

HISTORY OF BANK INDONESIA : INSTITUTION  
Period from 1959-1966

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## 1. Highlights



The parliamentary democratic system failed to bring about economic stability to Indonesia. Cabinets came and went and were short lived. Following the failure of the Constituent Assembly in drafting the new constitution, on 5 July 1959, President Soekarno issued a decree to return to the 1945 Constitution. From this time on, Indonesia adopted the guided democracy regime. The state power was concentrated on the president, and the government policies were based on the Political Manifesto (Manipol) announced on 17 August 1959. This guided system paved the way for the guided economic concept whereby all economic institutions and bodies had to serve as the revolutionary instruments to achieve the goals of revolution. In general, from 1960-1965, the

Indonesian economy faced mounting problems as a result of the government policies that were laden with political interests.

The changing social and political conditions affected the role of BI as an institution. Pursuant to the Presidential Instruction on the Overall Development Program declared on 28 August 1959 and Stipulation of the Provisional People's Consultative Assembly No. II/MPRS/1960 dated 3 December 1960, the Minister of Finance with the approval from the Prime Minister was empowered to adopt the policies and take the necessary measures in deviation of Act No. 11 of 1953. Since that day, the Monetary Board became non-active and all its power had been shifted to the cabinet.

In 1962, the guided democracy government overhauled the cabinet structure. The Governor of BI was appointed a minister, namely the Minister for Central Bank Affairs. Further, in 1963 another minister for financial affairs was appointed, namely the Minister for Keeping Order of Banks and Private Capital. Both ministers used the BI apparatus to perform their duties. Apart from this, the Board of Directors of BI continued reorganizing its structure to adjust itself with ongoing changes. For instance, in 1960 and 1962, BI did another reorganization directed against its role in circulating money, monetary control, foreign affairs and foreign exchange, as well as economic development.

In 1965, BI along with the other four state banks, namely Bank Tabungan Negara (BTN), Bank Koperasi Tani dan Nelayan (BKTN), Bank Umum Negara (BUNEG), and Bank Negara Indonesia (BNI) were merged into a Sole Bank called Bank Negara Indonesia. To distinguish each component of the Sole Bank was given the unit number from I to IV. Within the structure of such Sole Bank, BI became Bank Negara Indonesia Unit I and continued playing its role as the Central Bank.

In line with money circulation institution, an important change occurred. On 31 December 1962, BI took over the authority to manage PT Percetakan Kebayoran (PT Perkeba) authorized to print banknotes for BI. This was so because Perkeba had experienced an internal problem which would likely disturb the smooth supply of banknotes for BI in an efficient and effective manner. Prior to such takeover, the Minister for the Central Bank Affairs/Governor of Bank Indonesia had appointed R. Hertatijanto (concurrently was acting Director of BI) Director of PT Perkeba.

## 2. Organizational Structure

The organizational structure created was the one reflecting the condition prevailing at that time. In the period from 1959-1966, there were a series of changes. From 31 July 1959, Bank Indonesia was under Loekman Hakim as assisted by Indra Kasoema, Boerhannoedin and R.B. Gandasoebrota. While from 31 October 1960, BI was under R. Soetikno Slamet assisted by 4 members of the Board of Directors, namely: Boerhannoedin, R.B.Gandasoebrota, R. Soerjadi, Drs. Ek. and R. Soegiarto. From 1962 with the enactment of Presidential Instruction No. 91 of 1962, the Cabinet underwent a structural change in the financial affairs, among others the scrapping of the Monetary Board and the appointment of the Governor of Bank Indonesia as Minister of Central Bank Affairs.

### SUSUNAN DIREKSI BANK INDONESIA PADA 31 JULI 1959





**PERUBAHAN STRUKTUR KABINET - MENTERI URUSAN BANK SENTRAL  
PADA AKHIR TAHUN 1962**

**CATATAN ATAS LAPORAN TAHUNAN 1960 - 1965**

Masa antara 1960 - 1965 tidak diterbitkan Laporan Tahunan dan baru diterbitkan pada tanggal 1 Mei 1968 berupa gabungan laporan tahunan masa 1960 - 1965 dengan penjelasan Gubernur yang antara lain dapat dikutip sebagai berikut.

Laporan Tahunan terakhir adalah dari Tahun 1959 - 1960 karena kemudian terbit Surat Keputusan Menteri Keuangan No.UM/1961 tanggal 6 Januari 1961 tentang larangan menerbitkan laporan keuangan dsb. Larangan ini baru dicabut pada 28 Desember 1966 dengan Surat Keputusan Menteri Keuangan No.D. 15. 1. 1. 37 sehingga laporan tahunan baru dibuat pada 1 Mei 1968 berupa laporan gabungan meliputi tahun-tahun 1960-1965.

Dengan banyaknya perubahan-perubahan selama itu terutama bidang organisasi dan personalia maka tidak dapat dilaporkan perkembangannya.

**TENTANG PE-NDN-AKTIVAN LEMBAGA DEWAN MONETER**

Dalam tahun 1962 dengan keluarnya Keputusan Presiden No.91/1962 terjadi perubahan struktural Kabinet bidang keuangan a.l. Departemen Urusan Bank Sentral (Bank Indonesia) dan diangkatnya Gubernur Bank Indonesia sebagai Menteri Urusan Bank Sentral. Dengan adanya perubahan struktural tersebut maka institut Dewan Moneter dinon-aktifkan dan segala wewenangnya pindah ke Kabinet.

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Laporan Tahunan Bank Negara Indonesia Unit I Tahun 1960 - 1965

RHS - 130305

### 3. BI in the Sole Bank System

The establishment of the Sole Bank was the most influential policy for the banking sector during the Guided Democracy period. Notwithstanding the formation of the Sole Bank in 1965, its process had begun since 1959. During this period, Bank Indonesia revamped its internal organizations repeatedly, namely in 1960, 1962, 1964 and 1965 before its status change to the Sole Bank. These reorganizations aimed to adjust BI's position with the government policies under the guided system based on Manipol/Usdek and Dekon 1963. As realization of Doktrin Bank Berdjoang in 1964, BI was assigned to directly serve numerous business fields carried out by the Government. Further within the Sole Bank structure, BI operated under the name of Bank Negara Indonesia Unit I and maintained its role as the Central Bank as previous BI.

