



Implementation of Bank Indonesia Policy on The Obligation to Use Rupiah in Indonesia Border Region

(Case study in Centre Sebatik District of Nunukan Regency)

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Abstract— This paper explains and analyzes Bank Indonesia's policies addressing the required use of the Rupiah in Indonesia's border areas, the obstacles preventing policy execution, and measures to overcome these problems. This study is descriptive and inductive. Interviews, observations, and documentation are used to collect data. Reduction, presentation, and conclusion are data analysis strategies. The researcher employs the Van Meter and Van Horn implementation theory with six dimensions: Objectives and Measures, Resources, Communications and Implementation Activities, Implementing Agency Characteristics, Economic, Social, and Political Environment, and Implementing Trends. This study shows that Bank Indonesia's policy on the mandatory usage of the Rupiah in Indonesia's border territories (Central Sebatik District) has been implemented well. The results are not optimal due to several obstacles, such as the fluctuating Rupiah exchange rate, dependence on the trade sector and product marketing as well as the supply of necessities from Malaysia, low public awareness of existing policies, limited infrastructure and facilities, not well-coordinated resource management, and lack of coordination between agencies and policy instruments. The researcher advises increasing the intensity of socialization activities, forming a specific team to focus on the economics and financial system (payment system), human resource development, and supporting infrastructure and facilities, and creating a new economic center.

Keywords— *implementation; policy; ringgit; rupiah*

I. INTRODUCTION

Indonesia is bordered by land, air, and marine nations. This scenario pushes Indonesia to adopt decent justice to help the Indonesian people as a whole. Even though the border region has vast natural resource potential, it has little socio-economic amenities and infrastructure. Border management requires special management since it must incorporate community participation to promote people's wellbeing. If a state is weak in ideology, economy, society, culture, military, and security, it might suffer significant losses. As the first picture given to the world, the government must pay attention to the border areas by building better and more sustainably.

Financial management or financial management can be interpreted as all activities related to how to manage finances starting from obtaining sources of funds, using funds as best as possible to allocating funds to investment sources to achieve company goals [1].

Some economists argue that monetary policy is not sufficient to address concerns about the risk of crises and economic shocks, so that financial system resilience against economic shocks is needed, so that the intermediation function, payment system, and risk distribution continue to run properly. known as Financial System Stability (SSK)[2].

Article 21 of Law 7 of 2011 concerning Currency states: "Rupiah must be used in: (a) every transaction with a payment purpose; (b) settlement of other obligations that must be met with money; and/or (c) other financial transactions conducted in the Territory of the Unitary State of the Republic of Indonesia." In border areas, especially Central Sebatik District, where the position is unfavorable and far from urban communities, inadequate transportation facilities, infrastructure, and communication isolated social and economic activity. In Sebatik, basic needs are expensive and actual economic activity is inefficient (production and consumption sectors). Central Sebatik District relies heavily on neighboring countries (Tawau, Malaysia).

TABLE I. MIDDLE EXCHANGE RATE OF RINGGIT AGAINST RUPIAH IN 2015-2018

Foreign Currency	Foreign Currency Exchange Rate Against Rupiah (Rp)					
	2013	2014	2015	2016	2017	2018
Ringgit Malaysia	3.708	3.562	3.210	2.996	3.335	3.493

Source: processed by researchers from the Central Bureau of Statistics of Nunukan Regency, 2019

Table 1 shows that the rupiah exchange rate fluctuates every year. Indonesia's economic instability caused this development. Interest rates, trade balances, inflation rates, export-import ratios, governmental debt, and political and economic stability create exchange rate instability. Exchange rate changes effect a country's exports and imports.

Using Ringgit and Rupiah in Central Sebatik District is normal. Because transactions and important items are largely from neighboring nations, the ringgit is inseparable from Central Sebatik District citizens. Sebatik's economy runs on Ringgit.

