

Implementation of Bank Indonesia Policy on the Mandatory Use of Rupiah in Indonesian Border Areas (Case Study in Sebatik Tengah Subdistrict, Nunukan Regency)

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Abstract

Community encouragement to fulfill their basic needs requires border communities to find solutions to the conditions of the border areas which are still lacking. This situation requires that economic transactions in the border region tend to depend on Malaysian products, as a result of the dominance of foreign currency (ringgit) in the Central Sebatik District that cannot be avoided. Therefore, this research is titled **"IMPLEMENTATION OF BANK INDONESIA POLICY ON THE OBLIGATION TO USE RUPIAH IN INDONESIA BORDER REGION (Case Study in Central Sebatik District of Nunukan Regency)"**. The purpose of this research is to explain and analyze how Bank Indonesia's policy on the obligation to use rupiah in Indonesia's border area is implemented, as well as the implementation of policies and efforts to overcome the problem. This research uses a descriptive qualitative method with an inductive approach. Data collection techniques include interviews, observation, and documentation. Data analysis techniques used are data reduction, data presentation, and drawing conclusions. In this research, researchers used the Van Meter and Van Horn theory of implementation with six dimensions, namely Objectives and Measures, Resources, Communication and Implementation activities, Implementing Agency Characteristics, Economic, Social and Political Environment, and Implementing Tendencies. The results of this research show that the implementation of Bank Indonesia's policy on the obligation to use rupiah in the Indonesian border region (Case study in Central Sebatik District) has been running quite well, but the results have



not been optimal because there are still several obstacles that become obstacles such as fluctuations in the exchange rate experienced a change, the dependence of the trade sector and product marketing as well as the supply of needed goods from Malaysia, low public awareness of existing policies, limited infrastructure and facilities, resource management has not been well coordinated, lack of coordination between agencies and instruments involved in the policy. Therefore, researchers suggest that socialization activities should be conducted more frequently, there should be good coordination between institutions, and a dedicated team should be established to focus on the economy and financial system (payment system), human resource development, development of supporting facilities and infrastructure, and creation of a new economic center.

Keywords: Implementation, Policy, Ringgit, Rupiah.

INTRODUCTION

Indonesia is the largest archipelagic country in the world, with geographical characteristics that present unique challenges in terms of development and sovereignty enforcement. Its extremely long borders, both on land and at sea, directly intersect with ten neighboring countries, placing the border areas in a highly strategic position. Ironically, however, these areas are often neglected "backyards," with socio-economic facilities and infrastructure that are far from adequate when compared to central regions. In fact, border areas not only serve as markers of physical sovereignty, but also as a reflection of the nation's image in the eyes of the international community.

According to Noveria and Wuryandari (2016), border communities can become guardians of state sovereignty if their welfare is guaranteed. Conversely, if their basic needs are not met, they can become a threat due to their high dependence on neighboring countries. In line with this, Muta'Ali (2015) emphasizes that border areas have a strategic impact on improving welfare, defense, and national security. Recognizing this, the Indonesian government has shifted its border management paradigm from a security approach to a prosperity approach, in line with the mandate of the 1945 Constitution to guarantee the welfare of all citizens.

One of the most crucial border areas is Nunukan Regency in North Kalimantan Province, which borders the state of Sabah, Malaysia. In particular, Central Sebatik District, located on Sebatik Island—an island divided between Indonesia and Malaysia—faces very complex socio-economic dynamics. Its geographical isolation from the domestic economic center, coupled with limited transportation facilities, makes the prices of basic

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necessities from within the country very expensive and inefficient. As a result, the people of Central Sebatik are highly dependent on the city of Tawau, Malaysia, to meet their daily needs, ranging from food to other consumer goods.

This economic dependence has given rise to a phenomenon that threatens Indonesia's monetary sovereignty: the dominance of the Malaysian Ringgit in daily transactions. For the people of Sebatik, the use of the Ringgit is not just a matter of habit, but also an economic necessity. They sell their agricultural products, such as palm oil and cocoa, to Tawau and receive payment in Ringgit, which they then use to buy daily necessities from Malaysia. Although data shows a decline in the use of the Ringgit from 50% in 2012 to 38% in 2017, this figure is still significant and shows that the Rupiah has not yet fully become the "master in its own land." This condition clearly contradicts the national legal framework.

Law No. 7 of 2011 concerning Currency and reinforced by Bank Indonesia Regulation (PBI) No. 17 of 2015 explicitly requires the use of the Rupiah in every payment transaction carried out within the territory of the Republic of Indonesia (RI). This policy is a fundamental instrument for maintaining exchange rate stability, controlling inflation, and, most importantly, asserting state sovereignty. Bank Indonesia, as the central bank, has a mandate to ensure that this policy is implemented effectively throughout the country, including in the most vulnerable border areas.

Based on the gap between regulatory mandates and socio-economic realities in the field, this study was designed to comprehensively analyze the implementation of Bank Indonesia's policy on the mandatory use of the rupiah in Indonesia's border regions. Taking a case study in Sebatik Tengah Subdistrict, Nunukan Regency, this study aims to identify the factors that are the main obstacles to the successful implementation of the policy, as well as to explore the efforts that have been and can be made to overcome these challenges in order to realize the full sovereignty of the Rupiah at the forefront of the nation.

