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MORALITY BEFORE KNOWLEDGE

From business legitimacy to risk management fragmentation of regulations on gold bar trading at Pegadaian

Wurianalya Maria Novenanty[1,*], Dewi Sukma Kristianti[1]
[1] *Department of Law, Faculty of Law, Parahyangan Catholic University, Bandung, West Java 40141, Indonesia.*
*Correspondence: nalya@unpar.ac.id

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ABSTRACT
Background: Gold bar trading by PT Pegadaian has grown rapidly in line with Pegadaian's transformation from a pawn-based financing institution to a gold-based financial service provider. However, this development has not been fully accommodated by an integrated regulatory and governance framework, giving potential risks of legal uncertainty and violation of consumer protection. **Methods**: This study uses a normative legal research method with a statutory, conceptual, and analytical approach through a literature review. **Findings:** The results show that although POJK No. 39/2024 and POJK No. 22/2023 have provided business legitimacy and a basis for consumer protection, the regulation of gold bullion trading is still sectoral and tends to emphasize administrative compliance rather than substantive investment risk control. **Conclusion**: It is concluded that Pegadaian's gold bullion trading is in a governance grey area due to regulatory fragmentation and weak risk management integration. **Novelty/Originality of this article:** The novelty of this research lies in the formulation of the concept of integrated risk and consumer governance as a direction for strengthening the regulation and governance of gold bullion trading at PT Pegadaian.

KEYWORDS: consumer protection; financial services regulation; gold bar trading; Pegadaian; risk management.

1. Introduction

Gold is a metal that has high value based on its uses and value (Ericsson, 2023). It is categorized as a previous metal that is tangible and wealth asset (Ericsson, 2023). For Indonesians, Gold has become an important instrument for a long time, whether as savings, a hedge against inflation, and an investment (Irawan & Christianto, 2025). Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector (P2SK Law) provides the strong legal foundation to establish a gold bank in Indonesia (Irawan & Christianto, 2025). Financial Services Authority Regulation No. 17 of 2024 concerning the Implementation of Bullion Business Activities (POJK No. 17/2024) is the "follow-up" regulation to the mandate of the P2SK Law (Irawan & Christianto, 2025).

By the end of 2024 and early of 2025, two financial institutions, PT Pegadaian (Persero) (Pegadaian) and PT Bank Syariah Indonesia (BSI) were launched as the first gold bank services which had been granted the gold business licenses by the OJK (Irawan & Christianto, 2025). Pegadaian's institutional transformation and role in financial inclusion

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(Danareksa Research Institute, 2022) have become broader through commodity trading. Normatively, the expansion of Pegadaian's gold business has been legitimized by OJK and implemented under POJK No. 39 of 2024 on Pawnshops (POJK No.39/2024), while consumer protection obligations are reinforced through POJK No.22 of 2023 regarding Consumer and Public Protection in the Financial Services Sector (POJK No.22/2023). However, it requires a thorough study regarding whether such norms have sufficiently integrated gold bullion trading at PT Pegadaian (Pegadaian) as a hybrid legal activity that simultaneously involves commodity characteristics, investment risk, and financial services governance.

Using the theory of good corporate governance as an intermediate norm (tussennorm) that operationalizes prudence, transparency, and accountability (Otto, 2008; Black, 2020), this study identifies a regulatory gap between formal business legitimacy and the absence of an integrated risk and consumer protection framework, which risks reducing governance to tick-box compliance (OECD, 2004). Building on the foregoing discussion, this manuscript is based on the theoretical framework of financial regulation, risk-based governance, and consumer protection in financial services.

Prior studies have examined gold as a safe haven and store of value in the Indonesian economy (Basri, 2012), while the objectives of this study are: to analyze the alignment and gaps in regulations governing gold bullion trading at Pegadaian; to assess the adequacy of Pegadaian's governance framework in managing investment risk and protecting consumers; and to formulate policy recommendations for strengthening an integrated, risk-based, and consumer-centric regulatory and governance framework. The originality of this manuscript lies in its integrative legal analysis that positions gold bullion trading at Pegadaian not merely as a permissible business expansion, but as a governance-intensive financial activity with significant public risk implications.

Previous studies tended to be fragmented and focused on economic analyses of gold, institutional studies of Pegadaian, regulatory analyses of commodity trading, and governance studies of financial services institutions separately. The state of the art and the positioning of this study offer an integrative analysis that elaborates gold bullion trading at Pegadaian as a governance-intensive financial activity, bridging fragmented regulatory regimes with corporate governance theory and consumer protection principles.

2. Methods

2.1 Research design

This study employed a normative legal research design, which focuses on the analysis of prevailing laws and regulations. The study aimed to examine the fragmentation, alignment, and regulatory gaps in the governance of gold bullion trading conducted by Pegadaian in Indonesia. To achieve this objective, three complementary approaches were adopted: the statutory approach, the conceptual approach, and the analytical approach. The statutory approach was used to examine legislation governing Pegadaian, bullion business activities, and consumer protection in the financial services sector. The conceptual approach explored the legal concepts of governance, prudence, and legal certainty, while the analytical approach was applied to identify regulatory fragmentation and assess its implications for the governance of gold bullion trading.

2.2 Data collection and analysis

The study utilized both primary and secondary legal materials. Primary legal materials consisted of relevant laws and regulations governing Pegadaian, bullion business activities, and financial sector supervision. Secondary legal materials included national and international books, scholarly journal articles, and other academic publications relevant to the research topic. These legal materials were collected through a systematic literature review to ensure comprehensive coverage of the applicable legal framework. The collected materials were analyzed using a qualitative normative approach by interpreting legal norms, comparing regulatory provisions across different legal regimes, and constructing legal arguments to address the identified issues. The analysis ultimately produced normative findings and policy recommendations aimed at strengthening legal certainty, enhancing consumer protection, and supporting the sustainability of Indonesia's financial system.

