

Overview of Assessment of the Digital Maturity Level of Commercial Banks

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The digital maturity assessment of commercial banks, both conventional and sharia, is part of the implementation of the digital banking transformation blueprint released by the Financial Service Authority (OJK) on October 26th, 2021. This assessment includes the aspect of governance, risk management architecture, cyber resilience and security, technology, data, collaboration, and consumer protection that is regulated on Circular Letter Financial Service Authority (SEOJK) No.24/SEOJK.03/2023 concerning Digital Maturity Level Assessment of Commercial Banks. Using the quality level of digital banking implementation aspects with the categories Strong, Satisfactory, Fair, Marginal, and Unsatisfactory for each aspect above, the level of commercial digital maturity is categorized as ranking 1, ranking 2, ranking 3, ranking 4, and ranking 5.



Introduction

The advancement of Information Technology (IT) and Financial Services has increased people's interest in digital experience in every engagement with the bank, enabling the digital transformation necessary for banking industries to remain relevant and competitive. The emergence of digital services is no longer constrained by risk profile criteria but rather by principles, emphasizing IT infrastructure management to assist digital services implementation more effectively.

The Regulation of Financial Service Authority (POJK) Number 21 of 2023 concerning Digital Services by commercial banks (known as POJK Digital Services) and Circular Letter OJK Number 24 of 2023 (SEOJK No. 24/SEOJK.03/2023) concerning The Digital Maturity Level Assessment of Commercial Banks (SEOJK MDBU) provide regulations and guidelines to support digital transformation in the banking industry.



POJK Digital Service and SEOJK MDBU

POJK Digital Service regulates digital services, including their scope and requirements, licensing procedures, collaboration with providers, IT utilization, e-signing, and adoption for assisting banking business functions and consumer data protection. At the same time, SEOJK MDBU is a guideline for determining, assessing, and evaluating the extent of bank digitization. The guide can be used as a monitoring tool for banks and OJKs to track progress in digital transformation in the banking industry. The assessment of the bank's digital maturity level involves scrutiny of all areas of IT implementation to identify aspects that have flaws and require development as input for improving digital maturity within the context of IT implementation, which includes:

1. Governance includes institutional order and IT governance
2. Architecture, particularly IT architecture
3. Risk management involves IT risk management
4. Adhere to the cybersecurity maturity level rating stated in SEOJK No.29/SEOJK.03/2022 for commercial banks.
5. Adhere to the cybersecurity maturity level rating stated in SEOJK No.29/SEOJK.03/2022 for commercial banks.
6. Data (governance, protection of personal data, and data transfer)
7. Collaboration (partnership cooperation and provision of IT services by banks)
8. Consumer protection (fulfillment of service aspects and consumer protection)

External parties and banks evaluate the bank's digital maturity level by analyzing the implementation of controls over the bank's digital maturity aspects using the working paper format for assessing the quality of the implementation of the bank's digital maturity aspects, as shown in the Appendix section of SEOJK No. 24/SEOJK.03.2023.

Assessment Classification

The determination of the quality level of the application of the bank's digital maturity component is classified as follows:

Ranking 1 (strong)	The quality of the application of aspects/domains is good; minor flaws can be overlooked.
Ranking 2 (satisfactory)	The quality of aspect/domain implementation is adequate, and if there are small flaws, they may be addressed through normal business processes.
Ranking 3 (fair)	The quality of implementation of aspects/domains is adequate. Although minimum requirements are met, some weaknesses require management attention.
Ranking 4 (marginal)	The quality of implementation of aspects/domains is inadequate. There are significant flaws in various controls that require immediate corrective action.
Ranking 5 (unsatisfactory)	The quality of implementation of aspects/domains is inadequate. There are significant flaws in various controls whose resolution is beyond the management's ability.

Meanwhile, the bank's digital maturity level will be grouped into five levels, which are:

☆ Ranking 1

The bank's digital maturity level is exceedingly high, as reflected in all activities running very well, and the bank has implemented a continuous improvement mechanism. If there are flaws, they are not significant.

☆ Ranking 2

The bank's digital maturity level is high, reflecting that all required activities have been implemented consistently. If there are flaws, they are less significant.

☆ Ranking 3

The bank's digital maturity level is typically adequate, as evidenced by the fact that most actions needed have been routinely implemented. If there are flaws, they are usually serious, and if not handled appropriately by management, they can jeopardize the bank's business continuity.

☆ Ranking 4

The bank's overall low degree of digital maturity is evident because some required activities or procedures have been identified but not regularly implemented. Some deficiencies are considerable and cannot be remedied appropriately by management, threatening the bank's business continuity.

☆ Ranking 5

The bank's digital maturity level is poor, as evidenced by the lack of identified and implemented activities or processes. Some shortcomings are often very severe, and to overcome them, financial support from shareholders or other funding sources is required to increase the bank's digital maturity.

Execution

Based on SEOJK No. 24/SEOJK.03/2023, banks are required to assess the Bank's digital maturity level periodically, either independently and/or using a third party, at least once a year by considering changes in the bank's internal and external conditions.

Reporting

The bank submits an Assessment Results Report of the bank's digital maturity level to the authority, namely OJK, as part of the report on the current condition of the bank's IT implementation as required in POJK No. 11/POJK.03/2022 concerning the Implementation of Information Technology by Commercial Banks (POJK PTI). This report is due no later than 15 working days after the end of the reporting year. The bank's digital maturity level should be assessed for the first time for the position by the end of December 2023, with the results submitted to OJK by the end of June 2024.

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