Based on this background, this study departs from the identification of several interrelated fundamental problems. The main problem is the widespread use of the Ringgit currency by the people of Sebatik Island in their economic activities, which is driven by a high dependence on Malaysian products to meet their daily needs. This dependence is exacerbated by the isolation of the border region due to limited accessibility and infrastructure, which hinders the supply of basic commodities from within the country and creates a welfare gap compared to neighboring countries. In addition, it was also found that the community did not have a detailed understanding of Bank Indonesia Regulation No. 17 of 2015, accompanied by indications of a lack of supervision and law enforcement



related to this policy. Given the complexity of this issue, this study is limited to focusing on Implementation of Bank Indonesia's policy on the mandatory use of the rupiah in Indonesia's border regions, with a case study in Sebatik Tengah Subdistrict, Nunukan Regency. Specifically, this study aims to determine how the policy is being implemented, identify the factors that hinder its implementation, and formulate measures that can be taken to overcome the various obstacles.

THEORETICAL FRAMEWORK

This study is based on the conceptual framework of public policy and implementation theory. Fundamentally, public policy can be defined as everything that the government chooses to do or not to do in order to address public issues. This concept, as explained by Thomas R. Dye, emphasizes that the government's decision not to act (inaction) can have the same impact as the action itself. The process of formulating public policy is a complex cycle, which, according to Dunn, consists of several essential stages: agenda setting, policy formulation, adoption, implementation, and evaluation. Among these stages, the implementation phase plays the most crucial role because it is the bridge between theoretical policy decisions and actual results in the field. Without effective implementation, a policy will only be a document without impact.

Policy implementation is a series of actions taken to translate decisions into operational actions in order to achieve predetermined objectives. The success of this stage is influenced by various factors. Merilee S. Grindle (in Subarsono, 2011) emphasizes the importance of two main variables, namely policy content and implementation context. Meanwhile, Edwards III (in Syafri and Setyoko, 2010) states that the success of implementation is largely determined by four important factors: communication, resources, the attitude of the implementers (dispositions), and bureaucratic structures. To obtain a more in-depth and structured analysis, this study specifically uses the policy implementation model developed by Donald Van Metter and Carl Van Horn. This model was chosen because of its comprehensive nature in assessing implementation performance by identifying six key variables that influence each other.

The six variables in the Van Meter and Van Horn model are:

1. Policy Size and Objectives: The clarity of standards and targets that form the basis for assessing the success or failure of a policy.
2. Resources: The availability of essential resources such as funds, staff, and other facilities that can facilitate the implementation process.



3. Inter-organizational Communication and Implementation Activities: Effectiveness of information delivery and coordination among implementing agencies to ensure a uniform understanding of policy objectives.
4. Characteristics of Implementing Agencies: Characteristics of implementing organizations, including bureaucratic structure, norms, and competencies of staff implementing policies.
5. Social, Economic, and Political Environmental Conditions: External factors beyond the direct control of implementers that can provide support or become significant obstacles to implementation.
6. Implementers' Tendencies or Attitudes: The responses and willingness of implementers in the field, whether they accept, reject, or remain neutral toward the policies to be implemented.

This framework is considered highly appropriate for this study because it not only focuses on internal bureaucratic factors (such as resources and communication), but also explicitly involves analysis of external factors (socio-economic conditions of the community) . This allows for a holistic understanding of the various challenges faced in implementing the policy of mandatory use of the Rupiah in border areas, which have unique social and economic dynamics.

Financial, Monetary, and Exchange Rate Systems

The policy context analyzed in this study is rooted in the principles of the financial and monetary system, particularly within the framework of an open economy that is highly relevant to the dynamics of border regions. In the era of globalization, economic interactions between countries through trade and capital flows have become fundamental factors that influence the stability and economic growth of a country. This economic openness has direct consequences on the formulation of macroeconomic policies, especially monetary policy.

Monetary Policy in an Open Economy

Monetary policy, as defined by Boediono, refers to measures taken by the government through the Central Bank to influence the macroeconomic situation. The aim is to create a balance between the amount of money in circulation and the availability of goods and services, so that inflation can be controlled, full employment can be achieved, and the smooth supply of goods can be ensured. In the context of an open economy, where countries import to meet needs that cannot be produced domestically and export to



sell surplus production, monetary policy can no longer be formulated in isolation. Cross-border capital flows—whether in the form of foreign investment, foreign loans, or trade transactions—have a direct impact on domestic monetary indicators. Therefore, monetary authorities must carefully consider the dynamics of foreign exchange flows when designing their policies, so that exchange rate stability and domestic inflation rates can be maintained in line with the expected targets.

The Fundamental Role of Money in the Economic System

According to Munawar, Dwi, and Ahmad (2014), the financial and monetary sectors play a strategic role in economic life because money functions as a medium of exchange that enables economic interactions to run quickly and efficiently. Without money, the economy would revert to a slow and inefficient barter system, which in turn would hamper the production process, limit employment opportunities, and hinder improvements in public welfare. Money generally has three main functions: (a) as a unit of measure, which allows the value of a good to be measured and compared with other goods; (b) as a medium of exchange, which facilitates sales and purchase transactions; and (c) as a store of wealth. Thus, the most fundamental task of a monetary system is to maintain the stability and neutrality of the value of money so that its function as a transaction instrument can run optimally.