TABLE II. AMOUNT OF RINGGIT USAGE IN BORDER AREA

	AMOUNT
2012	50 %
2017	38 %

Source: Edited by the author from Bank Indonesia North Kalimantan Representative Office

II. RESEARCH METHOD

This study used a descriptive qualitative inductive strategy. Qualitative research methodologies were also utilized to describe or explain study subjects. Descriptive research focuses on problems through data, oral declarations, and visual descriptions. It focuses on Bank Indonesia's Policy on the Obligation to Use Rupiah in the Indonesian Border Area, notably the use of foreign money in the Sebatik Tengah Sub-district.

The study used purposive and snowball sampling. The informant determination technique uses purposive sampling to determine the data source through the individual who wants to be interviewed. It uses primary and secondary data. The researcher interviewed the informant for primary data. In addition, relevant secondary data was gathered from Bank Indonesia, North Kalimantan Province. This investigation used observation, interviews, and documentation. The triangulation approach was used to validate data from many sources. It also used data reduction analytic approaches, which involved summarizing relevant and supportive data and removing less relevant data. Display data, namely: study data acquired would be given in the form of brief summaries, tables, graphs, correlations between categories, flowcharts and the like. The stated results are provisional and may change if no sufficient evidence supports the next round of data collection.

This research was conducted in Sebatik District, Nunukan Regency, and the Bank Indonesia Representative Office in North Kalimantan to study the use of foreign currency in the border area.

III. DISCUSSION

A) Implementation of Bank Indonesia Policy Concerning the Mandatory Use of Rupiah in the Indonesian Border Area (Case Study in the Sebatik Tengah Sub-district, Nunukan Regency)

Bank Indonesia Regulation Number 17 of 2015 concerning the Obligation to Use Rupiah in the territory of the Unitary State of the Republic of Indonesia emphasis that buying and selling transactions and other economic activities can only be carried out using rupiah currency as the main payment instrument. Bank Indonesia Regulation Number 17 of 2015 concerning the Obligation to Use Rupiah in the Territory of the Unitary State of the Republic of Indonesia. However, this has only been effective in Bank Indonesia North Kalimantan, which is located in Tarakan City, since 2017. In this case, limited access to infrastructure as well as existing facilities in the Central Sebatik District. In addition, its location far from the district capital, adds to the fact that efforts to implement these policies cannot run optimally. The produce from the people is dominantly sold and marketed to neighboring countries, namely Malaysia.

B) Policy Size and Objectives

1. Policy Objectives

Policy is meant to be easy to implement. Based on Bank Indonesia Regulation Number 17 of 2015 concerning the Obligation to Use Rupiah in the Territory of the Unitary State of the Republic of Indonesia, it has been explained that the mandatory use of the Rupiah in Indonesian border areas is not an exception. Every person, group, or institution must use rupiah as a means of payment under this policy.

The mandatory use of the rupiah in the territory of the Unitary State of the Republic of Indonesia is used as a guide and basis for enforcing fraud and demands and emphasizes the public, companies, and economic actors against the use of ringgit in Central Sebatik District.

C) Measures of Success

Prior to controlling the use of ringgit currency in the Central Sebatik District, people depended more on ringgit than rupiah. The purpose of this policy has not been fully achieved properly, this can be seen from the data obtained by researchers. Its use is still illegal and without permission in accordance with existing regulations.

D) Policy Resources

1) Human Resources in Implementing Policy

The results of research on the implementation of Bank Indonesia Regulation Number 17 of 2015 concerning the Obligation to Use Rupiah in the Territory of the Unitary State of the Republic of Indonesia can be seen in the quality and quantity of policy implementers, namely employees within the Bank Indonesia Representative Office in North Kalimantan.

Bank Indonesia North Kalimantan needs to add human resources to cover the open positions so that no one holds two

jobs at once. With this, available human resources should perform their tasks and roles optimally, resulting in optimal performance. To establish Bank Indonesia, North Kalimantan's internal environment, develop and train people resources. Bank Indonesia North Kalimantan uses community-based human resources to develop the area consistently and sustainably.

Without Central Sebatik's personnel resources, policy implementation will be hampered.

