Evaluating the Effectiveness of Indonesia's Anti Money Laundering Framework: A Normative Legal Analysis

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Abstract

Money laundering continues to expose regulatory and institutional gaps within Indonesia's financial surveillance architecture, particularly in the effectiveness of PPATK's analytical functions and the coordination of enforcement agencies. This study therefore aims to examine the adequacy of Indonesia's anti–money laundering (AML) framework, identify weaknesses in its preventive and enforcement mechanisms, and propose policy reforms. Using a normative juridical method, the research analyses statutory provisions, primarily Law No. 8 of 2010 together with secondary legal scholarship and tertiary reference materials. The analysis employs legal system theory and the concept of regulatory effectiveness to assess how far Indonesia's AML regime aligns with national objectives and international standards. The findings demonstrate persistent shortcomings, including fragmented inter-agency cooperation, inconsistent implementation of KYC obligations, and increased exploitation of financial technology to bypass regulatory controls. Although mechanisms such as asset recovery and the reversal of the burden of proof strengthen enforcement, practical constraints limit their optimal use. The study concludes by recommending enhanced institutional synergy, the modernisation of digital tracing tools, and strengthened public and industry literacy on AML compliance as essential steps to improving Indonesia's capacity to combat money laundering.

Keywords: Economic Crime, Law Enforcement, Money Laundering.

INTRODUCTION

Economic crime is a category of legal violations that has far-reaching consequences for national economic stability and social justice, with money laundering recognized as one of the most complex and impactful forms of such crime. Essentially, money laundering involves a series of actions aimed at concealing or obscuring the origins of assets derived from criminal activity to make them appear legitimate. This practice is closely linked to corruption, drug trafficking, fraud, embezzlement, and transnational financial crimes (Dujovski & Mojsoska, 2019; Meiselles et al., 2024), and in Indonesia, studies demonstrate that money laundering continues to evolve with increasingly sophisticated patterns associated with narcotics, corruption, and cross-border organized crime (Fhatnur, 2024). The Financial Transaction Reports and Analysis Center (PPATK) plays a pivotal role in detecting suspicious financial flows and supporting the dismantling of criminal networks (Djabir T. et al., 2023), although law enforcement still faces significant obstacles in proving predicate offenses, tracing assets, and maintaining effective multi-agency coordination (Sulistyo et al., 2024). These challenges also highlight structural vulnerabilities in banking supervision and compliance systems, which must continue adapting to global AML/CTF standards (Nur Hidayah et al., 2025). At the

international level, cross-border cooperation is essential because money laundering frequently intersects with transnational organized crime and demands coordinated legal frameworks, information exchange, and mutual legal assistance across jurisdictions (Haq et al., 2023; Purba et al., 2020)

In the Indonesian context, the issue of money laundering has been a key agenda for the government and law enforcement officials since the early 2000s. These serious efforts were realized through the enactment of Undang-Undang No. 8 Tahun 2010 concerning the "Prevention and Eradication of Money Laundering Crimes," which serves as the primary legal basis for combating money laundering activities (Dujovski & Mojsoska, 2019; Riswanto et al., 2024; Shiva et al., 2024). The establishment of this regulation was a response to the increasing frequency and complexity of financial crimes committed in an organized manner and involving cross-border networks (Fhatnur, 2024; Veronika & Asmarasari, 2025). However, the implementation of laws to address money laundering in Indonesia still faces several obstacles, such as suboptimal inter-agency coordination, weak financial oversight mechanisms, and difficulties in establishing evidence that often require in-depth analytical techniques (Kurniawan & Herman, 2025; Riswanto et al., 2024; Sulistyo et al., 2024)

Combating crimes involving money laundering necessitates the coordination of professional law enforcement with institutional frameworks and normative considerations. The capacity of institutions like the Pusat Pelaporan dan Analisis Transaksi Keuangan (PPATK), the police, the prosecutor's office, and the judiciary to collaborate in tracking and analyzing the flow of funds that originate from crime is frequently the deciding factor in how successful it is in uncovering money laundering practices (Shiva, Putry, & Hosnah, 2024; Karmila et al., 2025; Fitriana & Daim, 2025) (Fitriana & Daim, 2025; Karmila, 2021, Shiva et al., 2024). The challenges of globalization and the development of financial technology have also made it more difficult to monitor and trace suspicious transactions, thus requiring strengthened early detection systems, more adaptive use of information technology, and increased transparency in financial institutions to prevent misuse as a tool to conceal illegal assets (Kurniawan & Herman, 2025; Rusman & Budianto, 2025).