The Potential of Money as a Source of Economic Problems

Although crucial, money can become a source of instability if not managed properly. Munawar, et al. (2014) identified two main potential negative impacts. First, money can become a source of economic imbalance. This occurs when money no longer functions solely as a means of transaction in the real sector (production and consumption), but is diverted into an instrument for hoarding wealth in the financial sector. When income from the real sector is not spent back in the real sector, a dichotomy arises between rapid growth in the financial sector and stagnant public welfare. Therefore, the monetary system must be designed to ensure that the financial sector functions as a supporting system for the real sector, not the other way around. Second, money can trigger economic injustice due to its declining value. The stability of money's value is an absolute requirement; if its value continues to decline (inflation), public confidence will erode and money's function as a means of transaction may be lost. Inflation creates an increasingly unequal distribution of wealth because its impact is not evenly felt by all levels of society. This is unfair because inflation is not the result of individual actions, but rather a product of the economic system



as a whole. Thus, maintaining the stability of the value of money is the main objective of monetary policy.

The Concept of Exchange Rates and Their Relevance to Border Regions

The above concepts lead to the central issue in this study: exchange rates. Exchange rates (or rates of exchange) are the relative prices of one currency expressed in terms of another currency. In the context of the Sebatik border region, the massive use of the Ringgit in daily transactions directly affects the foreign exchange market mechanism. High public demand for the Ringgit—both to purchase goods from Malaysia and as a result of selling local products there—will theoretically increase the "price" of the Ringgit relative to the Rupiah. Conversely, this reduces the demand for the Rupiah in the region. According to Nopirin (1995), a currency is said to weaken when the demand for foreign currency exceeds its supply, which can lead to a balance of payments deficit. Thus, the policy of mandatory use of the Rupiah is not merely an administrative rule, but an essential monetary policy instrument to maintain exchange rate stability and uphold the sovereignty of the national financial system at the forefront of the country.

The policy on the mandatory use of the Rupiah has a strong and hierarchical normative basis in the Indonesian legal system. The highest legal basis is Article 23B of the 1945 Constitution, which mandates that the type and value of the country's currency be determined by law. This constitutional mandate is then specifically manifested in Law Number 7 of 2011 concerning Currency. This law fundamentally establishes the Rupiah as the only legal tender in the territory of the Republic of Indonesia and affirms it as a symbol of state sovereignty that must be respected. Furthermore, this law explicitly requires the use of the Rupiah in all domestic economic transactions and regulates

Criminal sanctions for violators.

As a technical implementing regulation, Bank Indonesia issued Bank Indonesia Regulation (PBI) Number 17 of 2015 concerning the Obligation to Use the Rupiah in the Territory of the Republic of Indonesia. This regulation was issued to reinforce this obligation with the main objective of supporting the stability of the Rupiah exchange rate. This PBI specifies that all parties are required to use the Rupiah for all types of transactions, including payments, settlement of obligations, and other financial transactions. However, this regulation also provides several clear exceptions for certain transactions, such as international trade, grants from/to foreign countries, and foreign currency deposits in banks.



RESEARCH METHODS

This study uses a qualitative research design with a descriptive approach to understand and describe in depth the phenomenon of policy implementation in border areas. Data analysis is conducted inductively, where specific findings from the field are systematically constructed to draw more general conclusions, with the research location focused on Sebatik Tengah Subdistrict, Nunukan Regency, and the Representative Office of Bank Indonesia in North Kalimantan Province. Primary and secondary data collection was carried out through three main techniques, namely semi-structured interviews with key informants selected through purposive and snowball sampling techniques, non-participant observation to observe economic activities, and documentation studies of relevant reports and archives.

To ensure data validity, this study applied triangulation techniques by comparing information from various sources and methods. The collected data was then analyzed through three stages: data reduction, data presentation, and conclusion drawing, with the entire process framed using Van Meter and Van Horn's policy implementation theory as the main analytical tool.

DISCUSSION

In controlling and reducing the dependence of the community of Central Sebatik Subdistrict on the use of the Ringgit currency in the territory of the Republic of Indonesia, particularly in the border area of Nunukan Regency, which is geographically very close to Tawau, Malaysia. Bank Indonesia Regulation No. 17 of 2015 concerning the Obligation to Use the Rupiah in the Territory of the Republic of Indonesia focuses on controlling the use of foreign currencies in Indonesia so that financial and monetary objectives, which play a very important role in economic life, can be achieved. Therefore, the implementation of this policy is very necessary, which also depends on how the policy can be disseminated and its information conveyed to the public, the government, and Bank Indonesia as the authority in monetary affairs.

Therefore, the presence of Bank Indonesia Regulation Number 17 of 2015 concerning the Obligation to Use the Rupiah in the Territory of the Republic of Indonesia emphasizes that sales and purchase transactions and other economic activities can only be carried out using the rupiah as the main means of payment, and the party responsible for this is Bank Indonesia, particularly the North Kalimantan Representative Office of Bank Indonesia, which has the authority in regulating monetary policy in Indonesia. Bank Indonesia also acts as a policy maker and implementer, and this also applies at the

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smallest levels of government, namely villages, sub-districts, districts/cities, and provinces. Members of the public, companies, and certain institutions that commit violations and breach these provisions will be subject to sanctions in the form of:

