



Narrative policy framework analysis and stakeholder analysis on ownership policy in the banking sector for economic resilience

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ABSTRACT

Background: Foreign ownership policy in Indonesian Banking has been regulated by the Government through Law Number 10 of 1998 concerning Banking. Through this law, the opportunity for foreign investors to own banking shares or establish banks in Indonesia is increasingly open. The strong foreign ownership of a bank has the potential to hinder the supervision process of the bank concerned and the practice of good governance, as well as disrupt financial system stability as a whole and threaten the economic resilience of the Indonesian state. **Methods:** The researcher conducted an analysis by Narrative Policy Framework (NPF) analysis and stakeholder analysis on the Minutes of Meeting on the Process of Amending Law Number 7 of 1992 to Law Number 10 of 1998 concerning Banking. This research is descriptive analytical on data obtained from the results of observations, interviews, documentation, and analysis of research subjects. **Findings:** The results of the study indicate that the opening of opportunities for foreign ownership in changing laws is a short-term solution provided by the government. Risk analysis has shown that the scale of the risk level of foreign ownership policy up to 99 percent is at the level of medium and high risk. Stakeholder analysis shows that the Government and Parliament are parties that have a large interest and strength in foreign ownership policies in the Indonesian banking sector. **Conclusion:** The Government and Parliament need to review the banking laws that have been used for 21 years. The findings highlight the need for a more balanced and strategic approach to foreign ownership policies to safeguard Indonesia's financial system stability and economic resilience. **Novelty/Originality of this Article:** This study contributes to the limited literature on foreign ownership policies in Indonesian banking by employing the NPF to reveal the hidden narratives and political dynamics behind the legislative process.

KEYWORDS: foreign ownership; indonesian banking; economic resilience; narrative policy framework analysis; stakeholder analysis

1. Introduction

Indonesia is one of the looser countries in its banking system, especially in regulating foreign ownership. This looseness is reflected in the possibility of foreigners owning up to 99 percent of commercial bank shares. The easing of the financial sector was even institutionalized through Law No. 10/1998 on Banking. In addition, Indonesian Government Regulation (PP) No. 29/1999 on the Purchase of Commercial Bank Shares stipulates that foreigners may own up to 99 percent of commercial bank shares.

The openness and increased opportunity for foreign nationals and/or foreign legal entities to own bank shares up to 99% is inseparable from the situation and conditions in

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1997/1998. At that time there was an economic crisis in Indonesia which had an impact on the destruction of the Indonesian banking world. The collapse of Indonesian banking in early 1997 until 2000 was due to mismanagement (Kasmir, 2007). Lending was not based on good credit analysis because much of it was given to companies that were part of the bank's group. According to Kasmir (2007), Indonesian banks experienced negative spreads in 1998 and 1999. These conditions showed that bank management at that time was not guided by good bank governance and did not pay attention to the principles that apply in the banking world, namely the principles of law, justice, trust, security, prudence, and economy. The government accepted the offer of a loan assistance package from the International Monetary Fund (IMF) to overcome the economic crisis.

The government then signed a letter of intent (LoI) on October 30, 1997. The aid package received from the IMF was worth US\$ 40 billion including US\$ 17 billion from other countries (second line of defense). Consequently, the Government had to undertake real sector economic reforms, financial sector restructuring, and the implementation of prudent monetary policy. The financial sector restructuring program prioritized the banking sector beginning with the closure of unhealthy banks, as well as the recapitalization and restructuring of banks with the strengthening of financial institutions, including improved supervision, rules and regulations, court system and law enforcement, transparency and good governance (Kasmir, 2007).

The government took a policy to liberalize the banking sector through Government Regulation No. 29/1999 by giving foreign nationals and or foreign legal entities the opportunity to own bank shares up to 99%. This policy was taken because the bank's capital at that time was weakened so that a lot of capital was needed to be able to nourish and save it. Efforts to cover the capital needs of banks could not only rely on domestic investors, especially when the country was hit by an economic crisis. Through this policy, the need for bank capital to strengthen the capital structure in the context of restructuring and saving banks from collapse is expected to be handled properly.

