10 of 1998 concerning Banking. Now, with the change in terminology to "financing", the normative understanding of the function and scope of BPR services has expanded, which indirectly demands a revision of the technical policies, internal SOPs, and regulatory frameworks that were previously applied.

In the context of business permits and operational activities, this change in nomenclature requires BPR to make adjustments to the business permits that have been issued by the Financial Services Authority (OJK). Activities that were previously limited to conventional credit provision can now be expanded to include more modern forms of financing, such as Sharia-based financing, productive investment financing, and collaboration with financial technology platforms. This requires updating operational regulations, including revisions to the OJK Regulation (POJK) regarding capital, risk management, and digital-based services. In addition, BPRs are now required to comply with stricter risk supervision principles, given the increased responsibility and expectations of regulators regarding BPRs' ability to absorb and distribute financing more broadly and inclusively.

Substantively, the term "financing" provides a more flexible and progressive legal basis than "credit". From a banking law perspective, credit is often understood in conventional loan schemes that focus on interest and collateral, while financing includes more approaches—both Sharia-based, capital venture, and results-based partnerships. This means that BPRs can function as financing institutions that can adapt to the dynamics of the national and global financial system, without being confined to the old operational model. However, these legal implications also create the need for a stricter supervisory system, more detailed reporting, and an internal system that is by the principles of good governance. Therefore, this change in nomenclature cannot be considered as a mere symbolic change, but rather as a new legal basis for transforming the strategic functions and roles of BPRs amidst the ever-evolving national financial architecture.

The change in nomenclature from Rural Credit Bank to Rural Financing Bank not only has a legal impact but also has practical implications for the overall operations and business model of BPRs. With the meaning of "financing" which is broader than "credit", BPRs now have more flexible room to maneuver in carrying out business activities, including providing financing to micro, small, and medium enterprises (MSMEs), both in conventional and sharia schemes. This opens up great opportunities for BPRs to enter previously untouched sectors, such as working capital financing for farmers, fishermen, and community-based entrepreneurs. In addition, the productive financing model based on profit sharing that has so far been synonymous with Islamic financial institutions can also be adopted by BPRs that want to expand their market to segments of society that tend to avoid the interest system.

In addition to expanding the scope of services, this change also encourages BPRs to establish broader collaboration with other actors in the national financial ecosystem, including fintech, digital cooperatives, and other non-bank financing institutions. The partnership is necessary in responding to the challenges of limited infrastructure, service coverage, and technology access that have so far limited the growth of BPRs. With the support of digital technology, BPRs can develop application-based services, automatic credit scoring systems, and more efficient and inclusive financing distribution channels. This kind of strategic collaboration also paves the way for BPRs to access alternative funding sources through capital markets or technology-based investment schemes, without losing their identity as people's financial institutions rooted in local communities.

However, to answer this opportunity, BPRs are required to conduct a comprehensive transformation of their business models. From previously being based on a conventional approach and tend to be transactional, BPRs must now adapt to an integrated financing approach that is more oriented towards added value, sustainability, and long-term relationships with customers. This transformation includes updating the information technology system, increasing human resource capacity, strengthening the risk management structure, and developing innovative financial products that are in line with market needs. BPR also needs to change the way it views customers—no longer just as a lender but as a strategic partner in building the independence and economic resilience of small communities. Therefore, this change in nomenclature is a momentum for BPR to strengthen its role as an agent of economic transformation at the grassroots level, through a modern, inclusive, and adaptive financing approach to the times.

Ideal Regulations That Can Support BPR Institutional Transformation in the Era of Financial Sector Reform

The change in the nomenclature of BPR to Rural Financing Bank as regulated in Article 314 letter (b) of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK) has serious consequences for the regulatory system of the micro banking sector. In this context, harmonization between the P2SK Law, Law Number 10 of 1998 concerning Banking, and various implementing regulations from the Financial Services Authority (OJK) and Bank Indonesia (BI) is very crucial. Every regulation governing the financial sector must be drafted synergistically to avoid normative conflicts that can hinder the institutional transformation of BPR. Without harmonization, BPR will face confusion in the operationalization of legal provisions, especially regarding the types of businesses that can be run, financing limits, and supervisory standards imposed by regulators.