1. Imprisonment for a maximum of 1 (one) year
2. The maximum fine is IDR 200,000,000 (two hundred million Rupiah).

Bank Indonesia Regulation No. 17 of 2015 concerning the Obligation to Use the Rupiah in the Territory of the Republic of Indonesia is a policy that derives directly from Law No. 7 of 2011 concerning Currency. There was a four- year gap between the enactment of the Law and its implementation, and although efforts to implement the policy have been ongoing for quite some time, from 2015 to the present in 2020, which is already five years, it only became effective with the establishment of Bank Indonesia North Kalimantan, located in the city of Tarakan, in 2017. This means that the implementation of this regulation only became effective in 2018, where the functions that can be carried out by the North Kalimantan Representative Office of Bank Indonesia are monetary functions, implementation functions, and supervision of the payment system and management of the rupiah and other currencies. As a result, the use of the ringgit continued year after year and became a cultural norm among the community and economic actors before the enactment of the Bank Indonesia Regulation, as the community did not have clear access to information regarding the Obligation to Use the Rupiah in the Territory of the Republic of Indonesia, especially in border areas that often have direct contact with neighboring countries.

Bank Indonesia North Kalimantan has conducted outreach efforts to control the use of the rupiah, but there are still several shortcomings that hinder the dissemination of information to the public. These include limited access to infrastructure and facilities in Central Sebatik District, compounded by its remote location from the district capital, which prevents the optimal implementation of this policy.

One condition that must be taken into consideration is that the current economic cycle in Central Sebatik Subdistrict still involves basic commodities originating from Malaysia, particularly those sold in various kiosks. As a result, the community cannot be forced to use rupiah exclusively in economic transactions in Central Sebatik Subdistrict. Furthermore, banking and non-banking institutions that can support foreign currency exchange (ringgit) are still very limited in their ability to support the implementation of this policy. Central Sebatik Subdistrict is dominated by the plantation sector, although a small portion of the community is involved in agriculture. Therefore, Central Sebatik Subdistrict is an area with abundant natural resources, such as palm oil and durian.



The agricultural products of the people of Sebatik Tengah Subdistrict are predominantly sold and marketed to neighboring countries, namely Malaysia, because there is no market that can take and process these local products. In this case, Sebatik Tengah Subdistrict, as well as Nunukan Regency, must have a platform that can accommodate, process, and market the agricultural products of Sebatik Tengah Subdistrict, whether facilitated by the local government or companies that can encourage the management of these natural resources and allow the community of Nunukan Regency, especially the community of Sebatik Tengah Subdistrict, to reap the benefits, while also encouraging the entry of investors for the economic progress of Sebatik Tengah Subdistrict.

The analysis was conducted systematically using Van Meter and Van Horn's policy implementation theoretical framework, which examines the implementation process through six key variables that influence each other. The results of the study generally show that policy implementation has been carried out and has had a positive impact, as reflected in the downward trend in the use of the Ringgit on Sebatik Island from 30% in 2017 to 10% in 2019. However, this achievement cannot yet be considered optimal, as the use of the Ringgit in daily transactions continues. This indicates that although the policy has been implemented, its effectiveness is still hampered by various complex factors in the field.

Analysis of Implementation Based on the Van Meter and Van Horn Model **Policy Measures and Objectives**

Every public policy has objectives and targets that form the basis for its implementation. Policy standards and measures must be realistic and adapted to the socio-cultural conditions of the community in order to be implemented effectively. Policy measures and objectives serve as benchmarks for success in the field and prevent differences in perception between policy implementers and recipients. Implementation failures often occur due to a lack of understanding of policy objectives on the part of implementers and the community.

Policy Objectives

The objective of the policy is the main foundation for ensuring that the policy is easy to understand and implement. Based on Bank Indonesia Regulation Number 17 of 2015 concerning *the Obligation to Use the Rupiah in the Territory of the Republic of Indonesia*, every economic transaction must use the Rupiah, including in border areas. This policy



aims to maintain exchange rate stability and strengthen the sovereignty of the Rupiah throughout the territory of the Republic of Indonesia.

According to an interview with the Assistant Manager of the North Kalimantan BI Payment System Operations, Mr. Widyantoni Arvent Handoko, the Rupiah is a symbol of state sovereignty whose use must be maintained, including in border areas such as Sebatik. The uncontrolled use of foreign currencies can disrupt exchange rate stability and national economic independence.

From the results of field observations in Central Sebatik District, the implementation of the Rupiah usage policy has been going quite well, although there are still obstacles such as a lack of socialization and limited

access to information. The standards and objectives of this BI policy have provided a legal basis and direction for local governments and communities to enforce the obligation to use the Rupiah and reduce dependence on the Ringgit in economic activities.

Measures of Success

The success of policy implementation is measured by the extent to which the policy is understood and implemented by officials and the community. Based on interviews with the Sebatik community, it is known that most people already understand the obligation to use the Rupiah, but the practice of using the Ringgit is still found in daily transactions.

The Head of the Community Empowerment Section of Central Sebatik Subdistrict, Hasrul, S.IP, explained that Bank Indonesia and the local government had conducted outreach activities, including issuing circulars to businesses to list prices in rupiah. However, there were still goods priced in ringgit, indicating the need

for synergy between the local government and BI to strengthen policy implementation.

In addition, according to Mr. Ridwan, S.STP, a staff member of Sebatik Tengah Subdistrict, the use of Ringgit was previously very prevalent, even in transactions at public schools. After the enforcement of Law No. 7 of 2011 and BI Regulation No. 17 of 2015, this practice gradually decreased, and the community began to get used to using Rupiah.