The maximum foreign ownership limit of 40 percent is in fact non-binding because there are additional requirements given if foreigners want to own shares in a bank exceeding 40 percent. Law No. 10/1998 on Banking in the explanation section provides confirmation:

"Liberalization efforts in the banking sector are carried out in such a way that they can simultaneously improve the performance of national banking. Therefore, it is necessary to provide greater opportunities for foreigners to participate in owning national banks so that there is still a partnership with national parties." (Law No. 10/1998 on Banking).

In contrast to Indonesia, several surrounding countries such as Singapore, Malaysia, Thailand, and the Philippines provide strict regulations on foreign ownership in their national banks. Table 1 shows a comparison of foreign ownership arrangements in banks in Indonesia, Singapore, Malaysia, Thailand, and the Philippines.

Table 1. Comparison of foreign capital participation

Country	License	Foreign Equity Participation
Indonesia	Single	99%
Singapore	Multiple	>10% need MAS approval
Malaysia	Multiple	30%
Thailand	Multiple	40%
Philippines	Multiple	49%

The data above shows that of the five countries, only Indonesia allows sole ownership, as well as a percentage of foreign capital participation of up to 99%. Singapore is a country that is quite strict in such regulation, as foreign capital participation exceeding 10% must obtain approval from the Monetary Authority of Singapore (MAS).

Molyneux et al. (2013) mentioned that banks tend to expand to countries where they can earn more profits and where the banking system is less efficient. Claessen & Van Horen (2013) found that foreign banks tend to outperform domestic banks in developing countries, countries with weak institutions, and where foreign banks do not play a major role. In addition, geographical proximity to the home country will increase the profitability of foreign banks. The impact suggests that foreign banks may hinder the development of the domestic financial sector in developing countries, countries with weak institutions, and where foreign banks play a minor role (Bouzidi & Nefzi, 2024).

Share ownership in Indonesia, which is generally concentrated, can encourage controlling shareholders to carry out appropriation, namely the use of control rights to maximize personal welfare by distributing wealth from other parties. Wijaya (2010) said:

"Foreign share ownership, especially in the banking sector, is not through the PMA scheme mechanism, so it is unclear whether or not there is a clause that requires foreign parties to have a divestment program. Planned divestment is considered to reduce foreign ownership in line with the set period of time. Divestment reserved for domestic investors will give hope that foreign domination of the country's economy is only temporary". (Wijaya, 2010).

Strong foreign ownership of a bank has the potential to hinder the supervision of the bank and the practice of good governance (Fang et al., 2019). Without strong corporate governance and law enforcement, the rights of minority shareholders can be neglected, and on a larger scale, corporate management policies can be inconsistent with national economic interests. Furthermore, such practices also have the potential to disrupt the stability of the financial system as a whole and threaten the economic resilience of the Indonesian state (Al Lawati & Sanad, 2023)

Banking stability as one of the components of the financial system has a major role in a country's economy. Banking determines financial circulation to support economic activities through its role in collecting and distributing public money. The stability of the financial and banking industry will tend to produce good economic resilience, on the contrary, the instability of the financial and banking industry will also cause a country's economy to be shaken (Monnin & Jokipli, 2010).