TABLE III. NUMBERS OF EMPLOYEES OF BANK INDONESIA NORTH KALIMANTAN REPRESENTATIVE OFFICES

No	JenisKelamin	Jumlah
1	Laki-Laki	33 Orang
2	Perempuan	5 Orang
	TOTAL	38 Orang

2) Implementing Support Facilities

In this case, Bank Indonesia has adequate and qualified supporting facilities to support the implementation of Bank Indonesia Policy Number 17 of 2015 concerning the Obligation to Use Rupiah in the Territory of the Unitary State of the Republic of Indonesia.

3) Funding for Policy Facilitation

In executing the Bank Indonesia Policy on the Obligation to Employ Rupiah in the Unitary State of the Republic of Indonesia, we use a budget designated solely for Bank Indonesia North Kalimantan, not the APBD, because Bank Indonesia is an autonomous high-ranking entity. According to studies, budgeting for managing illegal foreign money (ringgit) use is not a priority. This problem is not only Bank Indonesia North Kalimantan's task, but other aspects must also be considered, especially the relationship with economic problems faced by the people of Central Sebatik District, which must involve the Nunukan Regency Government to develop the economic sector in the border area.

E) Inter-Organizational Communication and Implementation Activities

1) Coordination with Other Agencies

Bank Indonesia North Kalimantan has communicated with the local government of Nunukan Regency, in this case the Regent, about the mandatory usage of rupiah in the border area. This is also related to the government's role in helping existing hurdles where some needs exist. Malaysia must continue supply commodities due of the Central Sebatik District's economy.

Each regional apparatus coordinates with other agencies. According to the researcher, Bank Indonesia North Kalimantan should coordinate with agencies other than Babinsa and the

Village Head, such as the Regional Border Agency of the Nunukan Regency, the Trade Service, and the Central Sebatik District or the Regional Assistant II of the Nunukan Regency, to implement the mandatory use of Rupiah policy in the border area by integrating several programs and activities.

2) Implementation Consistency in Carrying Out Tasks

Some of the activities included disseminating information to the population and socializing the love of rupiah, how to treat rupiah, and consequences for using ringgit in Indonesia. Bank Indonesia North Kalimantan usually conducts Rupiah education and socializing at the border.

This initiative is progressing well and has good community support. Structured, procedure-based, convincing, and empathetic information is presented to increase acceptance and proper implementation.

3) Outreach with Policy Targets and Policy Implementers

Socialization regarding the mandatory use of Rupiah in border areas has been carried out through several efforts, including briefing and training for Babinsa (Bintara Pembina Desa) to become Bank Indonesia agents or communicators in Sebatik District to be able to convey information about the policy to the public at large, and pasting brochures in several places so that the public will find it easier to obtain information about the policy.

Socialization activities aren't optimal. This isn't adequate to eliminate ringgit use because indoctrination is procedural without follow-up for violators. Indifferent people should be socialized so they comprehend the policy's necessity. Bank Indonesia North Kalimantan should involve other parties, such as the local government, and jointly make commitments so that sub-district elements close to the community can have a role and take part in implementing the policy so that socialization runs effectively and efficiently, not only carrying out enforcement efforts but also providing solutions.

F) Characteristics of the Implementing Body

1) Amount and Competency of Staff

Based on quality data, they have good competence in general because the employee recruitment process was done properly and according to procedures. However, the quantity of Bank Indonesia Representative Office personnel in North Kalimantan is still relatively low, which could affect a policy's ultimate goal. In border areas, more staff is needed to implement the Ringgit Use Control policy. Considering a wide-ranging policy.

2) Implementing Commitment to Policy

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Indonesia Representative Office personnel in North Kalimantan is still relatively low, which could affect a policy's ultimate goal. In border areas, more staff is needed to implement the Ringgit Use Control policy. Considering a wide-ranging policy.