*The President Decree, which again embraced the 1945 Constitution as the country's constitution, empowered the President as the Head of State and Head of Government. In reality, President Soekarno exerted such power to change the Indonesian democratic and economic system to the guided democracy and economy. One of the controversial policies adopted within the system was the establishment of the Sole Bank called Bank Negara Indonesia (BNI).*

*The following article will depict the long establishment process of the Sole Bank which began from undermining the independence of Bank Indonesia to a series of reorganization efforts of Bank Indonesia. These reorganizations were carried out in line with the dynamics of the duties and role of Bank Indonesia as the central bank during the guided economy era.*

During the guided democracy period, there were frequent institutional changes which made the ministries and other institutions experience difficulties to adjust themselves. State-owned and private companies engaged in all sectors, including the banking sector were experiencing the same problems. Among the numerous policies adopted in the guided system affected the banking sector, particularly Bank Indonesia as the central bank, was the establishment of the Sole Bank. The incorporation process of the Sole Bank was gradual and began in 1959 and materialized in 1965.

#### **Independence of Bank Indonesia within the Guided Economic System**

On 15 August 1959, the National Planning Board (Depernas) was set up and led by Muh. Yamin as the First Minister Deputy. The board was made up of 80 representatives of the communities and regions. Subsequently, on 26 July 1960, this board managed to formulate the Basic Draft of Act on the National Overall Development Plan of 1961-1969. The Provisional People's Consultative Assembly (MPRS) approved the draft and stipulated it as TAP No. II/MPRS/1960. In correspond to this, through Presidential Decree (Penpres) No. 6 of 1960, BI had to conform its duties and policies with:

1. Presidential Instruction on the Overall Development Plan as deliberated during the Plenary Session of the National Planning Board (Depernas) on 28 August 1959.
2. TAP No. II/MPRS/1960 regarding the Major Guidelines of the First National Overall Development Plan of 1961-1969.

In adjusting its duties and working system, the Minister of Finance with the approval from the Prime Minister was authorized to set up the policies and adopt actions in deviation from Act No. 11 of 1953, if deemed necessary.

Upon the issuance of Presidential Decree No. 6 of 1960, BI's independence was weakening amid of the strengthening government intervention of the duties and working procedure of BI as the central bank. This became more evident following the regrouping of Working Cabinet II through Presidential Decree No. 94 of 1962. In line with the result of regrouping, the Working Cabinet III (6 March 1962-13 November 1963), the financial sector was chaired by Deputy Prime Minister (Wampa) and comprised three sections, namely revenue, financing and supervision section; state budget section; and central bank affairs section. The Governor of BI, which then was held by Soemarno, was promoted as the Minister of the Central Bank Affairs (MUBS). This Minister used the BI's apparatus. Consequently, the Monetary Board was stripped off from its power to determine the monetary policies as such power was shifted to the cabinet.

BI's position was also revised as it became part of the government's apparatus, namely it executed the government's financial policies. The entry of BI to the cabinet made its position under the control of the President and BI became less independent. Meanwhile, Act No. 11 of 1953, separated the power of BI and the government in the financial and monetary sectors that were not clearly regulated.

In 1963, the regrouping of the Working Cabinet took place for the second time. Pursuant to Presidential Decree No. 232 dated 13 November 1963, regrouping was done to ensure the implementation of the cabinet program focused on the anti-imperialism and anti-colonialism struggles. Such regrouping made the cabinet's financial sector be changed into the financial compartment and added one minister, namely the Minister for Bank Control and Private Investment (MUPBMS). This Minister also made use of BI as its apparatus. BI was also turned into the mediator between the minister and all private banks. As a result, during this guided democracy period, BI was simultaneously used by two ministries, namely central bank issues and bank control & private investment.

## **Reorganization of Bank Indonesia within the Guided Economic System**

### **Reorganization of 1960**

To synchronize the duties of Bank Indonesia as the central bank in respect to the implementation of the state's general programs in the economic and financial sectors, Bank Indonesia launched internal reorganization in 1960. Such reorganization had in fact been prepared from the period under Loekman Hakim. However, due to some political turmoil, the reorganization could be carried out only in 1960. The reorganization led the creation of working unit in charge of Affairs overseeing a number of Sections. This served as an adjustment to the principles of family life and mutual help embraced by the guided democracy and emphasized bank

strategies to build and develop the economy. As a central bank, Bank Indonesia then played the role as the government's agent and the development agent. For this purpose, BI set up 5 (five) sections, namely:

- General Affairs Department
- Economic Development Department
- Research, Economic and Statistics Department
- Monetary Department
- Foreign Affairs Department

Each section was chaired and coordinated by a director who in carrying out its day-to-day duties was assisted by a junior director to control and supervise the execution of the policies. The junior directors oversee the departments which numbered 21 departments. Below was the Board of Directors of Bank Indonesia during the reorganization period of 1960:

- Acting Governor: Soetikno Slamet, Bachelor of Law
- Acting Governor I/Director for Monetary Affairs: Indra Kasoema, Bachelor of Law
- Director for General Affairs : Boerhanuddin, Bachelor of Law.
- Director for Foreign Affairs : R. B. Gandasoebrota
- Director for Economic Development, Research & Statistics : Soerjadi, Bachelor of Economy

The Junior Directors for General Affairs comprised:

- Inspector/Junior Director for Banking Supervision & Central Administration : Tan Liang Oen
- Junior Director for Cash, UKB & General/Secretariat : Hertatijanto, Bachelor of Law.
- Junior Director for Monetary Affairs : M. Djoeana Koesoemahardja, Bachelor of Law.
- Junior Director for Foreign Affairs : Oey Beng To, Bachelor of Economy

### Reorganization of 1962

Soetikno Slamet chaired Bank Indonesia for one year only (1959-1960). Next in 1960-1963, Bank Indonesia was led by Soemarno, Bachelor of Law, assisted by Byanti Kharmawan (previously Khouw Bian Tie, Bachelor of Economy) as the Acting Governor II along with R. Hertatijanto and M. Djoeana Koesoemahardja as Director.