Data from BI North Kalimantan shows an increase in the use of the Rupiah from 70% in 2017 to 90% in 2019, while the use of the Ringgit fell from 30% to 10%. However, illegal use of the Ringgit is still found. Overall, this policy has been successful in reducing the use of foreign currencies in border areas, although it has not been able to eliminate it completely.



Policy Resources

The ability to utilize resources effectively is an important indicator in measuring the success of policy implementation. Each stage of implementation requires quality resources, whether human, financial, or time. According to Derthicks (in Van Metter & Van Horn, 1974), limited resources or incentives can be the main cause of policy failure. Therefore, the availability of *policy resources* is as important as communication so that policy administration can run optimally.

Human Resources

Human resources play a strategic role in the implementation of public policy, as they are both the implementers and the objects of policy. Based on the results of research at the North Kalimantan Representative Office of Bank Indonesia, the number of employees consists of 33 men and 5 women (a total of 38 people). However, based on an interview with Riza (BI Kaltara Staff, January 15, 2020), this number is still insufficient because there are several positions held by one employee.

This situation highlights the need to increase and train human resources so that policy implementation can run optimally. The competence of employees directly involved, particularly in the Payment System Supervision Unit and the Economic Development Unit, is considered to be good but still requires regeneration and continuous recruitment.

In addition, the results of an interview with Dhika, Head of the Economic Development Unit (January 14, 2020), explained that Bank Indonesia also involved Babinsa, Bhabinkamtibmas, village heads, and community leaders in the implementation of policies in Sebatik Tengah District. They played an important role in socializing and guiding the community regarding the obligation to use the Rupiah. These local officials were provided with special training so that they could explain the policy properly to the community.

From these findings, it can be concluded that the success of policy implementation does not only depend on Bank Indonesia's internal human resources, but also on the support of external human resources at the local level who are able to bridge the interaction between the government and the community.

Supporting Facilities for Implementation

Supporting facilities or infrastructure are important factors in ensuring the successful implementation of policies. Based on an interview with Pelangi, a staff member of the Economic Development Unit (January 16, 2020), the facilities owned by BI Kalimantan



Utara are adequate, but still require some additions, especially for field activities such as outreach in the Sebatik area, which must be reached by speedboat.

Limited facilities such as operational vehicles and cash distribution facilities in border areas pose a particular challenge, but this can be overcome by optimizing existing facilities. In general, the facilities owned by BI North Kalimantan have been able to support the implementation of BI Regulation No. 17 of 2015 concerning the Obligation to Use the Rupiah, although improvements are needed to achieve greater effectiveness in border areas.

Funding to Facilitate Policy

Financial resources are an important factor in determining the success of public policy. In the context of implementing Bank Indonesia's policy on the mandatory use of the rupiah in the territory of the Republic of Indonesia, funding comes from BI's internal budget, not from the regional budget, because BI is an independent institution.

Based on the results of the study, the allocation of funds for controlling the use of foreign currencies at the border has not been a priority program. The issue of Ringgit use in Sebatik cannot be resolved by BI alone, but requires cross-sector cooperation with the Nunukan Regency Government, especially in local economic development.

However, in terms of financing, BI Kalimantan Utara has provided an adequate budget to support socialization, training, and cash distribution activities in the border region. This shows that financially, the policy has been facilitated quite well, although its effectiveness still depends on inter-agency coordination and support.

Inter-Organizational Communication and Implementation Activities

Communication between organizations and a series of implementation activities are crucial factors in the successful implementation of policies. Implementers must have a uniform understanding of the objectives and targets of the policy to avoid misperceptions among stakeholders. Continuous and structured communication increases the likelihood of achieving the policy objectives as expected.

Coordination with Other Agencies

Coordination between agencies/institutions is necessary so that the tasks carried out complement each other and form an integrated and efficient implementation. Based on an interview with Dhika (Head of the Economic Development Unit, January 14, 2020), the BI Kaltara Representative has conveyed information related to BI Regulation No. 17/2015



to the Regent of Nunukan, but there has been no significant follow-up from the local government.

The Head of Sebatik Tengah Subdistrict, Aris Nur, S.STP (January 20, 2020) stated that BI's cooperation tends to be carried out with Babinsa and village heads, without continuously involving other government agencies such as PKK or related agencies. This condition has led to a mismatch of expectations because the subdistrict wants to play an active role as a community organizer and mentor, not just an invitee.

The findings show that internal coordination between KPwBI Kaltara and Babinsa and village heads is relatively good, but external coordination with OPDs (e.g., the Trade Office, Regional Border Agency, TPID, and sub-district elements) needs to be improved. Cross-institutional synergy is needed to overcome structural problems such as dependence on Malaysia for basic supplies—a problem that cannot be solved by one agency alone.

Consistency of Implementers in Policy Implementation

Effective implementation requires repeated, consistent, and sustainable activities—not a one-time socialization effort. According to Adrian Siswi Angga (Rupiah Money Management Staff, January 13, 2020), BI Kaltara runs a monthly program with banks to distribute rupiah, exchange unfit money, and replace fit money without charging fees.

Educational and awareness activities—including campaigns promoting love for the rupiah, how to treat the rupiah, and awareness of sanctions—are carried out regularly each year and can be intensified according to the BI program schedule. The consistency of these circulation and education programs is key to ensuring the availability of rupiah and building habits of using rupiah in border areas.