3. Results and Discussion

3.1 Gaps and alignments in gold bar trading regulations at Pegadaian in Indonesia

From an early time, gold has become a part of every human culture (Ragul & Khrisna, 2023). In the architecture of the international monetary and financial system, gold has long had a distinctive position (Suprapto, et al, 2026). International literature demonstrates that gold tends to preserve value during periods of economic uncertainty, inflation, and financial market volatility, functioning as both a hedge and a safe haven against fluctuations in stock and bond markets (Baur & Lucey, 2010). Yet, there is also an opinion that, like other commodities, the price of gold is notoriously difficult to predict (Raj, 2024).

Gold bullion trading in Indonesia is closely linked to the character of gold as an investment instrument with intrinsic value and “safe haven” function. In the Indonesian context, gold is similarly perceived as an effective hedging instrument. Bank Indonesia notes that gold is widely used to protect wealth from inflation and exchange rate depreciation, while empirical studies confirm a negative relationship between gold prices and inflation, indicating its role in safeguarding long-term purchasing power (Wibowo & Nugroho, 2021). Such economic rationality still prevails nowadays. Beyond economic rationality, gold also holds strong sociocultural significance, traditionally serving as a means of value storage and family economic security in Southeast Asian societies (Geertz, 1963). The cultural dimension of gold reinforces public trust in gold as an investment instrument, a finding established by the Financial Services Authority, which identifies gold as one of the most recognized and trusted investment assets among Indonesians (OJK, 2022).

The characterization of gold as a safe haven asset undoubtedly strengthens public confidence in gold-based investment products. Nevertheless, international studies indicate that the safe haven function of gold is conditional and does not consistently provide protection across all periods of financial and economic crises. The movement of gold price as a commodity is not only affected by the numerical data and market sentiment, but it can also be affected by analyst reports, financial news, and social media (Varela et al, 2025). Therefore, financial institutions offering gold investment products remain under an obligation to adequately disclose price volatility risks and potential losses to consumers in order to avoid creating the misleading perception that gold constitutes a risk-free investment instrument (Baur & McDermott, 2016).

As an investment instrument, gold can be traded as a commodity. Based on Article 1 point 2 of Law No. 10 of 2011 concerning Amendments to Law No. 32 of 1997 concerning Commodity Futures Trading as amended by Law No. 4 of 2023 concerning Development and Strengthening of the Financial Sector (Commodity Futures Trading Law), Commodities are defined as all goods, services, rights, and other interests, and any derivatives of commodities, which can be traded and can be made as the subject of Futures Contracts, Sharia Derivative Contracts, and/or Derivative Contracts. Gold trading as a commodity is subject to Indonesian Minister of Trade Regulation No. 119 of 2018 concerning General Policies on Digital Physical Gold Trading on Futures Exchanges (Permendag No. 119 of 2018) and the Commodity Futures Trading Regulatory Agency Regulation No. 3 of 2025 concerning Procedures for the Implementation of Digital Physical Gold Market Trading on the Futures Exchange (Bappebti Regulation No. 3 of 2025).

Normatively, the provisions in Permendag No. 119 of 2018 and Bappebti Regulation No. 3 of 2025 categorize gold as a physical commodity with certain purity standards that is traded within the framework of the futures market, either through conventional physical mechanisms or electronic systems (Article 1 point 4 of Permendag No. 119 of 2018). This construction shows that gold trading is defined as an organized commodity activity under the futures exchange regime, with ownership records that can be done digitally without changing the character of gold as a physical commodity. The explicit placement of gold within the futures trading regime also limits its scope as a commodity trading activity, thus conceptually differing from gold trading conducted as part of financial services activities, as developed within the bullion business regime (Article 1 point 3 of Permendag No. 119 of 2018).

Following the enactment of Law No. 4 of 2023 concerning the Development and Strengthening of the Financial Sector, gold bar trading is one of the gold bullion activities as regulated in Article 130 Chapter XI of the P2SK Law, which explains that bullion business activities are business activities related to gold in the form of deposits, financing, trading, gold custody, and/or other activities conducted by Financial Services Institutions (FSI). OJK, as the institution with the duty and authority to regulate and supervise FSI, stipulates regulations regarding bullion business activities in Financial Services Authority Regulation No. 17 of 2024 concerning the Implementation of Bullion Business Activities (POJK No. 17/2024).

The trading of gold as a commodity and the trading of gold as part of bullion activities are two distinct activities. The definition of gold in Article 1 point 6 of POJK No. 17/2024 is a precious metal in the form of bars or plates and not in the form of currency, with a minimum Aurum (Au) content of 99.9%. Meanwhile, gold trading as defined in Article 1 point 4 of POJK No. 17/2024 is a standardized gold sale and purchase transaction conducted based on an agreement between the parties and not intended for gold financing and/or gold custody activities. Unlike gold trading as a commodity conducted on the Futures Exchange, gold trading that is part of bullion gold activities is conducted by an FSI that has the authority to carry out such activities. Yet, the FSI in Indonesia cannot be categorized as bullion banks because there is no explicit regulation regarding the existence of institutional form and regulation specifically (Sauri, 2025).

One of the financial institutions that can conduct bullion business activities is PT Pegadaian (Pegadaian). Pegadaian has obtained a license to conduct bullion business activities through the Approval Letter for the Implementation of Bullion Business Activities of PT Pegadaian No. S- 325/PL.02/2024, allowing PT Pegadaian to conduct bullion banking activities, including gold capital loans for business, corporate gold custody services, gold deposits, and gold trading (Setiawan, 2025). Pegadaian is a limited liability company established based on Government Regulation No. 73 of 2021 concerning the Addition of State Capital Participation of the Republic of Indonesia in the Share Capital of Limited Liability Company (Persero) PT Bank Rakyat Indonesia Tbk, which revoked Government Regulation No. 51 of 2011 concerning the Change in the Legal Form of the Public Company Perum Pegadaian to a Limited Liability Company.

Article 136 paragraph (1) of POJK No.39/2024 emphasizes that the main activity of PT Pegadaian is to provide loans with movable collateral based on pawn law, which gives Pegadaian preferential rights to repayment of debts from such collateral. However, Article 138 of the same POJK explicitly prohibits Pegadaian from using, possessing, storing under the control of customers, or re-pledging the collateral. This provision confirms the legal limits of Pegadaian's control over pawned objects, so that in the context of gold trading, gold that is used as collateral cannot be used as a source of transactions or commercialization objects, thereby limiting the scope of gold management by Pegadaian.