Under the leadership of Governor Soemarno, BI set up the Assisting Board for the Bank Indonesia Management on 20 May 1961. This Board aimed to assist the Board of Directors chaired by the Governor. Originally, the duties of the Board were to assist the Bank Management by submitting proposals, suggestions and advices concerning all the problems that arose. Subsequently, however, the Board's duties were focused on maintaining the BI's internal orderliness.

With some new experience gained from 1960-1961, Bank Indonesia carried out another reorganization drive aimed to tackle the following more seriously:



1. Supply of banknotes of which its quantity kept increasing, particularly upon the Monetary Action of August 1959. The amount of banknotes in circulation until December 1959 reached Rp 26,383,1 million.
2. Credit extension to companies and government's foundations which kept rising in 1960.
3. Forming cadres of the banking management, especially for Bank Indonesia which requires attention to improve the employees' knowledge and comprehension of the banking issues in Indonesia.

In early 1982, Bank Indonesia launched another internal reorganization which included:

1. The establishment of Banknote Circulation Affairs Department of Bank Indonesia. The number of departments increased from five to six.
2. Implementation and coordination: the day-to-day execution and coordination of the sections were now carried out by the Acting Directors. Previously the Junior Directors were in charge of this.
3. The General Affairs Section was added with the Education Section, while the Economic Development Section was added with Credit Insurance Section.

The Reporting Section under the Research, Economics and Statistics Department was further consolidated and modified into Documentation and Publication Section.

Such reorganization was sparked by the reorganization drive carried out in 1960 and based on TAP MPRS No. 2/1959 to achieve a better efficiency in implementing the duties of Bank Indonesia as the central bank.

#### Reorganization of 1964

On 10 April 1964, Bank Indonesia again revamped its organization to suit the duties and role of the guided economic system which was characterized with various structural changes in all aspects including banking. Following the organization in 1964, Bank Indonesia consisted of 11 Departments which oversaw 39 Sections. Below were the Departments and Sections:

- Research Affairs
- Economic Development Affairs
- Credit Planning Affairs
- Credit Affairs
- LAAPLN Affairs
- Bank Enhancement Affairs
- Foreign Affairs
- General Affairs
- Administration, Organization and Inspection Affairs
- Money Circulation and Printing Affairs
- Board of Directors Bureau

### Reorganization of 1965

The Organizational Structure created in 1964 was short lived as in the following year prior to the integration of banks in 1965, Bank Indonesia again reorganized its 11 affairs and reduced the number to 9 (nine). They were:

- The Minister Bureau
- Foreign Affairs
- Administration, Organization and Supervision Affairs
- Fake Money Curbing and Money Circulation Affairs
- Banking/Guidance Affairs
- Credit Affairs
- Research Affairs
- General Affairs
- Participation Affairs

Through the reorganization of 1965, a number of affairs were eliminated, namely Economic Development Affairs as it was incorporated into Credit Extension Affairs and Banking/Guidance Affairs. While, the Credit Planning Affairs was reduced to the Credit Planning Section under Credit Affairs. The Banking Section which originally was placed under Banking Supervision was moved to Guidance. The General Affairs was added with new sections, namely Transportation Section and Mental Development Section, while the Household Section was changed to Equipment Section. Subsequently, the Research Affairs was added with Fund Mobilization Section.

In correspond with the political development and improving economic and development relationship with the Eastern European and Non-aligned countries, the Foreign Affairs began to witness regionalization which involved East European, West European, American and Asian, African countries and Australia. The structural change in 1965 reflected the adjustment of Bank Indonesia against *Doktrin Bank Berdjoang* and the policies contained in the Economic Declaration (DEKON) that was announced on 28 March 1963 by President Soekarno.

Thus, during the guided democracy period, Bank Indonesia launched a series of reorganizations, namely in 1960, 1962, 1964, and 1965. Such reorganizations were spurred by three factors as follows:

- First, the increasing work volume of banks which also became more varied and this required better coordination through new sections.
- Second, the process for self-adjustment to run the functions of the central bank into a much broader scope as the 'bankers bank' and 'lender of the last resort' and abandoned its commercial role.
- Third, the economic development from 1959-1966 was heavily affected by the political developments.

### **Doktrin Bank Berdjoang and the Establishment of the Sole Bank**

Shortly before the establishment of the Sole Bank, in 1964 the Government convened "the Conference of Bank Berdjoang from Sabang to Merauke" aimed to synchronize the ideal banking principles with the goals and objectives of the revolution as outlined in Manipol and DEKON. The conference was attended by all

branch managers of state banks from all over Indonesia, including West Irian, as well as the representatives of private national banks.

Inspired with the spirit of mutual help and togetherness, this conference came up with *Doktrin Bank Berdjoang* as the foundation for the banks to carry out their duties to accomplish the revolution. The essence of this doctrine was "*Panca Sakti Bank Berdjoang*" which states that banks were revolutionary means, not financial institutions which merely pursue profit.

As a consequent of the Bank Berdjoang's concept, the state and commercial banks were supposed to assist the government in handling the state economy in an efficient manner. Accordingly, the state commercial banks were assigned with different duties to serve certain economic sectors. Such division of duties paved the way for bank specializations in certain businesses sectors and simultaneously part of the process of bank integration.

On 11 April 1965, President Soekarno in his political address before the General Assembly of MPRS pointed out that the Indonesian banks as the supplier of funds for government projects would gradually shifted to the Sole Bank system. Under this system, the government policies in the monetary and banking sectors could be implemented effectively and efficiently and under guidance to successfully accomplish the government's struggles.