Socialization to Policy Targets and Implementers

Socialization is the process of conveying policy information to specific target groups in order to build understanding and compliance. Widyantoni Arvent Handoko (Assistant Manager of Payment System Operations, January 13, 2020) stated that BI Kaltara has conducted *training of trainers* for Babinsa and distributed brochures to merchants as part of its socialization efforts. Field documentation shows the availability of policy brochures in stores and previous outreach activities by the subdistrict in 2012. However, the initial socialization by the sub-district was general and lacked detail, so the community's understanding of the objectives and sanctions was still limited. An interview with a



shopkeeper, Mrs. Siti (Jan. 20, 2020), revealed that the practice of accepting Ringgit still occurs due to buyer habits and the presence of imported goods from Malaysia.

The series of educational and outreach activities conducted by BI Kaltara since 2017, demonstrating the regularity of the program. However, observations and interviews indicate that outreach tends to be procedural without follow-up sanctions, so that the community's response has not yet fully changed. Therefore, outreach needs to be substantive—providing in-depth understanding and practical solutions (e.g., local economic programs, cheap market bazaars, PKK collaboration)—and supported by a joint commitment from the local government to ensure more effective and sustainable implementation.

Characteristics of the Implementing Agency

In the view of Van Metter and Van Horn, bureaucratic structure is one of the important factors in determining the effectiveness of policy implementation. Bureaucratic structure includes work relationships, division of tasks, coordination mechanisms, and communication patterns between organizational units involved in policy implementation. A structure that is too long and rigid can hinder the flow of information and slow down the decision-making process, while a structure that is too loose can lead to unclear responsibilities. Therefore, a balance between formality and flexibility in the bureaucratic structure is important.

In the context of Bank Indonesia Kalimantan Utara (BI Kaltara), the bureaucratic structure implemented in the execution of the Policy on the Use of Rupiah in Border Areas has been systematically regulated through the division of functions and duties among each work unit. Each unit has specific responsibilities, ranging from supervising the payment system and managing rupiah currency to educating and socializing the border community. Coordination between units is also carried out in stages through regular coordination meetings and direct communication in the implementation of activities in the field.

In addition, the working relationship between Bank Indonesia Kalimantan Utara and external agencies, such as local government, security forces (TNI/Polri), and local financial institutions, is also part of the pattern of inter-organizational relationships that play an important role in supporting the effective implementation of policies. These coordinative relationships take the form of cross-sector cooperation, such as joint outreach activities, monitoring the use of the rupiah in border areas, and supervising foreign exchange businesses (KUPVA BB).



As explained by one of the informants, Mr. Andre, Assistant Manager of Payment Systems, in carrying out socialization and supervision activities, BI Kaltara cannot work alone. Support from Babinsa and Babinkamtibmas is needed to directly reach communities in villages that are difficult to access. This shows that the bureaucratic structure of BI Kaltara is not only formal and hierarchical, but also adaptive in building cross-agency working relationships in order to achieve policy objectives effectively.

However, this pattern of inter-organizational relations also presents its own challenges. In practice, differences in institutional backgrounds and operational objectives often create obstacles to coordination. For example, security forces that place greater emphasis on maintaining order sometimes have different priorities from BI's main objective of ensuring financial system stability. In addition, limited inter-agency communication at the regional level can slow down follow-up action on findings of illegal use of the ringgit.

To address this issue, BI Kaltara implements a coordinated and collaborative approach, in which each agency is involved in every stage of the activity. This pattern of relationship enables policy synergy between economic, security, and local government institutions. Thus, policy implementation becomes more effective because it is supported by mutual commitment and understanding between organizations.

Based on observations and interviews, it can be concluded that the bureaucratic structure of BI Kaltara has been functioning quite well and supports the smooth implementation of the rupiah usage policy. Although there are still obstacles to inter-agency coordination, the relationship patterns that have been established are

moving towards a system that is adaptive, collaborative, and responsive to field dynamics. In the future, strengthening communication and coordination between agencies will remain necessary so that the implementation of this policy can run more effectively and reach all levels of society in the border region.

Social, Economic, and Political Conditions

According to Van Metter and Van Horn, political environment factors include the extent to which support and commitment from political elites, both at the central and regional levels, can influence the successful implementation of a policy. Strong political support will create a climate conducive to policy implementation, whereas political instability or weak coordination between political actors can hinder the achievement of policy objectives. In the context of the policy on the Mandatory Use of the Rupiah in Border Areas, regional political factors play a fairly dominant role, given that the implementation



of this policy directly intersects with issues of state sovereignty, economic security, and inter-state relations.

In its implementation, Bank Indonesia Kalimantan Utara (BI Kaltara) as the policy implementing agency requires support from local governments, including provincial, district, and sub-district governments, to ensure that policies are carried out in accordance with the established direction and objectives. Support from local governments is particularly needed in the provision of infrastructure, supervision of cross-border economic activities, and in outreach activities to communities in border areas. However, based on research and field interviews, the political support provided by local governments is still partial and not comprehensive.

As explained by Mr. Andre, Assistant Manager of the North Kalimantan BI Payment System, in an interview on January 13, 2020, that:

"We acknowledge that we have not been working closely enough with the Nunukan Regency Government to address the issue of ringgit usage in the border area. There are many smuggling routes in Sebatik, making control difficult. Ultimately, it comes down to how the local government can meet basic needs."