Article 136 paragraph (2) of POJK No.39/2024 expands the scope of pawnshop businesses by allowing pawnshops, in addition to carrying out their main activities, to provide fiduciary-based loans, deposit and appraisal services for valuable items, commission-based activities, and other activities in the event that they obtain approval from the Financial Services Authority and do not conflict with financial services sector regulations.

In conducting gold trading, Pegadaian is required to apply the prudential principle as stipulated in Articles 34 and 35 of POJK No.17/2024. The implementation of these

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principles requires the formulation and implementation of risk control policies, including the implementation of anti-fraud strategies in accordance with POJK No.12/2024 and the implementation of anti-money laundering, counter-terrorism financing, and counter-proliferation financing programs as stipulated in POJK No. 8/2023. Such obligations confirm that gold trading by Pegadaian is subject to the prudential standards of financial service institutions and cannot be treated as ordinary commodity trading activities.

Article 12 of POJK No.17/2024 requires financial service institutions engaged in bullion business activities, including Pegadaian, to comply with the minimum gold weight limit in gold trading activities, which for the initial stage is set at a minimum of 500 grams per transaction, with exceptions if the gold is used for gold saving, gold financing settlements, or gold custody. The determination and adjustment of the weight limit is entirely within the authority of the OJK, which demonstrates a prudential approach to controlling the exposure of financial service institutions to gold trading risks. Thus, gold trading by Pegadaian is normatively subject to quantitative restrictions set by regulators as part of the financial service supervisory regime.

Moreover, Pegadaian's obligation is to conduct physical gold trading as stipulated in Article 13 paragraph (1) of POJK No.17/2024. Paragraph (2) of the article emphasises that in gold trading activities, Pegadaian may use gold from customers' gold savings and the gold owned by Pegadaian. Restrictions on gold trading activities are stipulated in Article 17 of POJK No. 17/2024, namely that gold used in gold trading cannot be taken from gold entrusted by customers. In relation to Article 138 of POJK No. 39/2024 abovementioned, Pegadaian shall also not use gold that is collateral from Pegadaian's debtors.

Article 163 of POJK No. 39/2024 limits the use of information technology by Pegadaian in marketing activities, loan applications, and instalment payment monitoring, and explicitly prohibits the usage of information technology outside the scope of these business activities. The usage of information technology by Pegadaian in gold trading raises a normative issue. Article 163 paragraph (1) of POJK No. 39/2024 limits the utilization of information technology to marketing, loan applications, and installment monitoring, which does not explicitly include gold trading as defined in POJK No. 17/2024. Therefore, such a loophole creates uncertainty regarding the legal basis for digital gold trading by Pegadaian. Conversely, POJK No. 17/2024 allows bullion business activities to be conducted through electronic systems, subject to obligations regarding system security, cyber resilience, physical gold availability, and compliance with IT risk management standards under POJK No. 4/POJK.05/2021. This regulatory divergence creates uncertainty regarding the legal basis of technology-based gold trading by Pegadaian and highlights the need for regulatory clarification or harmonized interpretation by the OJK.

In practice, Pegadaian's gold trading mechanism, as explained on the official Sahabat Pegadaian website, is carried out through a purchase request process by customers—both retail and corporate—submitted through a relationship manager or online system, accompanied by the fulfilment of Know Your Customer and Customer Due Diligence obligations. Customers are required to submit identity documents or business legality documents, fill out a gold purchase form, and complete the payment. This mechanism shows that Pegadaian's gold trading is conducted in a standardized manner and is subject to procedures that are elaborated on https://sahabat.pegadaian.co.id/produk-pegadaian/perdagangan-emas-pegadaian.

Gold trading is also conducted on gold savings products offered through the Pegadaian digital website. Gold savings are defined as a service for buying and selling gold with a deposit facility at an affordable price (https://digital.pegadaian.co.id/tentang-kami). Figure 1 below shows the form of gold trading in gold savings (https://digital.pegadaian.co.id/tentang- kami):

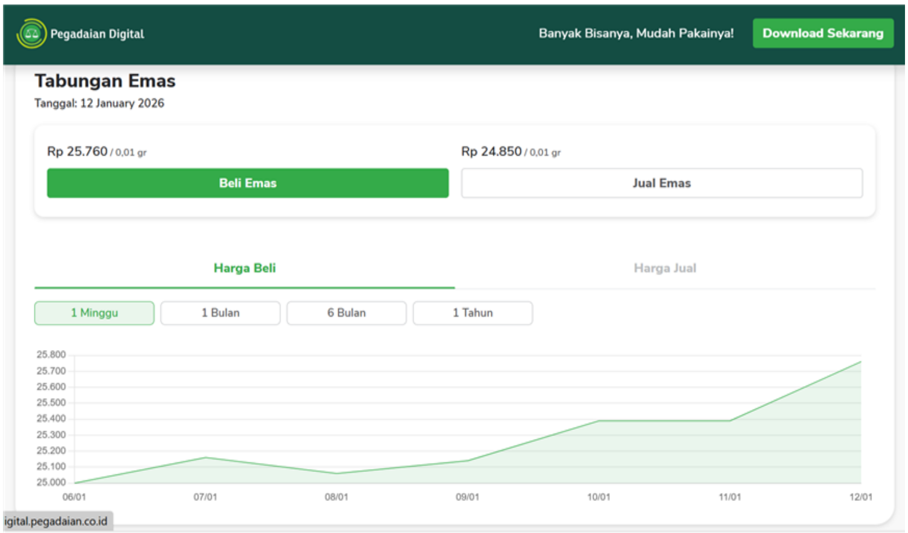

Fig. 1. Form of gold trading in gold savings
(Digital pegadaian, 2026)

The practice of trading gold through information technology as described above has not been covered in Article 163 of POJK 39/2024, so there is no legal basis for such gold trading. The use of information technology under this article is limited to marketing activities, loan application processes, and/or monitoring of instalment payments. According to the Kamus Besar Bahasa Indonesia (Indonesian Dictionary), marketing is defined as "the process, method, or act of marketing a commodity." It means that marketing does not include the act of buying and selling goods, in this case gold.