Thus, the study of money laundering as a form of economic crime is crucial for assessing the effectiveness of Indonesia's legal framework and law enforcement practices in responding to such crimes. A comprehensive analysis is needed to understand the extent to which regulatory instruments are able to protect the stability of the national economic system and prevent the recurrence of money laundering practices in the future (Anggun, 2022). This research is expected to provide a substantive contribution to strengthening the national legal system, particularly in the prevention and prosecution of economic crimes that are complex, systematic, and have a broad impact on the national economy.(Denniagi, 2021)

Money laundering has become one of Indonesia's most pressing economic crimes, with PPATK reporting more than two million suspicious transaction reports (STRs) in 2023, many linked to corruption, narcotics, fraud, and transnational organised crime. Despite the establishment of Law No. 8 of 2010 as the principal framework for prevention and enforcement, Indonesia continues to face structural obstacles including inconsistent implementation of Know Your Customer (KYC) obligations, limited beneficial ownership transparency, weak financial supervision, and suboptimal coordination among PPATK, OJK, the police, and the Attorney

General's Office (Dzurriyah et al., 2024). These shortcomings have been noted in recent FATF assessments, reflecting gaps between Indonesia's normative regulatory design and its practical enforcement capacity, particularly in responding to technological developments such as digital assets and fintech-based transactions.

These empirical challenges highlight a research gap: while previous studies describe Indonesia's regulatory structure, few critically assess the effectiveness of its AML framework in practice. This study therefore offers novelty by analysing Indonesia's AML regime through a normative juridical lens that evaluates regulatory adequacy, institutional performance, and alignment with international standards. The research addresses three core issues: the legal regulations concerning money laundering crimes in Indonesia; the efforts to prevent money laundering crimes by the government and related institutions; and law enforcement against money laundering perpetrators in Indonesia. The study is expected to contribute to enhancing Indonesia's legal architecture and improving the state's ability to combat complex economic crime.

RESEARCH METHOD

This study employs a normative juridical method to examine the effectiveness of Indonesia's anti–money laundering (AML) framework. The research draws primarily on primary legal materials, including Law No. 8 of 2010, related banking and financial regulations, and judicial decisions concerning money laundering. These sources were selected for their authoritative role in shaping Indonesia's AML regime. Secondary legal materials, such as doctrinal writings, academic analyses, and previous empirical studies, including (Dzurriyah et al., 2024), who emphasise the importance of asset confiscation and doctrinal clarity in AML enforcement were utilised to interpret statutory norms and assess their practical implications. Tertiary materials, including legal dictionaries and encyclopaedias, were consulted to clarify technical concepts relevant to money laundering regulation.

The research applies several normative legal approaches. The statute approach is used to examine the structure and substance of Indonesian AML regulations; the conceptual approach evaluates doctrinal notions such as burden of proof reversal, asset recovery, and Know Your Customer (KYC) obligations; and the case approach analyses selected judicial decisions to identify gaps between legal doctrine and enforcement practice. Data were analysed using qualitative legal analysis, applying grammatical and systematic interpretation to assess normative coherence, and comparative assessment to evaluate alignment with FATF recommendations. Through these analytical steps, supported by insights from (Dzurriyah et al., 2024), the study identifies the extent to which Indonesia's AML framework fulfils its preventive and enforcement objectives and highlights regulatory and institutional weaknesses requiring reform.

RESULT AND DISCUSSION

The findings of this study are presented in the form of descriptive data obtained from the field study. Data presentation serves as a basis for assessing the suitability of empirical conditions with relevant theories discussed in the research. Findings are presented in a concise summary without displaying all details and can be supported by tables or graphs explained narratively. Explanations include reasons why the findings align or disagree with theory, conditions encountered in practice, and interview sources that serve as the basis for the analysis.

Legal Regulations Concerning Money Laundering Crimes in Indonesia

The study identifies that Indonesia's anti–money laundering (AML) regime is primarily governed by Law No. 8 of 2010, supported by sectoral regulations in banking, finance, and reporting systems. The law provides a broad definition of money laundering, covering various acts of transferring, converting, or concealing assets originating from criminal activities. It also extends liability to individuals assisting in concealment, reflecting the complexity of modern financial crime. The statute further outlines the three standard stages of money laundering: placement, layering, and integration which form the operational basis for enforcement agencies in tracing illicit financial flows.