2. Methods

This research will analyze the foreign ownership policy in the banking sector in Indonesia on the country's economic resilience by conducting a narrative policy framework analysis and stakeholder analysis. Narrative Policy Framework (NPF) is characterized by what is implied and hidden (Kurniawan et al., 2022), by what it makes clear and what it obscures (Jones et al., 2023). Looking for "meaningful words" is as important as looking for the meaning of words. Even counting the frequency of words and word combinations can reveal "hidden messages" (Jacobsen, 2012). NPF was conducted on the discussion process of the Draft Law of the Republic of Indonesia on Law Number 10 of 1998 on Banking using the content analysis method. Content analysis consists of a description of manifest content, as well as interpretation of latent content. Latent content is the interpretation of the underlying meaning or "common thread" between the lines in the text (Graneheim, et.al, 2017). The epistemological assumption in quantitative content analysis is that some "truth" in a text can be revealed with as few interpretations as possible, for example by measuring, weighing, and calculating the frequency and proportion of similar statements (Zougris, 2025). Stakeholder analysis is used for the analysis of stakeholders, i.e., their strength and urgency, and knowing what a stakeholder's interests are, and (more importantly) why he or she has those interests, combined with knowledge of stakeholder location and influence in a network (Reed, et.al, 2009) towards foreign ownership policy in Indonesian banking.

3. Results and Discussion

3.1 Background and flow of the amendment of law no. 7 of 1992 to law no. 10 of 1998

The amendment of Law No. 7 of 1992 on Banking was based on the monetary crisis that hit Indonesia in 1997-1998. In addition, the banking system in Indonesia was considered weak and made the country's inflation higher. The Karya Pembangunan faction in the meeting of the amendment to the Banking Law argued

"Broadly speaking, the highest priority is the economic stabilization and reform program, in the form of efforts to improve our financial institutions and make our economy more efficient and competitive, supported by a well-functioning and trusted banking system. Strategic steps that need to be taken immediately are revamping the banking system and strengthening the ability of Bank Indonesia as the Central Bank". (Karya Pembangunan faction).

The United Development Party said as follows:

"The porousness of our national banking system also plays a major role in increasing inflation which this year is estimated to reach 80-100% and up to July 1998 alone has reached 59% as a direct result of a very large BLBI reaching approximately 150 trillion swallowed up by our national banks. The slump in the value of the rupiah against the USD which reached almost 500% compared to the exchange rate at the beginning of 1997 was also the main trigger for the crisis of confidence in our national banks." (United Development Party).

The Government through the Minister of Finance said in the meeting of the General View of the Factions that:

"The Government is of the opinion that it is necessary to adjust various aspects of banking regulations that need to be prioritized in order to quickly overcome the various problems and difficulties faced today. Given the current reality of the weakness of the capital of banks in Indonesia, the capital structure of banks must be strengthened." (Minister of Finance)

The amendment of Law No. 7 of 1992 on Banking is a proposal submitted by the Government to the House of Representatives/*Dewan Perwakilan Rakyat* (DPR). The amendment of the law was considered urgent because the country was faced with the crisis that occurred in 1997-1998. In the general view of the factions, the government stated that:

"The Government is of the opinion that adjustments to various aspects of the banking regulations need to be prioritized in order to quickly overcome the various problems and difficulties faced today." (The government in the general view of the factions).

The amendment to the Law was designed by the Government in order to increase opportunities for foreigners to own shares in commercial banks in Indonesia. The increased opportunity for foreigners to own shares of commercial banks in Indonesia was due to the need to strengthen the capital structure. The United Development Faction said that:

"The government's other thoughts in drafting the bill on the amendment to law number 7 of 1992 on banking include the will to increase the opportunity for foreigners to own shares of commercial banks and the cooperation of foreign nationals and foreign legal entities with Indonesian nationals and legal entities to establish commercial banks with the aim of accelerating efforts to strengthen the banking capital structure." (The United Development Faction).

This is reinforced by the following government statement:

"In order to enable acceleration in the improvement of the capital structure, the opportunity for foreigners to own shares in commercial banks is increased".

In order to accelerate the improvement of the capital structure, the government no longer provides restrictions for foreigners in their ownership of commercial bank shares in Indonesia. In terms of ownership, foreign nationals and foreign legal entities can establish banks and buy bank shares. This was also explained by the government in a joint meeting with the House of Representatives/*Dewan Perwakilan Rakyat* (DPR):

"This Bill provides greater opportunities for foreign legal entities and foreign nationals to establish commercial banks in Indonesia by partnering with Indonesian nationals and/or Indonesian legal entities." (House of Representatives).