3.2 Regulatory alignment and discrepancies in pawnshops in Indonesia that conduct gold bar trading activities

3.2.1 Governance regulations for pawnshops in Indonesia

Pegadaian, as a limited liability company that is a state-owned enterprise (BUMN) and a financial services institution, faces complex regulations governing its management (Putri et al., 2021). Pegadaian's position, which is subject to various governance regulations, methodologically shows the existence of a cross-regime legal construction (Dewi & Lubis, 2021), where one legal entity (Pegadaian) is subject to various governance regulations, as can be seen, among others:

First, legally, Pegadaian is positioned as a state-owned enterprise (BUMN Persero) subject to Law No. 16 of 2025 concerning State-Owned Enterprises (SOE Law), which affirms the dual objectives of BUMN to pursue profits and public benefits with management based on sound corporate principles. Within this framework, Pegadaian is required to implement the corporate governance principles as stipulated in PER-01/MBU/2011, which establishes transparency, accountability, responsibility, independence, and fairness as binding norms for business operations. The governance regulations based on the SOE Law and PER-01/MBU/2011 are outlined in Table 1 below:

Based on Table 1, a comparison between the SOE Law and PER-01/MBU/2011 shows a paradigm shift in governance from administrative compliance to substantive governance based on value formation and risk management. The BUMN Law affirms GCG as a legal obligation with legal consequences for Pegadaian, while PER-01/MBU/2011 functions as an operational norm that implements these principles. However, because PER-01/MBU/2011 was formulated under the old SOE paradigm, normative adjustments are needed so that Pegadaian's governance is in line with the nature of the financial services business and the high risks of trading gold bars.

Table 1. Explanation of governance regulations for Pegadaian as a state-owned enterprise

Governance aspect	Law No. 16 of 2025 on BUMN	PER-01/MBU/2011 on the Implementation of GCG	Normative Legal Evaluation of the Governance of *Pegadaian* as a State-Owned Enterprise
Paradigm of SOE Management	SOEs are managed as modern business entities based on value creation, professionalism, and risk management	SOEs are managed with an emphasis on compliance with classic GCG principles	Law No. 16/2025 reflects the modern governance paradigm, while PER-01 is still compliance-oriented
The Position of Good Corporate Governance (GCG)	GCG is positioned as a substantive legal obligation inherent in the management of SOEs	GCG is positioned as operational principles and guidelines	For *Pegadaian*, Law No. 16/2025 strengthens GCG as a legal obligation, not merely an internal guideline
Management Objectives	Optimization of company value, sustainability, and contribution to the national economy	Optimization of value and improvement of company performance	Law No. 16/2025 expands the objectives towards sustainability and long-term value, which are relevant to *Pegadaian*'s gold business
Role of the State/ Shareholders	The State acts as a professional capital owner and does not intervene in operations	The Minister has a dominant role in the strategic policies of state-owned enterprises	Law No. 16/2025 reduces the risk of *political interference and* increases *Pegadaian*'s independence
Board of Directors	The Board of Directors is responsible for prudent management, risk management, and performance	The Board of Directors is required to implement GCG, risk management, and internal control	Law No. 16/2025 reinforces *the prudential standards for Pegadaian*'s Board of Directors, especially regarding gold investment products
Board of Commissioners	The Board of Commissioners is positioned as a professional supervisory body with relevant competencies	The Board of Directors is required to implement GCG, risk management, and internal control	PER-01 is detailed structurally, but Law 16/2025 is stronger in terms of substantive competence and legal responsibility
Risk Management	Risk management is an integral part of SOE strategy	Risk management is positioned as part of the GCG program	For *Pegadaian*, Law 16/2025 is more adaptive to gold price volatility and market risk
Stakeholder Protection	Stakeholder protection is expanded to include consumers and the community	Stakeholder protection is general and internally oriented	Law No. 16/2025 is more in line with *Pegadaian*'s position as a financial services business provider
Transparency & Accountability	Information disclosure is related to public and market accountability	Openness is focused on annual and financial reports	PER-01 is administrative in nature, while Law No.16/2025 is more public accountability-oriented
Assessment & Enforcement of Governance	Governance violations may result in administrative and civil legal consequences	GCG assessment is managerial and for internal improvement	Law No. 16/2025 strengthens the enforceability of *Pegadaian*'s GCG
Normative Character	Primary norms (*hard law*) at the law level	Intermediate norms (*tussennorm*) at the ministerial regulation level	The relationship between the two is complementary, but PER-01 needs to be adjusted to be in line with Law 16/2025

Second, in the context of corporate governance, Pegadaian is subject to Law Number 40 of 2007 concerning Limited Liability Companies (PT Law), which regulates the structure of company organs as well as the authority and responsibilities of the board of directors and board of commissioners in managing and supervising the company. The governance arrangements based on the Limited Liability Company Law are outlined in Table 2 below:

Table 2. Explanation of corporate governance regulations for Pegadaian as a PT

Corporate governance aspect	Regulations in the limited liability company law	Provisions of the limited liability company law	Legal implications for pawnshops
Legal Entity Status	Limited Liability Companies as legal entities separate from shareholders	Article 1 paragraph 1	Pawnshops have independent legal personality; therefore, they are responsible for their own obligations and actions
Status of *Pegadaian*	State-Owned Enterprises (BUMN) are subject to company law unless specifically regulated otherwise.	Systematic Law on Limited Liability Companies	*Pegadaian*'s governance continues to follow the private Corporate legal regime, even though the state is the shareholder
Corporate Bodies	General Meeting of Shareholders, Board of Directors, and Board of Commissioners	Article 1 paragraph 2	*Pegadaian*'s governance structure shall follow a three-tier corporate governance system
GMS	The highest authority with residual powers	Articles 75–78	The Minister of State-Owned Enterprises acts as the representative of the state, but the decisions are still subject to corporate law
Board of Directors Functions	Managing the company for the interests and objectives of the company	Article 92 paragraph (1)	The Board of Directors of *Pegadaian* is fully responsible for business policies, including gold products.
Board of Directors Prudential Principle	The Board of Directors shall act in good faith and with full responsibility	Article 97 paragraph (2)	This is the prudential standard in assessing *Pegadaian*'s business decisions
Business Judgment Rule	The Board of Directors is not liable if the decisions are made in good faith.	Article 97 paragraph (5)	Legal protection does not apply if there is negligence, conflict of interest, or violation of GCG
Director Liability	Personal liability for losses incurred by the company	Article 97 paragraph (3)	The directors of *Pegadaian* may be sued in civil court for negligence.
Board of Commissioners Functions	To supervise and provide advice	Article 108 paragraph (1)	*Pegadaian*'s Commissioners act as guardians of governance and risk management
Responsibilities of the Board of Commissioners	Responsible for Negligence in performing supervisory functions	Article 114 paragraph (3)	Commissioners may be held liable personally
Conflict of Interest	The Board of Directors is prohibited from Acting in their personal interests.	Article 99	Relevant in strategic decision-making and cooperation with *Pegadaian*

Corporate governance aspect	Regulations in the limited liability company law	Provisions of the limited liability company law	Legal implications for pawnshops
Transparency & Annual Reports	Obligation to prepare annual reports	Article 66	Forms the basis for *Pegadaian*'s disclosure of Information to shareholders
Shareholder Protection	Shareholders' rights to information and dividends	Articles 52–62	The state as a shareholder is subject to the principle of equal treatment
Responsibility to Third Parties	The company is liable for its obligations and legal actions	Article 3 paragraph (1)	*Pegadaian* is liable to customers/ consumers in civil law
Normative Character	Normative Character The Limited Liability Company Law as hard private law	Systematic Limited Liability Law	Becomes the main legal foundation of *Pegadaian's* GCG as a Limited Liability Company

The description in Table 2, reviewed from a normative legal perspective, confirms that the regulation of Pegadaian's governance as a limited liability company in the PT Law means that Pegadaian remains subject to the principles of private corporate law, including the structure of corporate organs, fiduciary duties, the prudential principles, and the legal responsibilities of the Board of Directors and Board of Commissioners. Pegadaian's status as a state-owned enterprise does not negate the enforceability of the PT Law, yet it puts Pegadaian's governance within a multi-layered legal framework that demands higher standards of accountability.

Third, as a non-bank financial services institution, Pegadaian is subject to the regulatory and supervisory regime of the OJK based on the OJK Law, which is operationalized through POJK No.39/2024 concerning Pawnshops with an emphasis on the obligation to implement the prudential principles, transparency, and customer protection. Governance regulations based on the related Law are outlined in Table 3 below:

Based on Table 3, the governance arrangements for Pegadaian in the OJK Law and POJK No.39/2024 mark a normative shift from state-owned governance to risk- based governance and consumer protection. The OJK Law lays the foundation for independent and prudential supervision, while POJK No.39/2024 operationalizes it in the concrete obligations of Pegadaian as a financial services institution. Consequently, Pegadaian's governance is no longer merely administrative compliance with state- owned enterprises, but rather a sectoral legal obligation oriented towards financial system stability and consumer protection.

Table 3. Explanation of Governance Regulations for Pegadaian as a Financial Services Institution

Governance aspect	Law No. 21 of 2011 on the OJK	OJK Regulation No. 39 of 2024	Normative Legal Implications for Pawnshops
Position of the OJK	OJK as an independent institution regulating and supervising the financial services sector	OJK acts as the technical regulator of *Pegadaian*'s business	Pawnshops are Subject to *prudential* and *market conduct* supervision regimes, not just state-owned enterprise regimes
Scope of Supervision	Regulation & supervision of non-bank financial services institutions	Specific regulation of *Pegadaian* as a financial services institution	*Pegadaian*'s governance is placed under the high-risk FSI regime, not ordinary commercial enterprises
Prudential Principle	OJK is required to ensure the stability and health of FSI	*Pegadaian* is required to apply the prudential principle in all of its products	The prudential principle is a mandatory legal standard, not an internal policy

Governance aspect	Law No. 21 of 2011 on the OJK	OJK Regulation No. 39 of 2024	Normative Legal Implications for Pawnshops
Governance	OJK has the authority to set GCG standards for FSI	Strengthening *Pegadaian*'s governance (organization, compliance, supervision)	*Pegadaian*'s GCG has been transformed into a sectoral legal obligation
Risk Management	OJK supervises systemic and individual risks of FSIs	*Pegadaian* is required to manage business and product risks	The risk of gold price fluctuations shall be included in governance risk, not just business risk
Consumer Protection	Consumer protection in the financial services sector	Strengthening the Obligation of Transparency and fairness in pawnshop services	Pawnshop consumers are Positioned as protected legal subjects, not just customers
Product Information Transparency	OJK encourages openness and prevention of asymmetric information	*Pegadaian*'s product and risk disclosure obligations	*Pegadaian*'s governance shall prioritize *full risk disclosure*, especially for gold products
Compliance	OJK requires a compliance function at FSI	*Pegadaian* is required to have a compliance unit/function	*Pegadaian*'s governance is compliance-based governance
Risk-Based Supervision	OJK implements risk- based supervision	*Pegadaian* assessment based on risk profile	*Pegadaian*'s GCG Enforcement is Substantive and proportional
Sanctions and Law Enforcement	OJK has the authority to impose administrative sanctions	Sanctions for violations of governance and consumer protection	Violations of GCG at *Pegadaian* have direct administrative implications
Relationship with the State-Owned Enterprise Regime	Does not regulate state ownership status	POJK remains in force even though *Pegadaian* is a state- owned enterprise	Confirms that SOE status does not exempt compliance with OJK
Normative Character	Institutional hard law (law)	Technical sectoral hard law	Both form the financial services governance regime of *Pegadaian*