To operationalise the AML framework, the government established PPATK as an independent financial intelligence unit mandated to receive and analyse suspicious transaction reports (STRs). PPATK acts as a liaison between financial institutions and law enforcement agencies and collaborates with international partners to address cross-border laundering risks. However, despite a comprehensive regulatory structure, the findings indicate persistent implementation obstacles. These include weak inter-agency coordination, insufficient oversight of financial institutions, limited transparency in transactions, and difficulties in tracing complex fund movements. Such gaps reduce the effectiveness of Indonesia's AML system.

Table 1. Evolution of Indonesia's AML Regulatory Framework

Period	Regulatory Development	Key Implications
Late 1990s–2000s	Initial AML legislation introduced	Response to global criticism of corruption and financial crime
2010	Enactment of Law No. 8/2010	Establishes core AML legal framework; defines offences and responsibilities
2010–2023	Issuance of banking, financial sector, and reporting regulations	Strengthens KYC, CDD, STR reporting, and supervisory frameworks
Ongoing	International cooperation under APG/FATF	Encourages alignment with global AML standards

Table 2. Institutional Roles and Regulatory Functions in Indonesia's AML System

Institution	Mandate under Regulation	Practical Issues Identified
PPATK	Receives and analyses STRs; coordinates intelligence	High STR volume; limited analytical resources
OJK	Supervises AML/KYC compliance in financial institutions	Inconsistent KYC enforcement; uneven institutional readiness
Law Enforcement (Police, AGO, KPK)	Investigate and prosecute AML and predicate offences	Difficulty proving predicate offences; fragmented coordination
Financial Institutions	Implement KYC, CDD, and reporting obligations	Weak internal controls; potential misuse by offenders

Table 3. Implementation Weaknesses in Indonesia's AML Framework

Area of Weakness	Observed Condition	Implications for AML Enforcement
Inter-agency coordination	Lack of integrated investigation systems	Slower case processing; duplication of efforts
Financial oversight	Limited supervision in high-risk sectors	Increased vulnerability to laundering schemes
Transparency	Inadequate beneficial ownership data	Harder to trace illicit assets
Fund-tracing capacity	Difficulty analysing complex digital transactions	Lower effectiveness in asset recovery

The results confirm that Indonesia possesses a strong legal foundation for combating money laundering. However, regulatory effectiveness is weakened by operational and institutional challenges, particularly in: coordination among PPATK and law enforcement bodies, supervisory consistency across financial institutions, and technical capacity for tracing sophisticated financial transactions. These findings provide the basis for subsequent analytical discussion on institutional performance and potential reforms.

Efforts to Prevent Money Laundering Crimes by the Government and Related Institutions

The study shows that money laundering prevention in Indonesia operates through a combination of regulatory mechanisms, institutional supervision, reporting systems, and multi-agency cooperation. The government relies on Law No. 8 of 2010 as the principal basis for preventive policies, supplemented by sectoral regulations issued by OJK, Bank Indonesia, and PPATK. Preventive efforts emphasise transparency, accountability, and the early detection of suspicious transactions.

Table 4. Core Preventive Measures Implemented by the Indonesian Government

Preventive Mechanism	Description	Observed Issues
Financial system regulation	AML provisions under Law No. 8/2010; reporting obligations	Regulation strong but unevenly implemented
Monitoring & reporting	STR and CTR reporting via PPATK systems	High STR volume; varied reporting quality
KYC & CDD enforcement	Customer identity verification and risk profiling by financial institutions	Gaps in enforcement, especially in fintech and non-bank sectors
Public awareness programmes	Training, socialisation, compliance guidance	Limited outreach beyond formal financial sector
Supervisory oversight	OJK and BI audits, compliance inspections	Inconsistent inspection frequency and follow-up

The findings also indicate that multi-agency cooperation is central to Indonesia's prevention strategy. PPATK collaborates with Polri, AGO, KPK, OJK, and Bank Indonesia to strengthen financial intelligence and ensure that suspicious transaction reports (STRs) are processed promptly. Indonesia also engages in international cooperation through APG and FATF, particularly in information-sharing and aligning supervisory standards.