This statement illustrates that although formal political support exists, policy implementation at the local level has not been accompanied by alignment of mission and concrete action. Local governments are still focused on meeting the economic needs of the community without fully considering the impact of foreign currency use on national monetary sovereignty. This situation shows that regional political factors,

particularly those related to policy priorities and inter-agency coordination, are one of the main challenges in implementing the policy of mandatory use of the rupiah in border areas.

In addition, the results of an interview with Mr. Adi Saputro, Head of the Economic Section of Regional Assistant II of Nunukan Regency on January 22, 2020, also confirmed that:

"The issuance of Government Regulation No. 34 of 2019 concerning Cross-Border Trade has become a separate issue for Nunukan Regency. There are plans to establish a special import port for imported goods. However, the availability of goods also affects the prices of goods on the market."

This indicates that central government policies are often not fully ready to be implemented at the regional level because the socio-economic conditions of border communities still depend on the supply of goods from Malaysia. As a result, political support from regional governments for the policy of using the rupiah is often ambivalent,

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supporting national policy on the one hand, but on the other hand having to adjust to the realities of local community needs.

Meanwhile, among the local political elite, there are still differences in perception and priorities between technical institutions (such as BI Kaltara) and regional political actors. The regional government tends to focus on welfare and the availability of basic commodities, while BI Kaltara focuses on payment system stability and strengthening the rupiah. These differences in orientation have resulted in suboptimal coordination between actors, thereby hindering the optimal implementation of policies in the field.

Based on the researcher's observations, support from local political elites for the implementation of the rupiah usage policy in border areas is still declarative in nature and has not yet reached the concrete operational level. This is exacerbated by regional political dynamics that sometimes treat border economic issues as political tools rather than strategic development priorities. In fact, the success of policy implementation is highly dependent on the alignment of political, economic, and national interests. Thus, it can be concluded that political factors in the border region of North Kalimantan remain a challenge for the implementation of the rupiah usage policy. Suboptimal support from local governments and elites has the potential to weaken the effectiveness of the policy. Therefore, efforts are needed to improve policy communication, cross-sector coordination, and harmonization of interests between the central and local governments so that the policy can be implemented consistently, sustainably, and with a real impact on border communities.

Implementers' Attitudes

According to Van Metter and Van Horn (1975), the direction of *the implementer's response* is one of the important components of the policy implementer's disposition. This direction of response describes the implementers' attitudes toward the public policies being implemented, whether they show acceptance, neutrality, or even rejection. A positive response will encourage synergy and commitment in policy implementation, while a negative response can hinder the implementation process and even potentially cause resistance to the applicable policy.

In the context of implementing the Rupiah Use Policy in Border Areas, the response of policy implementers at Bank Indonesia Kalimantan Utara (BI Kaltara) shows a positive and supportive trend towards the implementation of the policy. Employees and officials at BI Kaltara understand that this policy not only functions as an economic regulation, but



also has a strategic dimension in maintaining monetary sovereignty and strengthening national identity in border areas.

The results of interviews and field observations show that the attitude of implementers at BI Kaltara is reflected in their enthusiasm in conducting socialization, education, and coordination activities with the community and other agencies, despite facing various limitations in the field, such as difficult geographical access and limited human resources.

As stated by Mr. Dhika, Head of the Economic Development Unit at BI Kaltara, in an interview on January 14, 2020:

"We continue to carry out outreach activities to the community even though the terrain is quite difficult. This is part of our responsibility to ensure that the community understands the importance of using the Rupiah in border areas. We are working to ensure that the community no longer relies on the ringgit in daily transactions."

This statement shows a positive response and enthusiasm for implementation from BI Kaltara towards the policy of using the Rupiah. Despite facing structural and economic challenges in the border region, policy implementers continue to show commitment and responsibility in carrying out this policy.

However, the positive response from BI Kaltara was not fully matched by a similar response from all relevant agencies, especially from the local government. Based on an interview with the Head of Sebatik Tengah Subdistrict, Mr. Aris Nur, S.STP, on January 20, 2020, he said:

"We actually support the policy of using the Rupiah, but in practice, we are rarely directly involved in BI activities. In fact, if it were collaborated with subdistrict programs, the results could be maximized."

From this statement, it appears that the local government's response is positive in theory, but in practice, there is still a lack of active involvement. This is due to differences in priorities and limited coordination between technical institutions at the central level (BI) and regional apparatus. Although they understand and support the policy objectives, implementation in the field has not yet shown effective integration between actors. In addition, in an interview with Mr. Andre, Assistant Manager of the BI Kaltara Payment System, it was also explained that:

"We cannot work alone, because communities on the border also need support from local governments and security forces to ensure that this policy is implemented. Sometimes we plan activities, but we do not receive full support from other agencies."



This shows that although the response from BI Kaltara has been very positive and proactive, policy implementation cannot rely on just one institution. Suboptimal support from other parties can slow down the effectiveness of implementation in the field.

From the overall research results, it can be concluded that the response of implementers within Bank Indonesia North Kalimantan to the policy on the Use of Rupiah in Border Areas is positive, as demonstrated by the commitment and responsibility of implementers in carrying out their duties. However, the response from supporting agencies varies, with some taking a neutral or even passive stance due to limited understanding, coordination, and policy priorities.

Thus, to strengthen the effectiveness of policy implementation, it is necessary to improve inter-agency communication, align perceptions between agencies, and strengthen the political and administrative commitment of all stakeholders. A coordinated and synergistic response from implementers across agencies will be a key factor in ensuring the successful implementation of the policy on the mandatory use of the rupiah in border areas as a tangible manifestation of maintaining national economic sovereignty.