Fourth, Pegadaian's position as a non-bank financial service provider places it under a governance regime that requires the disclosure of accurate, clear, and non-misleading information and prohibits the concealment of product risks from consumers, as stipulated in POJK No22/2023. The regulations are outlined in Table 4 below:

Table 4. Explanation of Pegadaian's governance regulations related to consumer protection

Governance Aspect	Provisions of POJK No. 22/2023	Normative Implications for *Pegadaian*	Governance Compliance Indicators	Potential Legal Risks of Non-Compliance
Principle of information transparency	Articles 3, 4 and 32 require PUJK to convey information that is accurate, clear, honest, and not misleading	Pawnshops shall ensure that all information regarding pawn products, financing, and gold investments is disclosed openly and in an easily understandable manner	The availability of product information summaries, cost simulations, and consistent verbal explanations	Tort lawsuits, administrative sanctions, declining public trust

Governance Aspect	Provisions of POJK No. 22/2023	Normative Implications for *Pegadaian*	Governance Compliance Indicators	Potential Legal Risks of Non-Compliance
Prohibition of concealing risks	Article 32 prohibits PUJK from concealing, obscuring, or disguising the risks of products/services	Pawnshops shall not conceal risks such as gold price fluctuations, auction risks, or late fees	Explicit explanation of risks in contracts and promotional materials	Agreements Annulment, consumer disputes, OJK sanctions
Clarity of the agreement/ Contract	Article 44 and 45 require that agreements be made clearly and not contain clauses that are difficult to understand	Pawnshop agreements shall use simple language and not be biased against consumers	No excessive or ambiguous standard clauses	Clauses may be declared null and void
Pre-transaction information	Article 45 paragraph (2) requires the provision of information before consumers agree to a product	Pawnshops shall provide adequate time for consumers to understand the risks and obligations	SOP of Existence of pre-contractual disclosure	Transaction cancellation disputes
Promotional material and advertisements	Article 53 paragraph (2) Stipulates that promotions shall not be misleading or cause false perceptions	Pawnshop advertisements shall not only highlight benefits without risks	Consistency between advertisement and the content of agreements	Sanctions from OJK, withdrawal of promotional material
Protection of vulnerable consumers	Article 54 requires special treatment for vulnerable consumers	Pawnshops are required to adjust the way information is conveyed to people with low levels of Education	SOP for inclusive services	Allegations of violations of the principle of fairness
Handling Complaint mechanism	Articles 67–87 require the provision of an effective complaint-handling mechanism	Pawnshops shall provide easily accessible complaint channels	Active consumer complaint unit	Administrative sanctions
Management accountability	Article 90 places responsibility on the directors and management	The Pegadaian board Directors are responsible for consumer protection compliance	Internal compliance reporting	Corporate responsibility of the board of directors
Integration into GCG	Consumer protection is part of GCG Implementation	The principles of transparency and fairness shall be integrated into internal policies	CGG policies based on consumer protection	Poor assessment in OJK Supervision

Based on Table 4, POJK No. 22/2023 explicitly shifts the burden of consumer protection to the corporate decision-making level, laying direct responsibility on the directors and management of PUJK. Pegadaian's failure to implement the principles of transparency and prohibition of risk concealment cannot be viewed as a mere operational deviation, but rather as a failure of governance that has implications for management accountability. This regulation reflects a normative shift from rule-based compliance to consumer-centric governance, which places the quality of consumer protection as a substantive benchmark of governance as well as an instrument to limit Pegadaian's legal risks in the future.

The phenomenon of regulatory fragmentation, whereby a single business entity is simultaneously subject to multiple legal regimes, constitutes a common challenge in the governance of modern financial services sectors (Julia, 2003). International literature suggests that overlapping regulatory mandates and the dispersion of legal norms across different regulatory instruments frequently create regulatory gaps and opportunities for regulatory arbitrage (Julia, 2003). In the context of Pegadaian, such circumstances may generate uncertainty regarding the applicable standards of accountability when consumers suffer losses arising from gold bullion trading activities.

The principle of good governance as an intermediate norm (tussennorm) places governance as a functional legal norm that bridges abstract law with concrete business practices. However, in the context of Pegadaian, this function reveals the structural fragility of governance due to the fragmentation of primary norms originating from various regimes—the State-Owned Enterprises Law, the Limited Liability Company Law, the OJK Law, and sectoral POJK—which are not systematically integrated. This fragmentation encourages good governance to function as a mechanism to cover up regulatory inconsistencies, rather than as an instrument of substantive harmonization, thus creating uncertainty in business risk management accountability.

This fragility is exacerbated by Pegadaian's legal position as a hybrid entity subject to multiple regimes with different logics—public values and state interests, corporate fiduciary duties, and prudence and consumer protection. In practice, this condition may cause regulatory overlap and provide potential regulatory disputes, particularly in the trading of gold bars, which carries the risk of price fluctuations. Contemporary governance literature warns that excessive reliance on formal compliance mechanisms may create a “tick-box governance” culture, in which institutions focus on demonstrating regulatory compliance rather than effectively identifying and mitigating substantive risks (Michael, 2004). In highly regulated sectors such as financial services, governance effectiveness should be assessed not merely by adherence to procedural requirements, but also by the institution’s capacity to anticipate, monitor, and manage emerging risks (Michael, 2004).

This matter is particularly relevant to Pegadaian’s gold bullion trading activities, where legal compliance may coexist with inadequate risk disclosure and insufficient consumer protection Without an integrated risk and consumer governance framework, the principle of risk governance is reduced to tick-box governance that legitimizes business expansion rather than limiting risk, therefore it is crucial to emphasize the urgency of affirming good governance as a standard of liability in Pegadaian's corporate responsibility regime. This concern is consistent with the findings of Al-Hadi et al. (2019), who argue that the effectiveness of corporate risk governance depends not merely on the existence of formal governance structures but on their capacity to influence managerial risk-taking and strengthen oversight. Consequently, governance mechanisms that emphasize procedural compliance without integrating consumer protection objectives may become symbolic governance tools, allowing firms to satisfy regulatory expectations while leaving substantive consumer risks insufficiently addressed (Al-Hadi et al., 2019).