G) Social, Economic and Political Conditions

1) Economic and Social Conditions of Policy

This study examines how the required usage of rupiah in Indonesia's border areas affects economic and social conditions. The impact after the implementation of the mandatory use of rupiah policy in Indonesia's border areas, especially in Central Sebatik District, has an impact on the economic and social conditions of the people of Central Sebatik District, because not using foreign currency in Indonesian territory will create public pride. By using the rupiah as a means of payment, the state's sovereignty will be maintained, encouraging the public to help the state financial system, the stability of the rupiah exchange rate, and stable economic conditions because the circulation of money can be felt directly by the community and people are less reliant on neighboring countries.

The local administration doesn't promote Central Sebatik's resources. The public won't understand the transaction procedure after this policy is implemented. Central Sebatik District has good, usable resources. Central Sebatik District sells its natural resources and factories that manage plantation and agricultural goods to Tawau Malaysia. When they wish to sell to Nunukan Regency and Tarakan City, the vast distance and geographical conditions require a lot of money.

Border settlements depend on goods from Tawau (Malaysia) and agricultural products from Central Sebatik. The Malaysian market is valuable for border fisheries and agriculture. Malaysia's high selling value makes it competitive for border settlements. Trade between Malaysia and Indonesia is not official because no official documentation exist. The ringgit is worth more than the rupiah due to market supply and demand. Several variables influence the rupiah's value. Money supply, which can expand or contract, interest rate differential, exchange rate expectations, and real income are examples.

The volume of circulating money affects a currency's value. If the ringgit's value is high, the rupiah's value will be influenced, affecting the balance of people's purchasing power. If people's purchasing power is imbalanced, it will effect other areas, such as regional inflation, which would raise prices of products and services, hurting a region's economy.

Cross-border trade affects the presence of Malaysian goods and the ringgit. Tawau is a venue for the inhabitants of Central Sebatik District to buy basic requirements and market their crops, plantations, and fisheries. Central Sebatik District inhabitants trade and sell things in Tawau City. Illegal Malaysian commodities still enter through unauthorised

routes. This helps execute the mandatory rupiah policy in border areas.

The Outcomes Of The "Technical Team Meeting / Technical Work Collection And The 24th Working Group (5) Working Group/Office Of Working Powers Of Indonesian Socio Economic Development - Malaysia" Aggravated This Condition. Sosek Malindo Province Level North Kalimantan/Sesi-Malaysia Sosek Malindo, North Kalimantan / About Negeri This condition worsened. 29 June 2019 that highlighted Indonesia-North Kalimantan and Malaysia-Sabah concerns. Where there is no SOSEK MALINDO trade agreement. They did this because they considered Sebatik an unresolved territorial boundary dispute. The official route for Malaysian commodities entering Indonesia cannot be defined and will be discussed at a central government conference. This has led to the absence of regulatory rules that regulate official trade between Kaltara and Sabah, thus illicit channels and Malaysian goods would still be encountered, worsening the use of ringgit in the Sebatik area.

Community survival depends on the food sector. Tawau or South Sulawesi still supply food. People choose to buy food from Tawau since it's cheaper than domestically produced food. Sebatik can produce rice from multiple centers, but most of it is used for regional food security and community use. Central Sebatik has other great production centers. To be effective, government policies and infrastructure must develop market channels.

Government Regulation 34 of 2019 concerning Border Trade is one of the government's measures to eliminate Indonesia's dependence on other nations, notably border areas where Malaysian goods still enter illegally. Some communities are opposed and less supportive of these rules. Nunukan Regency is not ready to impose the law since several basic commodities are still dependent on Malaysia. The Nunukan Regency Government has sought the national government for an exception and suspension to suspend the policy for at least 3 years. PP 34 of 2019 regulates uncontrolled and harmful cross-border commerce operations. The rule also aims to foster fair and mutually beneficial trade between the two countries. Because its deployment in the field caused friction among traders and the community in Nunukan Regency, a solution must be found so it may be implemented and benefit the Indonesian people.