The potential for overlapping between regulations can occur when the technical policies of each institution—such as POJK from OJK and monetary provisions from BI—are not in line with the spirit and direction of the P2SK Law. For example, the expansion of financing functions by BPRs supported by the P2SK Law may be hampered by limitations in the Banking Law which still uses the terminology of "people's credit" with a narrow meaning. As a result, legal certainty for BPRs as business actors is threatened, because there is a mismatch between the rights and obligations stipulated in various applicable legal sources. This uncertainty can slow down the regulatory adaptation process by BPRs, as well as reduce the attractiveness of this sector for investors or strategic partners from other financial sectors.

Therefore, clarity is needed on the division of roles and functions between financial sector regulatory and supervisory institutions. OJK as an institution mandated to regulate and supervise the financial services industry based on Article 7 of the OJK Law and Article 7 paragraph (1) letter b of the P2SK Law, needs to establish close coordination with BI in designing policies that touch on the macroprudential and macroprudential aspects of BPRs. In addition, harmonization also includes the involvement of the Ministry of Finance, BPR associations, and other stakeholders in the process of making derivative regulations, so that the regulations that are born are not only top-down but also accommodate real needs in the field. Regulations that are aligned across institutions are an important foundation to ensure the success of BPR institutional transformation in the era of increasingly dynamic financial sector reform.

BPR institutional transformation requires comprehensive and progressive regulatory standards to support strengthening internal structure, governance, and institutional capabilities. As a financial institution that is now given a strategic role in supporting national financing, BPR must have a legal framework that guarantees minimum capital, quality risk management, and implementation of good corporate governance (GCG). These standards must be established gradually through derivative regulations from the OJK that reflect the complexity of BPR's new business activities after the nomenclature change. For example, provisions regarding the capital adequacy ratio (CAR), ownership structure, transparency of financial reports, and audit standards must be adjusted to the new direction of a broader and more adaptive financing function.

In addition to institutional aspects, regulations must establish operational standards that enable BPR to respond to the growing financing needs in the MSME, agricultural, and local economic sectors. The shift from a “credit” to a “financing” approach requires adjustments to the business model and product services, which include sharia financing, supply chain financing, and productive business capital support that is not always based on collateral. In this case, regulations should provide procedural flexibility for BPRs, including character-based lending feasibility analysis, musyarakah and mudharabah financing schemes, and adaptive restructuring mechanisms. These technical provisions must be clearly stated so that BPRs are not hampered by administrative bureaucracy, but remain under healthy and measurable supervision.

Ideal regulations must also include the preparation of a long-term institutional roadmap for BPRs, both for conventional BPRs and sharia BPRs. This roadmap includes targets for strengthening the organizational structure, improving the quality of human resources, integrating information systems, and access to sustainable long-term funding. Without the support of visionary and measurable policies, BPR transformation will only be symbolic, not substantial. Therefore, the OJK and the government must provide a regulatory assistance platform that allows BPRs to grow organically, gradually, and by the local needs of each region. Strong, flexible, and applicable regulatory standards are an important prerequisite for

BPRs to serve as a driving force for the people's economy amid the modern financial dynamics.

Digital transformation has become an important pillar in the modernization of BPR after the change in nomenclature, so regulations that support innovation and adoption of financial technology are very much needed. BPR is now required to not only serve conventional financing, but also be able to access digital technology such as mobile banking, digital customer onboarding, and integration with the fintech ecosystem. Therefore, ideal regulations must include a regulatory sandbox for innovation, incentives for digitalization of service systems, and provisions for digital consumer protection and cybersecurity. Without regulations that are adaptive to technological advances, BPR will be left behind in the competition with other more agile financial institutions. On the other hand, OJK as a regulator needs to play an active role not only in regulating, but also in fostering and facilitating the gradual digitalization process of BPR, including in terms of HR training, technology investment, and evenly distributed digital infrastructure, especially in rural areas where BPR operates predominantly.

One of the strategic roles carried out by BPR is as a driving force for financial inclusion, especially in areas that have not been reached by conventional banking services. The change in nomenclature to People's Financing Bank opens up wider space for BPR to reach segments of society that previously had difficulty accessing financing, such as micro-entrepreneurs, farmers, fishermen, and the informal sector. Therefore, regulations must be designed to encourage BPR to be actively present in disadvantaged, outermost, and remote areas (3T) with simple, affordable financing schemes following local characteristics. These regulations can be in fiscal incentives, ease of branch licensing, or reduction of certain risk ratios when BPR channels financing to productive sectors in 3T areas.