3.2.2 Regulation of gold bar trading governance in Indonesia

The expansion of Pegadaian from a pawn-based financing institution into a gold bullion trading service provider has significant legal implications for corporate governance. Gold trading not only broadens Pegadaian’s business scope but also increases risk exposure, given gold’s function as an investment instrument with inherent price volatility, which requires higher standards of prudence and consumer protection than conventional pawnbroking activities (OJK, 2024; BI, 2023). Normatively, gold bullion trading has an ambiguous and multidimensional legal character, as gold is positioned simultaneously as a physical commodity, a store of value, and an object of financial services. In Pegadaian's context, gold is transformed into a financial product integrated with financing and investment, placing it outside the pure commodity trading regime and instead under the non-bank financial services and consumer protection regimes, without a single comprehensive legal framework governing gold as a risky investment instrument (OJK Law; POJK No.39/2024).

The normative legitimacy of Pegadaian's gold bullion trading primarily derives from POJK No. 39 of 2024, particularly Article 13 paragraph (2), which expands pawnshop business activities to include gold sales. However, this provision functions mainly as an enabling norm focused on licensing and business scope, without detailed standards for managing gold investment risks. Although POJK No. 22/2023 mandates transparency and prohibits the concealment of product risks, it remains general in nature and does not establish risk disclosure standards equivalent to those applied in the capital market regime (POJK No.22/2023). Consequently, the absence of standardized risk regulation creates a tangible governance gap, whereby price volatility, liquidity risk, and bid–offer spread risks are effectively transferred to consumers, while Pegadaian retains a dominant position through its control over market information, pricing mechanisms, and product design. This situation generates information and risk asymmetry that should be addressed through a stricter, consumer-oriented risk governance framework (Hadjon, 2021; Avgouleas & Cullen, 2020).

Information asymmetry between financial service providers and consumers constitutes one of the primary justifications for the development of consumer protection regimes in the financial sector (Lauren, 2006). International studies demonstrate that disclosure obligations alone do not necessarily lead to informed decision-making, particularly when consumers possess limited levels of financial literacy (Lauren, 2006). This argument is reinforced by Lusardi & Mitchell (2023), whose research demonstrates that financial literacy significantly influences consumers' ability to understand financial products, evaluate investment risks, and make informed financial decisions (Lusardi & Mitchell, 2023). Their findings suggest that even where disclosure requirements are fulfilled, consumers with inadequate financial capability may still misinterpret or underestimate the risks associated with financial products (Lusardi, A & Mitchell, 2023). Therefore, strengthening the governance of Pegadaian's gold trading activities should not merely focus on risk disclosure requirements, but also incorporate consumer education mechanisms and consumer suitability assessments prior to the execution of transactions. Such measures would help ensure that governance functions not only as a compliance mechanism but also as a substantive instrument for improving consumer decision-making and reducing the adverse effects of information asymmetry (Lusardi & Mitchell, 2023).

Although there is normative alignment at the level of principles—particularly prudence and transparency—across the OJK, pawnshop, and consumer protection regimes, existing regulations remain largely compliance-oriented. Risk disclosure is often fulfilled formally through standard contractual clauses, which do not necessarily produce substantive informed consent, especially given the limited financial literacy of most Pegadaian consumers (OJK, 2022). This observation is consistent with Velte, who argues that effective corporate governance should be evaluated not by the formal existence of governance mechanisms but by their capacity to enhance board oversight, managerial accountability, and risk governance. In this respect, transparency requirements that merely satisfy disclosure obligations without improving decision-making or stakeholder protection represent a compliance-based rather than an effectiveness-based governance approach (Velte, 2022). Moreover, current regulations do not explicitly connect failures in gold trading risk management to the legal liability of directors and commissioners. As a result, consumer losses tend to be treated as ordinary business risks rather than governance failures, creating an accountability gap in the implementation of good corporate governance (Velte, 2022). In modern corporate governance theory, the fiduciary duties of directors extend beyond ensuring legal compliance and encompass responsibility for overseeing enterprise risk management (Bainbridge, 2009). Failure to identify, assess, and mitigate foreseeable risks may therefore constitute not only a business failure but also a governance failure (Bainbridge, 2009). Within the context of Pegadaian's gold bullion trading activities, the absence of explicit governance standards linking risk management failures to managerial accountability may weaken incentives for proactive consumer protection and prudent business conduct.

This concern is consistent with Aguilera et al. (2021), who argue that contemporary corporate governance extends beyond formal compliance by embedding accountability mechanisms that align managerial decision-making with stakeholder interests and societal expectations. From this perspective, governance frameworks are effective only when they establish clear responsibility for strategic and operational decisions, including the management of business risks. Where managerial accountability is weak or disconnected from risk governance, managers face fewer incentives to adopt preventive measures, thereby increasing the likelihood that consumer harm will be treated as an unavoidable commercial outcome rather than as a governance failure requiring institutional accountability (Aguilera et al., 2021). Based on the comprehensive analysis of norms, it is concluded that the regulatory framework governing gold bullion trading at Pegadaian operates more as an enabling norm for business expansion than as a risk-limiting norm, placing such activities within a governance grey zone that holds an urgent need for further regulatory strengthening or progressive interpretation by the OJK.

3.3 Strategies and policy recommendations to strengthen the regulation and governance of gold bar trading at Pegadaian

Strategies and policy recommendations regarding the regulation and governance of gold bullion trading are not merely a formal compliance agenda, but also a substantive risk control and consumer protection instrument. This perspective is consistent with Arner et al. (2020), who conclude that modern financial regulation should move beyond prescriptive legal compliance toward governance-oriented regulatory frameworks capable of managing evolving risks while safeguarding market integrity and consumer interests. Accordingly, effective regulation should embed governance mechanisms that promote accountability, transparency, and continuous risk oversight rather than relying solely on ex post legal enforcement (Arner et al, 2020). This approach is expected to ensure that gold bullion trading at Pegadaian is effective, transparent, safe, and legally compliant, in accordance with the principles of modern financial service institution governance. International regulatory developments increasingly emphasize that consumer protection and risk governance should be integrated rather than treated as separate regulatory objectives (Schwarcz, 2009). The post-global financial crisis regulatory paradigm recognizes that inadequate consumer protection may itself generate systemic governance risks by undermining market confidence and institutional legitimacy (Schwarcz, 2009). Accordingly, reforms relating to Pegadaian's gold bullion trading should adopt an integrated risk and consumer governance approach that simultaneously addresses prudential oversight, market conduct, and consumer welfare.