2) Nature of Members of Implementing Organizations and Place of Policy Implementation

It's been good and good in support. But in reality, according to the observations of researchers in the field, it is stated that there are still pros and cons from the community in various forms

H) Implementer Trends

I) Cognition (Implementer understanding of policy)

The use of the rupiah must be carried out in every territory of the Republic of Indonesia. To understand this, each instrument has to understand the contents of the policy. An integration effort must be made between fiscal and monetary policy instruments to implement the policy optimally.

2) Direction of Implementor Response

The response of implementers within Bank Indonesia, North Kalimantan, supports the existence of this Bank Indonesia policy because it is for the good of the Indonesian nation, especially since it is a product of Bank Indonesia's policies.

I) Inhibiting factors affecting the implementation of Bank Policy Indonesia Regarding the Obligation to Use Rupiah in Border Areas Indonesia (Study in Central Sebatik District, Nunukan Regency)

Based on the results of observations and interviews which were then concluded. First, the volatility of the rupiah exchange rate is erratic and keeps changing so that people are confused and feel bothered to keep updating the changes in the price of goods. Second, dependence on the trade sector and product marketing and the supply of basic necessities from Malaysia.

Third, the low awareness of the public who ignores and seems to "turn a blind eye" to the mandatory use of rupiah policy which can threaten the nationalism of the residents of Central Sebatik District and the sovereignty of rupiah currency. What is difficult is how to build awareness of the importance of this policy, especially since there are no preventive measures because the economic conditions do not allow it to be fully implemented.

Fourth, Limited infrastructure and facilities that can support policies. For example, the lack of a place to exchange money and foreign exchange. Also the gap between the two countries triggers the economy of the people in Central Sebatik District, preferring to Tawau to Nunukan because the cost is cheaper and the quality of the goods available is better.

Fifth, resource management has not been well coordinated, so that many natural resources are not utilized properly and the selling value is still very small because they are sold directly to Malaysia so that the added value received goes to Malaysia.

Sixth, the lack of coordination between the agencies or instruments involved in the policy has resulted in the financial system and the economy not being able to be pushed and run properly.

J) Efforts by Bank Indonesia North Kalimantan in Dealing with Obstacles to the Implementation of Bank Indonesia's Policy on the Obligation to Use Rupiah in the Indonesian Border Area (Case Study in Sebatik Tengah Subdistrict, Nunukan Regency)

Based on the existing inhibiting factors, efforts are needed to overcome these inhibiting factors in order to achieve the objectives of implementing the mandatory use of the rupiah policy, including its financial and economic objectives in order to be better and be able to overcome existing obstacles, of course there are efforts made by Bank Indonesia North Kalimantan including: (a) Sufficient for the needs of Rupiah in Central Sebatik District. This is done by fulfilling all types of banknotes and distributing them. As stated in Article 11 of Law Number 7 of 2011 that the management of the Rupiah, which includes the stages of Planning, Printing and Issuance, Circulation, Revocation and Withdrawal, and Destruction is the authority of Bank Indonesia, (b) Encouraging the ongoing KUPVA (Foreign Exchange Business Activities) The KUPVA can be in the form of certain institutions or institutions and individuals in the form of cooperatives that have permits. (c) Conducting socialization to all components both within Bank Indonesia North Kalimantan and related stakeholders regarding the Obligation to Use Rupiah, especially to lower-level stakeholders who are part of the community and interact directly with the community, (d) Provide advisory or study in the form of advice to the government on how to take advantage of the potential of Sebatik so that the resulting products have more added value and can be marketed not as raw materials. This is done using paperwork and the execution is carried out by the government.

IV. CONCLUSION

The Indonesian border is a case study in Nunukan Regency and understands the inhibiting factors. Attention from the central and local governments is needed to establish a good financial and economic system. The researcher recommends the need for a special team that focuses on the economy and the financial system (payment system) in border areas. Development of human resources must be carried out to foster public awareness of the importance of using rupiah currency as a symbol of state sovereignty, this can be done by providing briefing to the community and involving human resources. Experts and vocational students need to be involved in managing, packaging, and marketing their processed products.

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