Financial inclusion policies supported by regulations also need to include the active role of BPR in national programs, such as People's Business Credit (KUR), account-based social assistance, and ultra-micro financing programs (UMi). However, to be optimally involved in these programs, BPR requires regulatory support that ensures support for BPR's capacity in terms of liquidity, human resources, and support systems. For example, there needs to be an integrative policy between the Ministry of Finance, OJK, and Bank Indonesia that allows BPR to gain access to low-cost funds or risk guarantee facilities. Without comprehensive regulatory support, BPRs will have difficulty competing with large financial institutions in implementing these inclusion programs, even though geographically and sociologically, BPRs are much closer to the target community.

Moreover, regulations that support financial inclusion must consider local diversity. Regulations that are too uniform often do not match the real conditions of BPRs in various regions. Therefore, a modular or differential regulatory approach is needed, where BPRs in areas with low penetration rates are given greater flexibility in service requirements and reporting systems. This approach will create equal opportunities between large BPRs in cities and small BPRs in rural areas, without sacrificing the principle of prudence. Financial inclusivity through BPRs is not only about access to financing, but also about creating public trust in the formal financial system—and this can only be achieved if regulations truly support the needs of the lower classes served by BPRs.

In facing the dynamics of the financial sector that continues to develop, BPRs need an adaptive and sustainable regulatory model, namely a legal framework that is not only responsive to short-term changes, but also has a long-term vision that encourages progressive institutional growth. This regulatory model must be flexible in accommodating innovation and developments in financial technology without losing the basic principle of prudence. For example, regulations must provide space for BPRs to develop technology-based products such as digital financing, the use of artificial intelligence in credit analysis, and collaboration with fintech platforms. However, at the same time, regulations still need to set clear risk mitigation standards so that the stability of the financial system is maintained. This kind of regulation requires an approach that is not rigid, but based on the principles of proportionality and risk-based supervision. The adaptive regulatory model must also consider the diversity of BPR characteristics, ranging from business scale, and operational location, to customer segmentation. A BPR in an urban area certainly faces different challenges and opportunities compared to a remote rural area. Therefore, OJK and the government need to develop a regulatory framework that is dynamic and can be adjusted to the specific needs of each BPR. For example, provisions on financial reporting, technology risk management, and allowances for impairment losses (CKPN) can be implemented gradually based on the capacity and institutional readiness of BPRs. So, a regulatory evaluation mechanism is also important so that policies that have been implemented can continue to be adjusted to the reality on the ground, through participatory and data-based supervision.

To support the sustainability of regulations, there also needs to be synergy between formal regulations and institutional development frameworks. It means that regulations are not only a control tool but also an empowerment instrument. OJK can act as a facilitator that not only issues regulations, but also builds BPR capacity through training, technical guidance, and innovation incentives. Sustainable regulations must encourage long-term BPR growth while maintaining the integrity and stability of the banking sector. In this case, collaboration between the government, supervisory authorities, BPR associations, and academics is needed to ensure that the regulations that are created are not only compatible with the challenges of the times but also bring real benefits to strengthening the people's economy through the strategic role of BPRs.

CONCLUSION

The change in the nomenclature of Rural Credit Banks (BPR) to Rural Financing Banks as mandated in Article 314 letter (b) of Law Number 4 of 2023 concerning the Development and Strengthening of the Financial Sector (UU P2SK) is not merely an administrative name change, but marks a paradigm shift in the structure and direction of the development of microfinance institutions in Indonesia. This change provides a great opportunity for BPRs to expand the scope of business activities, strengthen their role in financing the productive sector, and be more closely integrated into the national financial system. Legally, the new nomenclature reflects the expansion of functions from previously only focusing on credit to financing in a broader sense, both conventional and sharia.

However, this change also brings legal consequences and implementation challenges that are not simple. BPRs are now faced with demands to make comprehensive adjustments to their institutional structure, operational systems, and human resource competencies. On the other hand, OJK as the supervisory authority has a central role in ensuring that the transition process runs in an orderly and consistent manner, including through strengthening technical regulations, risk-based supervision, and facilitating institutional development. Without proper regulatory support, this nomenclature transformation may confuse technical implementation in the field, both for industry players and the community using BPR services.

Therefore, a synchronous, adaptive, and sustainable regulatory model is needed to oversee this transformation process. Harmonization between regulations, strengthening institutional capacity, and incentives for digitalization and financial inclusion are important elements that must be a priority in the development of BPR in the future. Regulation is not only a control tool but a catalyst for empowering the people's economy through micro-banking. With targeted and collaborative steps between regulators, industry, and other stakeholders, BPR can transform into a strong, modern, and relevant financial institution in supporting sustainable national economic development.

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