Before establishing the Sole Bank, the government first of all integrated the state commercial banks and saving banks. Such integration was carried out in stages pursuant to Presidential Decree No. 8 of 1965 dated 4 June 1965. On the same date, Bank Koperasi Tani dan Nelayan was merged with Bank Indonesia. Afterwards, on 21 June 1965, Bank Umum Negara, Bank Tabungan Negara and Bank Negara Indonesia were merged with Bank Indonesia.

The establishment of the Sole Bank took place only on 27 July 1965 by virtue of Presidential Decree No. 17 of 1965 in reference to the 1945 Constitution and the doctrines of the Indonesian Revolution. The new bank was called Bank Negara Indonesia which was a state-owned bank and played the roles as the circulation bank, central bank and commercial bank. Further, pursuant to Decree of the Minister for the Central Bank Affairs No. 65/UBS/65 dated 30 July 1965, Bank Indonesia was merged with Bank Negara Indonesia. This Decree took into effect from 17 August 1965.

### **Bank Indonesia within the Sole Bank System**

Under the Sole Bank system, the state banks including Bank Indonesia were operating under the name of Bank Negara Indonesia Unit. Bank Indonesia served as Unit I, Bank Koperasi, Tani dan Nelayan served as Unit II, Bank Negara Indonesia as Unit III, Bank Umum Negara as Unit IV, and Bank Tabungan Negara as Unit V. Formally therefore, all the above banks had been integrated into an institution under a sole bank, though in practice these banks comprised units in charge of their respective duties like they used to be. All these dreams and expectations for the sole bank turned out into a theory only as its implementation was hampered with problems.

Although formally there were then only three state banks in Indonesia, namely Bank Negara Indonesia (the Sole Bank), Bank Dagang Negara and Bank Pembangunan Indonesia, as a matter of fact, the state banks remained making up of:

- Bank Indonesia (Bank Negara Indonesia Unit I)
- Bank Koperasi Tani an Nelayan (Bank Negara Indonesia Unit II)
- Bank Negara Indonesia ( Bank Negara Indonesia Unit III)
- Bank Umum Negara ( Bank Negara Indonesia Unit IV)
- Bank Tabungan Negara ( Bank Negara Indonesia Unit Y)
- Bank Dagang Negara
- Bank Pembangunan Indonesia

Bank Indonesia under the name of Bank Negara Indonesia Unit I remained carrying out its role as the central bank and circulation bank. As stipulated in 1964, Bank Indonesia (BNI Unit I) during the period of the Sole Bank provided direct services to the business sector with the criteria as follows:

1. The President's projects which were outside the development/state budget (APBN).
2. Important endeavors funded from the development budget while pending approval.
3. State-owned enterprises which catered for the public meets and interests but experienced a deficit due to high production costs. Under such circumstance, the government offered subsidies to the company to reduce the costs borne by the bank.
4. Vital firms and other companies which required huge expenditures but their payment terms were lengthy, namely more than three years. This kind of project, particularly in mine companies such as tin, oil, coal mining and general mining like gold, nickel and bauxite.
5. Loans for pilot projects which in general did not meet the technical bank prerequisites and technical credit terms, yet socially and economically vital.

Referring to the business sectors served by Bank Indonesia, the other state banks were also assigned with different duties to serve companies owned and operated under the ministries, for both funding and depositing.

Under the guided system, banks became an instrument of the revolution which means they served the government. Consequently, all banks were turned into development banks to fund the government projects. So was Bank Indonesia, its role as loan disbursement was shifted from extending credits to the private sector in the 1950s to providing loans to the state-owned enterprises and government's projects.

Under the Sole Bank system, there many regulations which technically were hard to put in place so they were remain theories or plans without execution. For instance, those instructed through Government Regulation No. 16 of 1965 whereby the President Directors and directors of the banks merged would be assigned to help the directors of the central bank as acting directors and directors respectively. In reality, this concept never materialized. Even the head office of the Sole Bank which had been stipulated to occupy the head office of Bank Negara Indonesia Unit I, namely the former head office of Bank Indonesia, remained playing its original roles as the central bank and circulation bank.

As a matter of fact, during the early establishment of the Sole Bank, its Organizational Structure had been determined during the transitional phase from 17 August 1965. However, the structure as proposed by the Official Conference, "the Goals and Organizational Structure of the Sole Bank" in Jakarta held from 3-5 August 1965 never materialized. This structure also pointed out that the Minister for the Central Bank Affairs was the President Director of the Sole Bank (Bank Negara Indonesia) whereas such Minister simultaneously chaired Bank Indonesia, which later became Bank Negara Indonesia Unit I as part of the Sole Bank.

The record revealed that when Bank Indonesia was merged with the Sole Bank and became Bank Negara Indonesia Unit I, Jusuf Muda Dalam was in charge as the Minister for the Central Bank Affairs; its Acting Governors were M. Djoeana Koesoemahardja, Bachelor of Law, R. Hertatijanto Bachelor of Law, Brigadir General Soehardi and Rachmat Saleh Bachelor of Economy and its Directors comprised R. Sulaksana Soeparto Bachelor of Law and Oey Beng To Bachelor of Law, S. Kertopati, R.A. Kartadjoemena Bachelor of Law and Sulwan S. Astradiningrat.

The legal provision of the Sole Bank, namely article 4 of Presidential Decree No. 17 of 1965 stated that:

*Pending further provisions, Principal Act on Bank Indonesia of 1953 (Act No. 11 of 1953; State Gazette of 1953 No. 40) with all its amendments and additions basically applied to Bank Negara Indonesia as referred to in paragraph (1) of article 2 above.*

This could not possibly be carried out in view of the Act's restrictions to regulate all types of duties of the banks under the Sole Bank. This implied that the Sole Bank under the name of Bank Negara Indonesia was an integration of state banks chaired by Bank Indonesia. Yet, as reflected in the provision of the Sole Bank implementation, there were no regulations that referred to the Principal Act on Bank Indonesia.