Table 5. Inter-Institutional AML Prevention Framework

Institution	Preventive Role	Implementation Challenges
PPATK	STR analysis; dissemination of intelligence	Need for better integration with law enforcement data systems
OJK	Supervises AML/KYC in financial institutions	Uneven compliance; rapid fintech growth outpacing regulation
Polri / AGO / KPK	Follow-up investigations arising from STRs	Coordination delays; differing institutional priorities
Bank Indonesia	Regulates payment systems; monitors high-risk transactions	Oversight challenges in digital payment platforms
International bodies (APG/FATF)	Provide standards and evaluation	Identification of gaps in beneficial ownership and supervision

The research highlights several systemic weaknesses hindering effective AML prevention:

1. Fragmented coordination between PPATK, OJK, law enforcement bodies, and financial institutions.
2. Inconsistent enforcement of KYC and CDD obligations, particularly in high-risk sectors such as fintech.
3. Limited transparency in beneficial ownership information, making it harder to detect laundering structures.
4. Gaps in technological capability, especially in analysing complex digital transaction patterns.
5. Insufficient supervision capacity, leading to delayed detection of unusual financial activities.

These findings demonstrate that Indonesia's preventive mechanisms, although normatively robust, face practical barriers that reduce overall effectiveness.

Overall, the results show that Indonesia has established a comprehensive preventive framework and strengthened institutions such as PPATK and OJK. However, the success of prevention efforts remains heavily dependent on improving inter-agency coordination, enhancing supervisory consistency, strengthening digital monitoring tools, and expanding AML literacy across financial and non-financial sectors.

Law Enforcement against Money Laundering Perpetrators in Indonesia

The study finds that Indonesia's enforcement of anti–money laundering (AML) provisions is grounded in Law No. 8 of 2010, which mandates prosecution not only of perpetrators of predicate crimes but also individuals or entities involved in concealing illicit assets. Enforcement relies heavily on inter-institutional cooperation among PPATK, the Police, the Attorney General's Office (AGO), and the Corruption Eradication Commission (KPK).

PPATK provides essential financial intelligence to trigger investigations, while law enforcement agencies pursue criminal proceedings based on analysed financial data. The findings also show that Article 77's reversal of the burden of proof plays a significant role in enabling asset-based prosecution. This mechanism allows courts to convict even when predicate offences are difficult to prove, provided there is sufficient certainty that assets originate from criminal activity. Furthermore, asset recovery measures, such as freezing, seizure, and confiscation remain central to enforcement outcomes.

Table 6. Core Components of AML Law Enforcement in Indonesia

Component	Description	Practical Implications
Legal foundation	Law No. 8/2010 & derivative regulations	Strong framework enabling prosecution and asset recovery
Predicate offence linkage	TPPU can be prosecuted independently of predicate crime	Facilitates broader enforcement scope
Reversal of burden of proof (Art. 77)	Defendant must prove assets are lawful	Accelerates adjudication; prevents loophole exploitation
Asset recovery measures	Freezing, seizure, confiscation	Deters future offences; restores state losses

The study also identifies that PPATK functions as Indonesia's financial intelligence agency, supplying analysed suspicious transaction reports (STRs) and other financial data to law enforcement bodies. Investigations typically involve multi-agency engagement, reflecting the transnational and complex nature of money laundering schemes.

Table 7. Institutional Contributions to AML Enforcement

Institution	Enforcement Role	Challenges Identified
PPATK	Provides financial intelligence and transaction analysis	Need for enhanced digital analytics to detect sophisticated laundering patterns
Police (Polri)	Conducts investigations and gathers evidence	Resource constraints; complex evidentiary processes
AGO	Leads prosecution	Delays due to predicate offence proving requirements
KPK	Handles corruption-related laundering	High case volume; cross-border transaction barriers

The findings reveal several recurring challenges that weaken enforcement effectiveness:
1. Suboptimal inter-agency coordination, especially in sharing financial intelligence and aligning investigative priorities.
2. Human resource limitations, including insufficient expertise in digital forensics and financial analysis.
3. Complex evidentiary processes, particularly in cases involving multiple jurisdictions or digital assets.
4. Rapid technological developments, which enable offenders to obscure funds through fintech platforms, cryptocurrency, or international remittance channels.

These challenges illustrate gaps between the legal framework and its practical application.