Factors Hindering the Implementation of Bank Indonesia's Policy on the Mandatory Use of the Rupiah in Indonesia's Border Regions (A Study in Sebatik Tengah Subdistrict, Nunukan Regency)

Based on the results of research obtained through observation and interviews, several factors were found to hinder the implementation of Bank Indonesia's Policy on the Mandatory Use of the Indonesian Rupiah in Indonesia's Border Regions on economic growth in the Sebatik Tengah District of Nunukan Regency. These hindering factors arose because not all policy implementation indicators performed in accordance with the expected criteria.

The first factor is the uncertain and constantly changing rupiah exchange rate, which causes confusion among the public in determining the prices of goods. Based on an interview with Mr. Aris Nur, S.STP, Head of Sebatik Tengah Subdistrict, on January 22, 2020, it was explained that changes in the rupiah exchange rate made it difficult for sellers to set prices because most of the goods sold came from Malaysia. As a result, the people of Sebatik felt burdened by the policy of mandatory use of the rupiah because they had to adjust the exchange rate periodically to avoid losses.

The second factor is the dependence of the people of Central Sebatik on the trade sector and the supply of basic necessities from Malaysia. Based on an interview with Mr. Dhika, Head of the Economic Development Unit of Bank Indonesia North Kalimantan



(January 14, 2020), this problem is not solely about the distribution of rupiah, but also related to meeting the basic needs of the community. This is reinforced by the opinion of the Head of Sebatik Tengah Subdistrict, who stated that goods such as gas and sugar are still largely supplied from Malaysia because of cheaper prices and easier access. Thus, there is still a price and distribution gap between goods from Indonesia and Malaysia that needs to be addressed by the local government.

The third factor is the low level of public awareness of the policy requiring the use of the rupiah. Based on an interview with Mr. Andre, Assistant Manager of the Payment System at Bank Indonesia Kalimantan Utara (January 13, 2020), it was explained that the main challenge lies not only in technical aspects, but also in building public awareness of the importance of this policy. The public is more focused on meeting their daily needs by shopping in Malaysia using ringgit without considering aspects of nationalism and currency sovereignty.

The fourth factor is the limited infrastructure and facilities that support policy implementation, such as the lack of money exchange outlets and Foreign Exchange Business Facilities (KUPVA). According to Mr. Andre, foreign exchange facilities in Central Sebatik are still very limited, and the remote location of the area exacerbates the situation. This condition hinders the optimal use of the rupiah because it is difficult for the community to exchange currency officially.

The fifth factor is the uncoordinated and suboptimal utilization of natural resources. Based on research findings, much of Sebatik's natural wealth is sold directly to Malaysia with little added value, meaning that most of the economic benefits are enjoyed by outside parties. This situation shows that limitations in infrastructure, accessibility, and interconnectivity remain obstacles to improving the economy of border regions.

The sixth factor is the lack of coordination between the agencies involved, such as between Bank Indonesia Kalimantan Utara and the Nunukan Regency Government. Based on an interview with Mr. Dhika (January 14, 2020), it was acknowledged that the synergy between the two parties has not been optimal, even though the problems in the field are quite complex. This lack of coordination has resulted in the financial and economic systems in the border region not being able to run smoothly as they should.

Based on the above description, it can be concluded that the implementation of Bank Indonesia's policy on the Mandatory Use of Rupiah in Sebatik Tengah Subdistrict has not been optimal due to various interrelated obstacles. Therefore, synergy between relevant agencies and strengthening of infrastructure, public awareness, and coordination



between institutions are needed to overcome these obstacles so that the policy objectives can be achieved effectively.

CONCLUSION

The implementation of Bank Indonesia's policy on the mandatory use of the rupiah in Sebatik Tengah Subdistrict has not been effective. Although there has been a general decline in the use of the ringgit, the main objective of the policy has not been optimally achieved. The success of the implementation has been hampered by several fundamental factors. On the one hand, the financial resources and commitment of Bank Indonesia as the implementing agency are adequate. However, this is not matched by sufficient human resources and, most importantly, weak coordination and synergy between Bank Indonesia and the Nunukan Regency Government. The main failure lies in the misalignment of approaches, where efforts to enforce monetary sovereignty clash with the socio-economic conditions of the community, which is still highly dependent on Malaysia for the fulfillment of basic needs and the marketing of agricultural products. The main obstacles identified include: fluctuations in the rupiah exchange rate, economic dependence on Malaysia, low public awareness, infrastructure limitations, and a lack of coordination between agencies.

Based on these findings, several strategic steps are recommended to optimize policy implementation in the future:

1. Increase the intensity and frequency of regular outreach activities so that public understanding of the importance of the Rupiah's sovereignty can take root.
2. Forming an integrated working team consisting of Bank Indonesia, local governments, and related agencies to align monetary policy programs with local economic development programs.
3. Develop local human and economic resources through skills training so that the community is able to process local products, thereby increasing their selling value and reducing dependence on the Malaysian market.
4. Developing supporting infrastructure (transportation, electricity, telecommunications) to connect Sebatik with domestic markets and ensure the smooth supply of basic necessities from within the country.
5. Creating a new border economic center managed in a coordinated manner by the government to facilitate legal and controlled cross-border trade.



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