The hampered implementation of the Sole Bank was not only attributable to its vague concept or technical ambiguity of its execution, but was a result of Indonesian political developments which were heating up in 1965. The country witnesses the aborted *coup d' etat* by the communist party known as September 30, 1965 Tragedy which took place shortly after the declaration of the Sole Bank. This event proved as the stumbling block for the implementation of the Sole Bank. This bloody disaster sparked major revisions of the entire social, economic and political life in Indonesia. Jusuf Muda Dalam as the President Director of the Sole Bank was even implicated in this political turmoil.

The Black September of 1965 triggered the crumbling of Soekarno's Guided System followed by the collapse of the remaining products of the system, including the Sole Bank. Shortly, numerous fundamental changes in both political and economic sectors occurred. Article 55 of Stipulation of MPRS No. XXIII/MPRS/66 stated that in respect to secure the state finance in general and to supervise and make the banking system sound in particular, the Government had to enact Principal Act on Banking and Act on the Central Bank. Pending the approval of both acts, in 1966 the government stipulated that Bank Negara Indonesia Unit I played its original role as the Central Bank, while the remaining units would carry out its duties as stated in their respective incorporation acts.

From this moment, legally the existence of the Sole Bank (Bank Negara Indonesia) remained, but factually the Sole Bank became a history. However, Bank Indonesia kept maintaining the name of Bank Negara Indonesia Unit I and finally on 31 December 1968 the name of Bank Indonesia was retained by virtue of Decree of the Minister of Finance No. Kep.600/M/IV/12/1968 dated 18 December 1968.]

*Bank Indonesia, which had been integrated into the Sole Bank under the name of Bank Negara Indonesia Unit I remained carrying out its role as the central bank. Under the Sole Bank system, many regulations were difficult to implement. The hindered implementation of the Sole Bank was the result of its vague concept and the bloody and unpleasant incident of the Black September which implicated the President Director of the Sole Bank, Jusuf Muda Dalam*

#### 4. Offices of Bank Indonesia

The offices of Bank Indonesia at the branch level were assigned to run its central bank function in the regions. When DJB was officially turned into Bank Indonesia on 1 July 1953, the bank owned 15 branch offices throughout Indonesia, namely 1 (one) branch in Amsterdam and 1 (one) representative office in New York. The opening of Bank Indonesia offices during the Guided Democracy period was heavily affected by the ongoing political developments. When West Irian was declared as territorial part of the Republic of Indonesia, BI opened a few branch offices in the cities of Irian to back up the economic activities in this territory. As a response to the Confrontation with Malaysia, BI opened BI offices in Riau Islands and Sabang, Aceh. Bank Indonesia of Riau Islands was assigned to convert dollars into rupiah, while the opening of Bank Indonesia in Sabang was assigned to back up the plan of turning Sabang into a free port. Apart from political factors as mentioned above, the opening of Bank Indonesia branch offices was in line with the Bank Indonesia's plan to open ultimately open branches throughout the country.

*Act No. 11 of 1953 article 3 paragraphs (2) and (3) stated that Bank Indonesia could open its branch offices (agents) in Indonesia and have its representative offices overseas. In its early period of establishment, the branch offices of Bank Indonesia were formerly those of De Javasche Bank (DJB) that had been nationalized in 1951. Afterwards, Bank Indonesia opened its own branch offices in a number of places in correspond with its role as the central bank in a given region.*

*This article will discuss the opening of the Branch Offices of Bank Indonesia from 1953-1965, that began with the opening of Ambon Branch Office in Maluku in 1956 and Ampenan Branch Office, West Nusa Tenggara in 1957.*

In 1951, the Indonesian government nationalized De Javasche Bank (DJB) and furthermore by virtue of Act No. 11 of 1953 regarding the Principal Act of Bank Indonesia (UUPBI), De Javasche Bank was turned into a central bank under the name of Bank Indonesia. From this moment, all the branch offices of DJB became the branches of Bank Indonesia. They were:

1. Java : Bandung, Yogyakarta, Kediri, Malang, Semarang. Solo, Surabaya, Cirebon.
2. Sumatera : Medan, Padang, Palembang
3. Kalimantan : Banjarmasin, Pontianak
4. Sulawesi : Makassar, Manado
5. Branch Office in the Netherlands and Representative in New York

With respect to the opening of such branch offices, the Principal Act on Bank Indonesia of 1953 articles 2 and 3 stated:

*(2) The Bank will have agents in Indonesia, correspondent offices and if necessary major agent offices of which their number shall correspond to the need to carry out the Bank's duties appropriately.*

*(3) The Bank may have one or more branches or major agent offices, as well as correspondents and representatives if such are deemed necessary to carry out the Bank's duties appropriately.*

The opening of branch offices of Bank Indonesia was based on the need to carry out the role of the central bank in a given region. As a result, the Bank Indonesia's branches were assigned to regulate the disbursement of loans and bank funds in their working territories, emit and circulate banknotes, manage foreign exchange and overseas payment traffic. Similar to the Head Office of Bank Indonesia, the branches had the duties to provide banking services to the regional administrations, supervise and develop the banking sector in their working territories. Additionally, the main activities of BI's branches were, among others, giving advices to the regional governments in their working territories for matters related to the goals of Bank Indonesia. With such branch offices, Bank Indonesia was able take care of its important working territories by playing its role in maintaining the currency stability, circulating money, improving and supervising banking and credit extension activities which could cover the entire territories.

Since its establishment on 1 July 1953, for nearly three years afterwards, BI did not open any new branch offices apart from managing the branches of De Javasche Bank which had existed earlier. Not until 1956 did BI begin to expand by opening the Ambon Branch in Maluku on 17 March 1956. Next, on 15 August 1957 a new branch was opened in Ampanan, West Nusa Tenggara, followed by the Jember Branch, East Java on 8 February 1958. Apart from these two branches, on 1 July 1958, BI opened its representative office in London, England. During this Parliamentary Democracy period, Bank Indonesia did not broaden its service network to Sumatra, Sulawesi and Kalimantan due to the unfavorable domestic political conditions, particularly outside Java.