Table 8. Enforcement Obstacles and Impacts

Area of Challenge	Observed Obstacle	Impact on AML Enforcement
Coordination	Fragmented investigative processes	Slower case progress; inconsistent follow-up
Evidence tracing	Difficulty tracking complex transactions	Lower conviction rates; missing asset recovery opportunities
Technological capacity	Limited use of advanced digital tools	Vulnerability to tech-enabled laundering
Human resources	Lack of specialised investigators	Reduced ability to handle high-complexity cases

Although Indonesia possesses a strong normative foundation for AML enforcement, the effectiveness of law enforcement remains constrained by structural limitations. The evidence shows that improving technological capacity, strengthening inter-agency coordination, and enhancing investigative skills are critical to increasing successful prosecutions and asset recovery. These findings form the basis for normative evaluation and policy recommendations in the discussion section.

Legal Regulations Concerning Money Laundering Crimes in Indonesia

Indonesia's regulatory framework for combating money laundering, principally anchored in Law No. 8 of 2010, demonstrates the state's commitment to safeguarding economic stability and financial integrity. However, when examined using Friedman's theory of legal systems, which consists of legal structure, legal substance, and legal culture, several systemic weaknesses become evident. From the perspective of legal substance, the definition of money laundering in the statute is sufficiently broad to cover concealment, transfer, conversion, and integration of illicit assets (Atmasasmita, 2016; Nainggolan & Kornelis, 2024). Yet, the law does not provide detailed mechanisms for addressing emerging laundering methods involving fintech, cryptocurrency, and cross-border financial platforms revealing a regulatory gap that affects the law's responsiveness to technological evolution. This shortcoming aligns with Soerjono Soekanto's (theory of legal effectiveness) assertion that legal norms become ineffective when they fail to anticipate behavioural and technological changes in society.

In terms of legal structure, although institutional arrangements appear comprehensive with PPATK operating as a financial intelligence unit and law enforcement bodies such as Polri, AGO, and KPK responsible for investigation and prosecution coordination among these agencies remains suboptimal. Studies note that PPATK's analytical function is often hindered by limited exchange of information and delayed operational follow-up by investigators (Shiva et al., 2024). This fragmentation weakens the execution of the Money Laundering Law, especially in cases where tracing multi-layered financial transactions requires simultaneous action across agencies. Such structural gaps support Friedman's view that even strong legal rules cannot operate effectively without an efficient organisational system to enforce them.

From the perspective of legal culture, compliance among financial institutions, particularly relating to Know Your Customer (KYC) and Customer Due Diligence obligations

remains highly uneven. Weak internal controls, varying technical capacity, and the rapid growth of fintech services raise concerns about the sincerity and consistency of AML implementation (Haq et al., 2023). This condition is directly relevant to Soekanto's argument that legal effectiveness is influenced by the attitudes and awareness of regulated communities. Thus, despite the presence of a normative framework, the prevailing compliance culture reduces the preventive effectiveness of AML policies.

A normative critique of the AML regime further reveals that PPATK's powers, while extensive, are still limited by its non-investigative status. PPATK may analyse and disseminate financial intelligence, but enforcement ultimately depends on the willingness and capacity of police and prosecutors to pursue cases. This structural dependency creates enforcement bottlenecks, especially when predicate offences are difficult to prove, an issue widely documented in the literature (Sulistyo et al., 2024). Even though the three-stage model of placement, layering, and integration (Meiselles et al., 2024) provides conceptual clarity for tracing illicit flows, the law does not require financial institutions to adopt advanced analytics or real-time monitoring systems, resulting in delays that criminals exploit.

When assessed from the lens of Islamic legal principles, especially *maqāṣid al-sharīʿah*, the eradication of money laundering aligns with the objectives of preserving wealth (*ḥifẓ al-māl*) and preventing harm (*dafʿ al-mafsadah*). Islamic law strongly condemns concealment of wrongful gain (*al-māl al-ḥarām*) and obliges the state to prevent its circulation within society. However, the current regulatory framework does not explicitly integrate these values into policy formulation or community outreach, limiting its contextual and educational influence—particularly important for a journal concerned with Islamic legal studies.

Taken together, these analytical findings show that the main regulatory challenge in Indonesia's AML framework lies not in the absence of legal rules, but in the lack of regulatory refinement, insufficient institutional integration, and limitations in supervisory capacity, particularly concerning technological adaptation. To strengthen the regime, several reforms are normatively necessary: (1) updating Law No. 8 of 2010 to address digital financial instruments, (2) expanding PPATK's operational authority or establishing mandatory integrated information-sharing systems, (3) enhancing enforcement capacity through digital forensic training, and (4) incorporating Islamic legal principles on financial integrity as part of public awareness and compliance programmes. These measures are essential for improving the coherence, responsiveness, and legitimacy of Indonesia's efforts to combat money laundering.