"In this Bill, the maximum percentage of foreign ownership is no longer limited." (House of Representatives).

"...In addition to the establishment, foreign ownership can be done by transferring bank shares, either directly (direct placement) or through the stock exchange". (House of Representatives).

3.2 Pros and cons of the amendment of law number 7 year 1992 to law number 10 year 1998

3.2.1 Supporting the amendment of the law

Parties that support the amendment of the law (Allied) agree that the amendment of the law needs to be done because of the development and demands of increasingly complex needs. The United Development Faction in the introductory meeting of the deliberation on the amendment of the law said:

"Our faction agrees with the Minister of Finance of the Republic of Indonesia that the legal basis in the banking sector needs to be improved to enable the formation of a banking system that is resilient and can maintain public trust. The current legal basis in the banking sector is Law No. 7 of 1992, which was enacted 6 years ago to replace Law No. 14 of 1967 on banking principles. In recent developments and increasingly complex needs, the presence of a more appropriate banking law that is more capable of supporting a healthy, advanced and resilient banking system is very urgent." (United Development Faction)

The Karya Pembangunan faction also supports changes to the law because it is considered an urgent need due to the crisis conditions that Indonesia is experiencing. They said:

"The discussion of the draft law on the amendment of law number 7 of 1992 on banking is very important because its presence is an urgent national need, and has been long awaited to provide a solid and clear foundation for the implementation of public activities in the field of finance and banking in the situation and conditions of the monetary crisis that hit our economy." (Karya Pembangunan faction).

Another faction that supports the amendment of the law is the ABRI faction. In the general view meeting of the factions, the ABRI Faction said:

"...Based on the above situation, the ABRI faction strongly supports the need to immediately improve the existing banking law because it is in line with the demands of

reform in the economic field. Therefore, the ABRI faction agrees with the government's steps that have submitted a bill to amend Act No. 7 of 1992 on banking." (ABRI faction).

The ABRI faction also believes that the bill can be a way out of the economic problems facing the country.

"Changes to the banking law must be able to provide a way out of the banking crisis as part of the economic crisis, so that the banking sector can immediately return to normal." (ABRI faction).

3.2.2 Parties that benefit from changes in foreign ownership arrangements in the banking law

In the discussion on the amendment of Law No. 7/1992 on Banking, foreign investors are the ones who benefit from the open opportunities for them to invest in the Indonesian banking sector. This is because Law No. 7/1992 has previously limited foreign ownership in Indonesian banking. As stated by the United Development Faction:

"In Law No. 7 of 1992 there are provisions that limit the control of national banking shares by foreigners, also in the opportunity for foreigners to buy shares through the capital market is also still restricted, as well as direct investment. The development unity faction asks for an explanation of what concerns drive the restrictions, and whether these concerns no longer need to exist, so that we dare to open wide to foreigners in bank ownership in our country?" (Law No. 7/1992 on Banking).

The amendment of Law Number 7 Year 1992 gives foreign investors greater opportunity to invest in the banking sector. The United Development Faction in the general view of the factions also said:

"With the opening of the tap through this bill for foreign investors to invest in the banking sector and even the opportunity for foreign legal entities through cooperation to establish banks in our beloved homeland, does this not mean that the strength of our national banks has lost before competing in the real era of globalization." (Law No. 7/1992 on Banking).

Foreign ownership in the banking sector can be through the establishment and transfer of shares either directly or through the stock exchange. In the draft law, the government said that there are no more restrictions for foreign investors. In the general view meeting of the factions, the government gave answers to the factions' views as follows:

"In this Draft Law, the maximum percentage of foreign ownership is no longer restricted." (House of Representatives).