### **The Opening of Branch Offices during the period of Guide Democracy**

During the Guided Democracy period, Bank Indonesia opened more branches in the regions in correspond to the ongoing political developments. The first branch opened then was in Teluk Betung (Bandar Lampung), namely on 2 December 1961. Meanwhile, the facilities of equal importance constructed were the Head Office of Bank Indonesia in Jl. Thamrin, Jakarta. This office was operated since 21 March 1963, although it was officiated on 5 July 1963 to coincide with the Bank Day.

From 1959-1966, as many as 13 new branches were opened in a number of cities in West Irian and Sumatera. Five branches were operated in West Irian, namely Kotabaru (Sukarnapura then changed to Jayapura), Biak, Sorong, Manokwari and Merauke branches following the integration of West Irian into territories of the Republic of Indonesia. Likewise, the opening of the branch in Riau Islands was not separated from the political developments during the Guided Democracy period.



## The Opening of Branch Offices in West Irian

The early period of 1960s was the climax of the Indonesian struggle to seize West Irian from the Dutch control. On 19 December 1961, in a grand meeting staged in Yogyakarta, President Soekarno declared Tri Komando Rakyat (TriKora) which contained three President instructions to the Indonesian people to take over West Irian through physical struggles. Upon the declaration of TriKora, on 2 January 1962, President Soekarno as the Commander in Chief of the Indonesian Armed Force/Commander in Chief of West Irian Liberation issued Decree No. 1 of 1962 to set up the Mandala Command for the Liberation of West Irian.

Bank Indonesia was directly involved in the execution of TriKora and deployed its personnel to jointly liberate Irian Jaya. BI assigned the Bank Platoon which was assigned to later open branches in five towns in Irian Jaya, namely: Kotabaru, Biak, Manokwari, Sorong and Merauke. The Bank Platoon was made up of Bank Indonesia, Bank Negara Indonesia (BNI), Bank Koperasi Tani dan Nelayan (BKTN), export & import section, Bank Bumi Daya (BBD) and Bank Dagang Negara (BDN). Below was the structure of the platoon commands:

- Commander: E. Soekasah Somawidjaja
- Deputy Commandant: I Njoman Moena
- Group Commander of BI: Djoko Soetargo
- Group Commander of BNI: Pamoedji
- Group Commander of BKTN Export Import affair : Soemaryono
- Group Commander of BBD : L.A. Wanget
- Group Commander of BDN : Soegiyo Djoyosapoetro

Prior to their departure to West Irian, the personnel of the Bank Platoon received basic military training at the Army Health Education Center in Kramat Jati. Such training was essential because they would likely land as the spearhead for the first time in West Irian along the Home Combat Unit as part of the Indonesian troops. The bank employees grouped in the Bank Platoon found the preparation extremely hard as they had to undergo battle training, something they were not accustomed to. Finally, out of five groups trained in the Bank Platoon, only the group from Bank Indonesia was departed, while the other groups were not pursuant to the Decree from the Commander in Chief (the President).

In carrying out the TriKora mission, E. Soekasah Somawidjaja, who previously was the Commander of the Bank Platoon, was assigned to assist the Mandala Command under Major General Soeharto as the Mandala Commander. While I Nyoman Moena was assigned to assist the United Nations Temporary Executive Authority (UNTEA) along with Sjarief Soedono. UNTEA was a kind of transitional administration set up by the UN upon the suggestion from Ellsworth Bunker, the US Ambassador to cope with diplomatic deadlock between the Dutch and Indonesia as regards the West Irian issue. UNTEA would receive the handover of West Irian from the Dutch, and further West Irian would be surrender to Indonesia before 1 May 1963.

Finally, the duties to prepare the opening of the branch offices in five towns of West Irian were assigned to the Group of Bank Indonesia who departed on October 1962. The group was made up of:

- Chief: Djoko Soetargo

- Staff/Officials: Ph. K. Intama, Moh. Sidik
- Staff/Chief Cashier Candidates: Saenan Soesanto, Soekanto
- Administrative Assistants: M.Koesnan Danoeatmodjo, Soenarto, K.R. Th. De Queljoe, Adnin, Soeratno
- Cashiers: Kristiono, Lim Soen Kim, Dimin B. Tardjo, Ngafani B. Matkirom

The only bank operating in West Irian then was Nederlandsche Handel Maatchappij (NHM) which was later taken over by Bank Indonesia on 23 March 1963. Prior to this, BI opened a branch in Kotabaru on 13 December 1962 while West Irian remained under the supervision of UNTEA. The opening of the branch in West Irian was attended by Dr. Jalal Abdoh, the Chief of UNTEA and R. Soerjadi S.E. representing the Board of Directors of Bank Indonesia. Below was the temporary structure of Bank Indonesia management of Kotabaru Branch:

- Branch Manager Djoko Soetargo (later replaced by M. Rifa'i)
- Acting Branch Manager : Ph.K. Intama
- Staff/Chief Cashier Candidates : Soekanto, Saenan Soesanto
- Bookkeeper : Mohammad Sidik

The official integration of West Irian into the territories of the Republic of Indonesia was contained in the Presidential Decree No. 1 of 1963 regarding the Administration in West Irian territories soon after its handover to the Republic of Indonesia. This Presidential Decree determined the West Irian New Administration which would rule the territory as from 1 May 1963. This Decree was followed by Presidential Decree No. 2 of 1963 regarding the Rupiah Currency Unit which was exclusively valid for West Irian Province. While the regulations concerning the foreign exchange was separately regulated in Presidential Decree No. 3 of 1963 regarding the exclusive foreign exchange regulations for West Irian Province.

In carrying out the provisions of Presidential Decree No. 2 of 1963, Bank Indonesia was appointed to execute the decree along with the Minister of Revenues, Financing and Supervision. In this way, BI's branches directly carried out the decree in West Irian territories. Likewise in the foreign exchange sector, Kotabaru Branch represented the Foreign Payment Instruments Institution (LAAPLN) in implementing the foreign exchange regulations in West Irian.