To operationalize the above governance principles, this study formulates a set of regulatory and institutional strategies that address the legal and governance issues identified throughout the analysis. The recommendations are organized into several strengthening dimensions, encompassing regulatory reform, risk management, consumer protection, corporate governance, supervisory mechanisms, and inter-institutional coordination. Each recommendation is designed to respond to specific regulatory gaps while reinforcing legal certainty, accountability, transparency, and prudential governance in gold bullion trading. Rather than proposing isolated legal amendments, the framework adopts an integrated governance perspective in which regulatory instruments, institutional responsibilities, and consumer safeguards mutually reinforce one another. The comprehensive policy recommendations are presented in Table 5.

Table 5. Explanation of strategies and policy recommendations for the regulation and governance of gold bar trading at Pegadaian

Strengthening Dimension	Policy Strategy	Concrete Policy Recommendations	Governance Strengthening Objectives
Regulatory framework	Strengthening of specific sectoral norms	Formulation of specific POJK on gold bullion trading at non- bank FSI	Improving legal effectiveness and certainty
Legal characteristics of gold	Affirmation of legal classification	Designation of gold bullion as a limited- risk financial instrument	Risk transparency and consumer protection
Risk Management	Risk-based governance	Internal policy obligations for gold bullion as a limited-risk financial instrument	Risk transparency and consumer protection
Risk disclosure	Full risk disclosure	Pre-transaction risk disclosure sheet requirements	Transparency and rational consumer decisions
Consumer protection	Substantive protection	Mandatory education on gold products prior to transaction	Fairness and transaction security
Management accountability	Strengthening fiduciary duties	Affirmation of the responsibilities of Directors and commissioners regarding gold risks	Corporate compliance and accountability
Integration of GCG	GCG transformation	Integration of consumer protection and gold risk in GCG policies	Substantive and sustainable governance
Physical security of gold	Standardization of operational security	National standards for gold storage and distribution	Transaction and asset security
Transaction systems	Digitalization & audit trail	OJK integrated gold transaction recording system	Transparency and supervision
Regulatory oversight	Product-based supervision	OJK supervision based on gold product risk	Compliance and Prevention of violations
Enforcement of sanctions	Proportional and progressive sanctions	Differentiation of sanctions for gold governance violations	Deterrent effect and legal compliance
Dispute resolution	Special dispute mechanism	Special complaint mechanism for gold trading	Consumer legal protection
Financial literacy	Integration of literacy & protection	Gold literacy program by *Pegadaian* and OJK	Secure and inclusive transactions
Policy coordination	Synergy between authorities	OJK–BUMN coordination forum related to gold	Consistent and adaptive regulations
Regulatory evaluation	Periodic regulatory review	Periodic evaluation of POJK on gold trading	Regulatory responsiveness

4. Conclusions

Gold bullion trading regulations in Indonesia, particularly at Pegadaian, have provided institutional legitimacy and a basis for cross-sector supervision, but have not been substantially integrated into a single risk-based governance framework. Although POJK No.39/2024 and POJK No. 22/2023 demonstrate alignment in terms of business recognition and consumer protection principles, the existing regulations remain sectoral and emphasize administrative compliance over substantive market risk control and consumer protection.

The gold bullion trading has the potential to fall into a governance grey area due to the absence of an integrated framework that covers gold investment risk management with corporate accountability. Therefore, governance strengthening needs to be directed towards an integrated risk and consumer governance approach that places the principles of good corporate governance as a risk-limiting norm and a standard of legal accountability for management. Without this reorientation, the legal legitimacy of gold bullion trading risks being inconsistent with the objectives of consumer protection and financial system stability.

The main challenge of gold bar trading governance at Pegadaian is not the absence of regulations, but the courage of regulators and corporations to transform formal compliance into tangible and measurable public protection. The aspects that have to be strengthened to form formal compliance and public protection are the regulatory framework, legal characteristics, risk management, risk disclosure, consumer protection, management accountability, integration of GCG, physical security of gold, transaction system, regulatory oversight, enforcement of sanctions, dispute resolution, financial literacy, policy coordination, and regulatory evaluation.

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Author Contribution

W.M.N. contributed to the regulatory analysis and development of the theoretical framework on governance and financial regulation, and the final revision of the manuscript. D.S.K. contributed to the conceptualisation of the research, the legal analysis of gold bullion trading and regulatory mapping, and the formulation of policy recommendations. Both authors jointly conducted the literature review, normative analysis, drafting, and the final revision of the manuscript.

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Conflicts of Interest

The authors declare no conflict of interest.

Declaration of Generative AI Use

The authors declare that generative artificial intelligence tools were used solely for language refinement and editorial assistance, without altering the substantive legal analysis, arguments, or conclusions. All interpretations, legal reasoning, and policy recommendations remain the intellectual responsibility of the authors.

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Biographies of Authors

Wurianalya Maria Novenanty, Department of Law, Faculty of Law, Parahyangan Catholic University, Bandung, West Java 40141, Indonesia

- Email: nalya@unpar.ac.id
- ORCID: 0009-0009-9725-5918
- Web of Science ResearcherID: N/A
- Scopus Author ID: N/A
- Homepage: https://fh.unpar.ac.id/tenaga-pengajar/wurianalya-maria-novenanty/

Dewi Sukma Kristianti, Department of Law, Faculty of Law, Parahyangan Catholic University, Bandung, West Java 40141, Indonesia

- Email: dewi.sukma@unpar.ac.id
- ORCID: N/A
- Web of Science ResearcherID: N/A
- Scopus Author ID: N/A
- Homepage: https://fh.unpar.ac.id/tenaga-pengajar/dewi-sukma-kristianti/