On the other hand, the government also benefited because with the opening of opportunities for foreign investors to enter, the capital structure of banks was strengthened and this was considered to be a solution to the problems of the crisis experienced at that time. The government stated in the introductory meeting of the deliberation on amending the law as follows:

"Today the banking sector is in a vulnerable condition, in particular the level of capitalization is very far from the norms that are generally applied internationally. As a result, confidence in the reliability of the banking system is at a low level, especially in relation to international transactions. For this reason, the most urgently needed restructuring measure is an increase in bank capital." (House of Representatives).

The government was of the opinion that domestic investors had not been able to strengthen the bank's capital structure at that time.

"In the current economic conditions, it is very difficult to expect domestic investors to be able to immediately invest in strengthening bank capital. In order to overcome this obstacle, opportunities for foreign investors need to be opened." (House of Representatives).

The government's aim to strengthen the capital structure of banks was also conveyed by the United Development Faction in the general view meeting of the factions:

"Other government thoughts in drafting the draft law on the amendment of Law No. 7 of 1992 on Banking include the will to increase the opportunities for foreigners to own shares in commercial banks and the cooperation of foreign nationals and foreign legal entities with Indonesian nationals and legal entities to establish commercial banks with the aim of accelerating efforts to strengthen the banking capital structure." (United Development Faction).

3.2.3 Opponents to the amendment of law number 7 year 1992 on banking

Although the factions supported the amendment of the law, they also placed themselves as opponents or parties who disagreed in the discussion process. The PDI faction stated in the introductory meeting of the deliberation on the amendment of the law, that the proposed amendments submitted by the government have not yet addressed the fundamental aspects of banking.

"The PDI faction considers that the proposed amendments submitted by the government to Law No. 7 of 1992 on banking have not touched various fundamental aspects in the banking world and only touched on a few things. Such as bank ownership, bank secrets, bank business activities, guarantees, guidance and supervision." (PDI Faction)

According to the ABRI faction, if there are no restrictions on foreign ownership in banking, it will lead to domination by foreigners.

"On bank ownership and share issuance. To ensure partnership and diversification of bank ownership, ownership by foreigners (Article 22) and share issuance through the stock exchange (Article 26) need to be confirmed regarding the limit on the amount. The ABRI faction is of the opinion that if there is no restriction on foreign ownership, it will lead to foreign domination." (ABRI Faction).

The United Development Fraction is also a party that disagrees with the government. The thing that makes FPP disagree with the government is the premise in drafting the bill, which is to overcome the country's problems and difficulties quickly.

"...Therefore, the United Development Faction strongly objects to the government's rationale underlying some of its main ideas in drafting the draft law on the amendment to Law No. 7 of 1992 on banking, which is only intended to be able to overcome immediately the various problems and difficulties encountered as contained in the government's explanation on August 24, 1998." (United Development Fraction).

3.3 Solutions in the policy narrative of law changes

Facing the economic crisis situation in 1997-1998, the government took steps by proposing to amend Law Number 7 of 1992 into Law Number 10 of 1998. The government said that the amendment to the law was a short-term solution to the crisis problems

experienced by the Indonesian state at that time. This was stated in the government's statement at the discussion meeting on the amendment of the law as follows:

"Regarding the opinion of the Development Work Faction and the Indonesian Democratic Party faction that a comprehensive change/improvement be made and replace the existing Law, it can be explained that the Government basically understands the opinion regarding the need to propose a new Banking Bill. However, the new Draft Banking Law needs to be compiled as a whole, consistent and referring to the Central Bank Law. Meanwhile, we are facing the fact that there is a need for adjustments to various aspects of the banking regulations which are very urgent in order to immediately overcome the various problems and difficulties faced today, while the Central Bank Bill is still being prepared, so the Government is proposing a Bill of Amendment." (House of Representatives).

Crisis conditions cause the country to need foreign investors to strengthen the capital structure of banks. The existence of restrictions for foreign investors in banking share ownership is considered to reduce investor interest in investing in Indonesia.