Upon the opening of the first branch in Kotabaru at the end of 1962, Bank Indonesia in the following year opened four other branches in West Irian as originally planned. On 19 February 1963, BI opened its branch in Biak. The opening of this branch was mainly due to absence of direct air transportation linking Jakarta and Kotabaru. As a result, the Biak Branch Office played the role as the recipient of money remitted from BI's head office in Jakarta, either in West Irian Rupiah and national rupiah. For its tenure, the Biak Branch was chaired by Mardjono as the Acting Branch Manager. He was then replaced by Gusti Abdul Aziz as Branch Manager. Sjarief Iksanoedin served as the Chief Cashier or Bookkeeper.

In the following month, BI opened the Sorong Branch on 14 March 1963, Manokwari Branch on 17 March 1963 and Merauke Branch on 19 March 1963. Below was the management structure of the respective branch offices upon their opening:

#### Sorong Branch

Branch Manager: F.H. Rarung

*(later replaced by Rachmat as Acting Branch Manager)*

Assistant Bookkeeper: M.Siahaan *(later replaced by Djoko Soetrisno)*

#### Manokwari Branch

Branch Manager: Mardjono *(as Acting Branch Manager)*

*(later replaced by Ph. K. Intama as Acting Branch Manager, later Mahfud Jakile was appointed Branch Manager)*

Assistant Bookkeeper: R. Mudomo *(later replaced by R. Saptadi Baroto)*

#### Merauke Branch

Branch Manager: R.H. Kamarga

*(later replaced by Noek Hartono as Acting Branch Manager)*

Assistant Bookkeeper: M.Boenjamin *(later replaced by R Soenoekarto Darsopanambang)*

The reasons for the opening of these three branches were BI's obligations to resume the trade activities of NHM which had operated in West Irian since the Dutch colonial government. Before opening these three branches, Bank Indonesia first of all had to prepare all the office equipment required from 15 February 1963. In the fourth week of the same month, all employees assigned to the new offices departed to West Irian.

Six and half years after West Irian was surrendered to the Republic of Indonesia, Bank Indonesia kept operating its five branch offices in this territory. Throughout this period, they provided their commercial activities and played the role as the central banks.

### **The Opening of Branch Office in Riau Islands**

From the period of the Dutch colonization until 1960s, Riau Islands were beyond the tax & excise and monetary territory of Indonesia. The currency valid over there was Malayandollar. Riau Islands were not part of the Indonesian monetary territory as the economy in this region was had been oriented to the Singaporean and Malayan markets, as geographically the these territories were very close.

However, in terms of socio-political and cultural considerations, the Indonesian government deemed it important to include the Riau Islands in the monetary territory of the Republic of Indonesia. Moreover, following the plan to form the Malaysian Federation in Malaya in early 1963. Indonesia viewed the formation of Malaysian Federation as the extension of the British neo-colonialism which threatened the Indonesian revolution. In response to this, Indonesia immediately imposed blockage to the economy of the Riau Islands to shift its economic orientation to Indonesia. Such economic blockage also gave the opportunity to phase out the dollar currency in Riau Islands.

On 15 October 1963, the Indonesian government enacted Presidential Decree No. 9 of 1963 regarding the Rupiah Monetary Unit which was exclusively valid for Riau Islands District. Pursuant to this Presidential Decree, the Minister for Revenue,

Financing and Supervision along with the Minister for the Central Bank Affairs issued Joint Decree on 25 October 1963 declaring the withdrawal of all types of Malayan dollars circulated in Riau Islands as from 1 November 1963. This decree also declared that such currencies were not recognized as valid instrument payments except for payments or deposits to the bank or government's treasury.

In correspond with the government's intention to phase out the dollar currency and introduce rupiah in Riau Islands, on 15 October 1963 Bank Indonesia opened its branch if Tanjung Pinang, Riau Islands with the management as follows:

- Branch Manager: R.S. Natalegawa
- Acting Branch Manager: Soekiyanto
- Chief Cashier: A. Nelwan

Apart from playing the role to circulate money pursuant to the provisions of Presidential Decree No. 9 of 1963, Bank Indonesia of Tanjung Pinang Branch served to represent the Foreign Payment Instrument Institution (LAAPLN) in implementing the foreign exchange regulations in Riau Islands.

Similar to West Irian, the Riau Islands territories owned its own foreign exchange regime. This condition however changed upon the enactment of Presidential Decree No. 3 of 1964 dated 27 June 1964 which took into effect from 1 July 1964. From this day, the foreign exchange regime valid in Riau Islands was declared annulled and it was subject to the same regulations applied in the other Indonesian territories with the exception of West Irian.

Apart from the government's political interest, the opening of Tanjung Pinang Branch conformed to the provisions stating that BI had to open its branch office in each Province, and in Riau Islands then no BI's branch office was opened. On 21 December 1964, it was followed by the opening BI's branch in Pekanbaru, the capital city of Riau Province. The working territory of this new branch covered the entire territories of Riau Province. A.U Laoh was appointed first Branch Manager.

When officially opened the Pekanbaru Branch, the Minister for the Central Bank Affairs reiterated that Bank Indonesia of Tanjung Pinang Branch within a relatively short period was successful in substituting the Malayan dollars which for decades had been the only valid payment instrument in Riau Islands. In addition, the Tanjung Pinang Branch along with the other government apparatus managed to break the economic traffic relationship with the Malayan Penninsula, which had been considered then as the neo-colonialism project. Upon its operation, the Tanjung Pinang Branch was successful in forging relationship with various parties in the territories and channel banking funds as credit scheme as well carrying out other production activities. While it was considered a success, the Tanjung Pinang Branch was finally closed and merged with the Pekanbaru Branch as from 1 March 1965.

### **The Opening of Branch Offices and Representative Offices in other places**

Aside from West Irian and Riau Islands territories, during the Guided Democracy period, Bank Indonesia also opened some other branch offices in the other places. Given the fact that the bank role then in the development was to stimulate and provided the necessary guidance to the regional economic activities, Bank Indonesia planned the opening of the branch office in each Province of Indonesia.