Efforts to Prevent Money Laundering Crimes by the Government and Related Institutions

Preventive measures against money laundering in Indonesia, although normatively established through Law No. 8 of 2010, encounter substantive challenges when assessed through Friedman's legal system framework. From the perspective of legal substance, the statute mandates financial transparency, Know Your Customer (KYC) compliance, and reporting obligations, which should theoretically limit opportunities for offenders to insert illicit funds into the financial system. Nonetheless, empirical studies indicate that these preventive norms are inconsistently implemented across banking, fintech, and non-bank financial institutions (Nainggolan & Kornelis, 2024; Rahayuningsih, 2013). Such inconsistency reveals a normative gap where regulatory provisions are adequate but lack operational specificity,

particularly concerning digital financial services that increasingly facilitate complex laundering schemes.

In terms of legal structure, preventive efforts depend on coordination between PPATK, OJK, Bank Indonesia, Polri, AGO, and KPK. Although PPATK's intelligence role is central, its effectiveness is limited by the responsiveness of law enforcement agencies and by the fragmented data-sharing mechanisms among institutions. Studies show that delays in following up PPATK analyses often weaken early detection and prevention of illicit fund flows (Puanandini et al., 2023). This fragmentation supports Friedman's argument that legal structures must be operationally coherent to ensure effective law enforcement. Similarly, Soerjono Soekanto's determinants of legal effectiveness underscore the importance of institutional capability; in Indonesia's case, varied levels of technological competence and supervisory depth across regulators hinder comprehensive oversight.

From the viewpoint of legal culture, preventive success relies heavily on the compliance mindset of financial institutions and the public's understanding of AML norms. Despite regulatory campaigns, compliance attitudes remain uneven, with financial institutions occasionally prioritising business convenience over strict due diligence (Riswanto et al., 2024). This condition mirrors Soekanto's assertion that the attitudes and awareness of legal subjects significantly influence the performance of legal norms. Without cultivating a strong compliance culture, preventive mechanisms remain largely symbolic.

When interpreted through Islamic legal principles, preventive measures against money laundering align with the objectives of *maqāṣid al-sharī'ah*, particularly *ḥifẓ al-māl* (protection of lawful wealth) and *jalb al-maṣlaḥah* (promoting public interest). Money laundering distorts economic justice and sustains illegal enrichment; therefore, efforts to strengthen transparency and accountability directly support the ethical imperatives of Islamic law (Ni Made Trisna Dewi & Agus Surya Manika, 2023). However, Indonesia's AML framework does not substantively incorporate these principles into regulatory design or public awareness strategies, limiting its cultural resonance in a society where Islamic values significantly shape ethical perceptions.

Normatively, several policy issues require critical attention. First, PPATK's preventive function should be expanded by establishing real-time data integration with OJK and financial institutions to enhance early risk detection. Second, OJK's supervisory authority must be strengthened, particularly in the fintech sector where regulatory gaps enable misuse of digital payment platforms. Third, regulatory revisions are needed to require advanced analytics and beneficial ownership verification systems, which are essential to preventing the layering and integration stages of laundering. Finally, preventive strategies should incorporate Islamic legal values to enhance public acceptance and ethical compliance.

Overall, while Indonesia's preventive framework is normatively robust, its effectiveness remains constrained by limited institutional integration, inconsistent enforcement of compliance obligations, and insufficient adaptation to technological developments. Addressing these issues is crucial to aligning preventive efforts with national and international expectations for combating money laundering (Sulistyo et al., 2024).

Law Enforcement against Money Laundering Perpetrators in Indonesia

Law enforcement against money laundering in Indonesia, while normatively supported by Law No. 8 of 2010, exhibits several structural and functional challenges when assessed

through Friedman's legal system theory. In terms of legal substance, the statutory framework allows prosecution not only of predicate offenders but also individuals who facilitate concealment of illicit assets (Sulistyo et al., 2024; Utomo & Sari, 2024). It also incorporates innovative mechanisms such as the reversal of the burden of proof under Article 77, which permits judges to convict without proving the predicate offence fully, provided that the illegality of the assets is substantiated (Veronika & Asmarasari, 2025). This provision is normatively strong, yet the law lacks detailed operational guidelines for applying evidentiary reversal, especially in cases involving complex digital transactions and offshore assets. The absence of such procedural elaboration creates legal uncertainty and contributes to inconsistent judicial interpretation.