"Foreign investors' interest in investing in Indonesia is currently at a relatively low level, after all, various countries around us are also experiencing banking problems and are also trying to attract foreign investors to strengthen bank capital in the country. Under these circumstances, restrictions will reduce investor interest, so efforts to improve capitalization will take longer".

In order to foster the interest of foreign investors to enter Indonesia, in the draft amendment to the banking law, the government no longer provides ownership restrictions in the banking sector.

"In this draft law, the maximum percentage of foreign ownership is no longer restricted."

Although the country needs strong capital, the opening of large opportunities for foreign investors to own shares in Indonesian banks and equal treatment for foreign banks has an impact on the country's economy. The United Development Faction said that:

"Giving the same treatment/facilities to foreign-owned commercial banks and nationally-owned commercial banks also gives consequences whether it is still possible for the government to give specific assignments in supporting certain economic sectors, certain business sectors, which the government wants to support through special government programs?" (United Development Faction).

The Karya Pembangunan faction in the general view of the factions said that foreign ownership in the banking sector in Indonesia must remain limited to avoid excessive concentration of ownership.

"Foreigners or foreign legal entities can become founders of commercial banks together with Indonesian partners. Foreign ownership must still be limited, for example to a maximum of 85%." "To avoid excessive concentration of ownership or control, a person or a legal entity must be limited in the ownership of shares, which can only be as much as 20% of the total shares that have been issued/placed." (Karya Pembangunan faction).

The PDI faction said that changes to the law should be made as a whole. The challenge of the state in the reform era is to restore public trust in the government as well as improvements in the banking world and the national economy.

"The PDI faction is of the opinion that the government's proposed changes will not be able to answer and solve various banking problems, let alone answer the demands of reform that are based on democratization and transparency. For this reason, in order for this bill to have a very strategic added value in responding to the various demands and challenges of reform in the banking world in particular and the national economy in general, the PDI faction is of the opinion that comprehensive changes and improvements need to be made." (PDI faction).

Policy solutions presented in the meeting on changes to the law can be categorized in the following table:

Table 2. Policy solution in the meeting to amend law number 7 of 1992 on banking

No	Figure	Policy Solution
1	Government	Opening foreign investor opportunities in ownership share banking use strengthening structure capitalization Indonesian banking which is currently experienced crisis economy
2	Faction United Development Party, PDI Faction, PDI Faction Development Work, ABRI Faction	1. Change comprehensive Constitution banking 2. Appeal not to There is loss for Indonesian side and treatment facility special for party foreign 3. Ownership foreign restricted maximum 85% with each foreign nationals or a legal entity foreign restricted maximum 20% of overall share for avoiding concentration ownership

3.4 Stakeholder analysis of foreign ownership policy in the Indonesian banking sector

Stakeholder analysis is used to map the relationship of interests and influence of the parties in the development of foreign ownership policies in the banking sector in Indonesia. Therefore, PIL stakeholder analysis is used (P=Power, I=Interest and L=legitimate) seen from the criteria of stakeholder distinctiveness and policy analysis. According to Grindle and Wellard (1997), stakeholder categories are divided into eight (8), among others:

PIL (dominant) category; very strong power, affected interest, high legitimacy. PI (powerful) category; power is very strong, interest is affected, claims are not recognized or legitimacy is weak. Category PL (influential); power is very strong, claims are recognized or legitimacy is strong, interest is not affected. Category IL (vulnerable); interest is affected, claims are recognized or legitimacy is good, but without power. Category P (dormant); power is very strong, interest is not affected, and claims are not recognized. Category L (meaningful); claims are recognized, but not affected and not powerful. Category I (marginal); affected, but claims are not recognized and are not strong. Miscellaneous rating; stakeholders who do not have all three. Some of the stakeholders involved are outlined in table 3 as follows:

Table 3. Stakeholders in foreign ownership policy in the Indonesian banking sector

No	Stakeholders	Direct	Indirect
1	Bank Indonesia	V	
2	Authority Service Finance	V	
3	Indonesian House of Representatives (Commission XI)	V	
4	National Development Planning Agency	V	
5	Perbanas		V
6	Himbara		V
7	Investor	V	

Table 3 shows that the involvement of stakeholders has a direct relationship with the Foreign Ownership Policy in the Banking sector in Indonesia including Bank Indonesia, Financial Services Authority/*Otoritas Jasa Keuangan* (OJK), House of Representatives

Legislature of Indonesia/*Dewan Perwakilan Rakyat* (DPR) *Republik Indonesia* (Commission XI), Ministry of National Development Planning of the Republic of Indonesia/*Badan Perencanaan Pembangunan Nasional* (BAPPENAS), and Investors. Bank Indonesia has a direct relationship because it is the monetary authority, banking and payment system. Bank Indonesia has a vital role in creating the performance of healthy financial institutions, especially banks. The creation of the performance of banking institutions is done through the mechanism of supervision and regulation (www.bi.go.id, 2013).

The Financial Services Authority/*Otoritas Jasa Keuangan* (OJK) is an institution in charge of regulating and supervising financial services activities in the Banking sector, Capital Market sector, and IKNB sector. Furthermore, based on the Decree of the House of Representatives of the Republic of Indonesia Number: 3/DPR RI/IV/2014-2015 Regarding the Re-determination of Working Partners of DPR RI Commissions for the 2014-2019 Membership Period, Commission XI of the House of Representatives is a commission whose scope of duties is related to banking and finance, so that the discussion of foreign ownership policies in the Indonesian banking sector is directly related to Commission XI of the House of Representatives. Furthermore, Bappenas through the Directorate of Trade, Investment, and International Economic Cooperation has the task of coordinating, formulating and implementing policies, as well as monitoring, evaluating, and controlling national development planning in the fields of trade, investment, and international economic cooperation. Investors are parties who have an interest in investing their shares in the Indonesian banking sector.

Stakeholders that have indirect links are Perbanas and Himbara. National Bank Association/*Perhimpunan Bank-Bank Nasional Indonesia* (Perbanas) is an organization that oversees the national banking industry and can be a bridge for its members to channel banking aspirations to the government, DPR, and Banking Industry Regulators. Himbara (Association of State-owned Banks) is an association that oversees state-owned banks including Bank Mandiri, BRI, Bank BNI, and Bank BTN. Perbanas and Himbara have no direct involvement because they are only a bridge to provide aspirations in the banking sector. After knowing the stakeholder's relationship in the foreign ownership policy in Indonesian banking, the next step is to assess the distinctiveness criteria of PIL (Power-Interest-Legitimacy) to analyze the level of stakeholder influence by certain situations or plans. The assessment of these criteria then produces a stakeholder map and stakeholder categories in the foreign ownership policy in the banking sector in Indonesia as shown in Table 4.

Table 4. Stakeholder analysis with PIL distinctiveness criteria (power-interest-legitimacy)

No	Stakeholders	Power		Interest		Legitimacy		Category
		Big	Small	Big	Small	Big	Small	
1	Bank Indonesia	v		v		v		PIL
2	Authority Service Finance	v		v		v		PIL
3	DPR	v		v		v		PIL
4	National Development Planning Agency	v		V		v		PIL
5	Perbanas		V	V			V	I
6	Himbara		V	V			V	I
7	Foreign Investors	V		V			V	PI

Table 4 shows that there are only three (3) categories of stakeholders in the Foreign Ownership Policy in the Indonesian Banking Sector, namely the PIL (dominant), PI (powered), and I (marginal) categories. (Grimble, Robin and Kate Wellard. 1997).