On 2 March 1964, Bank Indonesia opened its branch in Banda Aceh with a view to spur the economy in the Aceh territories which geographically were important to resist the neo-colonialism project of Malaysia. Further, Bank Indonesia opened its branch office in Kalimantan, namely the Samarinda Branch on 10 November 1964. Prior to this, in Kalimantan BI already had two branches, namely Pontianak Branch since 1906 and Banjarmasin Branch since 1907.

Within the same year, Bank Indonesia opened another branch in the most northern tip of Indonesian territories, namely in Sabang, Aceh, Sumatera. This Branch was officiated on 28 December 1964. This branch opening was significant given that geographically Sabang lies on the strategic crossroads linking the Indian Ocean and Pacific Ocean. Moreover, Sabang was a free port with the potential to compete the Singapore Port and Penang Port in Malaysia.

The opening of BI's branch in Sabang was the implementation of Presidential Decree No. 19 of 1963 regarding the Free Port & Free Trade Zone, and Presidential Regulation No. 22 of 1964 regarding the Implementation of Free Port Construction of Sabang. The construction of such port served as one of the agenda of confrontation against Malaysia, particularly in the economic sector. In this regard, Bank Indonesia of Sabang Branch participated in developing Sabang Free Port with the aim to:

1. smoothen the trade of Indonesian exported goods to the world market.
2. enlarge the international trade volume from Indonesia by using Sabang as the processing place for selecting, sorting and upgrading of Indonesian export goods.

Next, on 12 February 1965, Bank Indonesia opened another branch in the eastern territory of Indonesia, namely the Kupang Branch in Timor island. This was part of BI's opening branch offices in all provinces and was the last branch opening by BI prior to the establishment of the Sole Bank on 18 August 1965.

In respect to the opening of representative offices abroad, during this Guided Democracy, Bank Indonesia opened the Tokyo Representative Office on 13 May 1964 and followed by Cairo Representative Office on 21 June 1965. Unfortunately the Cairo office was closed on 13 August 1966 along with Mexico Office opened on 17 February 1966. Prior to this, BI had closed its branch office in Amsterdam on 1 July 1965 and its status was changed to NV. De Indonesische Overzeese Bank (Indover Bank).

**Table of Branches/Representative Offices of Bank Indonesia  
From 1953-1965**

No.	Branch Office	Opened On	Closed during	Reopened On	Remark
1	Semarang	01 March 1829	Japanese Occupation	25 March 1829	Former DJB branch
2	Surabaya	15 September 1829	Japanese Occupation	06 April 1946	Former DJB branch
3	Padang	29 August 1864	Japanese Occupation	23 October 1947	Former DJB branch
4	Makassar	21 December 1864	Japanese Occupation	20 September 1946	Former DJB branch
5	Cirebon	31 July 1866	Japanese Occupation	25 August 1947	Former DJB branch
6	Solo	25 November 1867	Japanese Occupation	05 May 1949	Former DJB branch
7	Yogyakarta	01 April 1879	Japanese Occupation	30 December 1948	Former DJB branch
		01 April 1879	30 June 1949	22 March 1950	Former DJB branch

No.	Branch Office	Opened On	Closed during	Reopened On	Remark
8	Pontianak	01 April 1906	Japanese Occupation	01 May 1946	Former DJB branch
9	Medan	30 July 1907	Japanese Occupation	15 May 1946	Former DJB branch
10	Banjarmasin	01 August 1907	Japanese Occupation	29 April 1946	Former DJB branch
11	Bandung	01 June 1906	Japanese Occupation	06 May 1946	Former DJB branch
12	Palembang	20 September 1909	Japanese Occupation	01 August 1947	Former DJB branch
13	Menado	09 September 1910	Japanese Occupation	03 April 1946	Former DJB branch
14	Malang	01 December 1916	Japanese Occupation	15 September 1947	Former DJB branch
15	Kediri	02 July 1916	Japanese Occupation	17 January 1949	Former DJB branch
16	Ambon	17 March 1956			Parlementer Democracy Period
17	Ampenan	15 August 1957			Parlementer Democracy Period
18	Jember	08 February 1958			Parlementer Democracy Period
19	Teluk Betung	02 December 1961			Guided Democracy Period
20	Kotabaru	13 December 1962			Guided Democracy Period (Trihora)
21	Biak	19 February 1963			Guided Democracy Period (Trihora)
22	Sorong	14 March 1963			Guided Democracy Period (Trihora)
23	Manokwari	17 March 1963			Guided Democracy Period (Trihora)
24	Merauke	19 March 1963			Guided Democracy Period (Trihora)
25	Jakarta(Thamrin)	05 July 1963			Head Office
26	Tanjung Pinang	15 November 1963	01 March 1965		Integrated into Pekanbaru Branch Office
27	Banda Aceh	02 December 1918	Japanese Occupation	02 March 1964	
28	Samarinda	10 November 1964			Guided Democracy Period
29	Pekanbaru	21 December 1964			Guided Democracy Period
30	Sabang	28 December 1964			Guided Democracy Period
31	Kupang	10 February 1965			Guided Democracy Period
No.	Branch Office	Opened On	Closed during	Remark	
1	Amsterdam	15 May 1891	01 July 1965		status was changed to NV. Indover
No.	Branch Office	Opened On	Remark		
1	New York	01 August 1947	Former DJB Representative		
2	London	01 July 1958	Parlementer Democracy Period		
3	Tokyo	13 May 1964	Guided Democracy Period		
4	Kairo	21 June 1965	Guided Democracy Period		

*For nearly the first three years from its establishment, Bank Indonesia did not open any new branches. Not until 1956 that Bank Indonesia began to open its branch offices in Ambon, Maluku. From 1953-1965, the opening of branch offices in West Irian and Riau Islands marked a separate historical event because both territories were experiencing a confrontation with the Dutch and Malaysia. By the end of 1953-1965, Bank Indonesia already had 30 branches all over Indonesia and 4 representatives overseas.-*