Regarding legal structure, enforcement depends on synergistic collaboration among Polri, AGO, KPK, and PPATK. Although PPATK fulfils a pivotal intelligence function by analysing suspicious transactions (Puanandini et al., 2023), its effectiveness is constrained by limited downstream investigative capacity and delays in inter-agency data sharing. Evidence from practice indicates that criminal networks often exploit these structural gaps by rapidly transferring funds across borders or using digital payment systems to disguise cash flows (Karmila et al., 2021). These dynamics demonstrate Friedman's assertion that strong legal content is insufficient without an effective enforcement structure capable of operationalising it.

From the viewpoint of legal culture, effective enforcement requires both law enforcement personnel and financial actors to internalise AML principles. However, the study reveals that investigative and prosecutorial bodies often lack specialised expertise in financial forensics, digital asset tracing, and cross-border evidence collection resulting in protracted investigations and low asset-recovery rates. This aligns with Soerjono Soekanto's theory that legal effectiveness is heavily influenced by human resource competence and institutional behaviour. Without improving the professional culture and technical literacy of enforcement officers, the law's substantive provisions cannot achieve their intended deterrent effect.

Islamic legal principles, particularly *maqāṣid al-sharīʿah*, view the eradication of money laundering as essential to protecting lawful wealth (*ḥifẓ al-māl*) and preventing systemic harm (*dafʿ al-mafsadah*). Asset-based enforcement strategies, such as freezing, seizure, and confiscation reflect these objectives, as they eliminate the economic incentives that sustain criminal enterprises (Sinurat et al., 2023). Nevertheless, Indonesia's enforcement framework does not explicitly incorporate Islamic legal reasoning into judicial interpretation or public legal education, limiting its cultural resonance in a predominantly Muslim society and reducing opportunities to strengthen ethical compliance through religious norms.

A critical assessment of Indonesia's AML enforcement further reveals several deficiencies. First, coordination mechanisms between PPATK and law enforcement agencies remain fragmented, causing delays that reduce the evidentiary value of financial intelligence. Second, technological capacity is insufficient to counteract sophisticated laundering methods involving fintech platforms and cross-jurisdictional transfers. Third, human resource limitations continue to impede complex investigations, particularly those requiring multi-layered asset tracing (Berman et al., 2021). These challenges suggest that, despite a strong statutory foundation, Indonesia's enforcement performance is weakened by structural and cultural shortcomings that prevent optimal implementation.

Normative reform is therefore necessary. Enhancing enforcement effectiveness requires: (1) establishing integrated real-time information-sharing platforms between PPATK and law enforcement agencies; (2) expanding the technical capacity of investigators through specialised training in digital forensics and crypto-asset tracing; (3) strengthening cross-border cooperation under APG and FATF frameworks; and (4) embedding Islamic legal principles related to economic integrity into public education programmes to cultivate a broader culture of compliance. These recommendations are essential to ensuring that enforcement aligns with national legal objectives and global anti-money laundering standards while reinforcing public trust in Indonesia's justice system.

CONCLUSION

The study concludes that Indonesia's legal framework for combating money laundering centred on Law No. 8 of 2010 provides a comprehensive normative foundation, yet its effectiveness is undermined by gaps in regulatory responsiveness, supervisory consistency, and inter-institutional coordination. The analysis of legal regulations reveals that although the statutory definition and procedural mechanisms, including the reversal of the burden of proof, are normatively robust, they remain insufficiently adapted to emerging financial technologies and transnational laundering schemes. Preventive efforts involving PPATK, OJK, Bank Indonesia, and other institutions demonstrate significant progress in reporting, monitoring, and compliance oversight, but continue to be constrained by uneven enforcement of KYC obligations, limited analytical capacity, and inadequate public financial literacy. Law enforcement practices show commitment through asset-recovery strategies and strengthened prosecution, yet structural weaknesses, particularly fragmented coordination, limited digital-forensic expertise, and complex evidentiary requirements continue to impede optimal outcomes. In response, the study recommends regulatory refinement to address digital-era laundering risks; enhanced technological and human-resource capacity across enforcement agencies; integrated real-time data-sharing systems; and stronger public education initiatives rooted in both national legal standards and Islamic principles of financial integrity. These reforms are essential for strengthening Indonesia's AML regime and ensuring a more effective, coherent, and future-ready legal system.

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