1. The PIL (dominant) category that has a high involvement in foreign ownership policies in the banking sector in Indonesia include: Bank Indonesia, Financial Services Authority, House of Representatives (Commission XI), National Bank Association/*Perhimpunan Bank-Bank Nasional Indonesia* (Perbanas. 2. Category PI (powered): Foreign investors. 3. Category I (marginal): Perbanas, Himbara

The table above shows the main level of distinctiveness of the parties (stakeholders) understood as the level of stakeholder influence by a particular situation or plan. Analysis using the PIL technique found that all parties participated, but did not necessarily involve all stakeholders. After obtaining the identification matrix of the main characteristics and categories of stakeholders, the role of stakeholders in the foreign ownership policy in the Indonesian banking sector can be mapped as Figure 1.

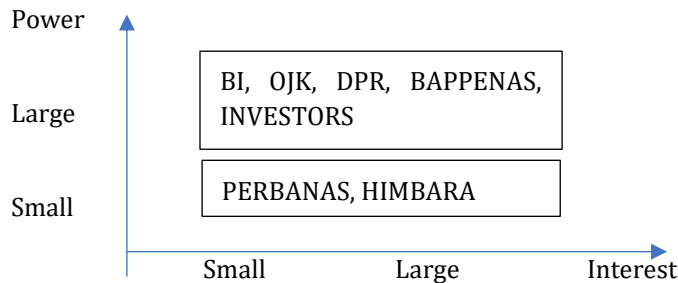


Fig. 1. Map of stakeholders in the foreign ownership policy in the banking sector in Indonesia

The figure above shows that Bank Indonesia, OJK, DPR, Bappenas, and Investors are the parties that have great interest and power in the foreign ownership policy in the Indonesian banking sector. Perbanas and Himbara have a large interest, but they do not have power over foreign ownership policies in the Indonesian banking sector. As the parties with the interest and power to change the law, the government and the Parliament need to review the banking law that has been in use for 21 years.

The government in the process of changing the law has stated that the change in law is a short-term solution to the crisis conditions experienced by Indonesia (Parikesit & Redi, 2025). Seeing that Indonesia is no longer experiencing a crisis, Law Number 10 of 1998 on Banking, which is still in use, needs to be reviewed whether it is still in accordance with current banking conditions, or needs to be adjusted again. Global developments and changes in the structure of the economy that is currently heading towards digitalization need to be considered by the government and the DPR.

4. Conclusions

The opening of foreign ownership opportunities in Indonesian banking through changes in foreign ownership policies in Law Number 7 of 1992 into Law Number 10 of 1998 concerning Banking was a short-term solution provided by the government at that time. The crisis conditions experienced by Indonesia forced the government to immediately make changes to the law to attract foreign investors, with the aim of strengthening the banking capital structure. To date, the Indonesian Banking Law has been in use for 21 years, and Indonesia has gone through a period of economic crisis. Therefore, the government needs to review the existing banking laws. The open foreign ownership policy in Indonesian banking may pose several risks to the country's economic resilience. Concerns about foreign domination have also been raised by factions that disagree with the government on changes to the banking law. Enforcement of the principle of reciprocity needs to be done, so that not only foreign banks can easily enter Indonesia, but state banks can also expand to other countries so that state banks are also able to compete in the international arena.

The government and the House of Representatives as the parties with great interest and power in the foreign ownership policy in the Indonesian banking sector, need to conduct a review of the current banking law that has been used for 21 years. Banking liberalization can create vulnerability for the country to be affected by the economic crisis in the country where the bank originates. In addition, global developments and changes in the structure of the economy that are currently heading towards digitalization need to be considered by the government and the DPR. The rapid development of technology is causing disruption, and banking is no exception. The current technological disruption in the financial industry is the emergence of the financial technology (fintech) industry. The rapid

development of fintech accompanied by continuous innovation makes the conventional financial industry, including banks, must be able to adapt quickly.

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Author Contribution

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Conflicts of Interest

The authors declare no conflict of interest.

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