

History of Banking in Indonesia: A Review

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ABSTRACT: The history of banking in Indonesia can be answered in the following periods: 1) Period of Dutch colonial until Japanese occupation era (1827 - 8 March 1942). 2) Period of Japanese occupation until the Proclamation of Independence (8 March 1942 - 17 August 1945). 3) The Independence Period until the New Order year (Proclamation of 17 August 1945 until the issuance of the Banking Act of 1967/ 31 December 1967. 4) Period of banking after 31 December 1967. The Dutch colonial era in Indonesia arguably began in 1602, the establishment of VOC (Verenigde Oost Indische Companij). From the 19th century to 1942 (during the Japanese occupation), banks in Indonesia could be classified as follows: Netherlands-owned banks, England-owned banks, Chinese-owned banks, Japanese-owned banks and Native-owned banks.

KEYWORDS: banking, monetary, Indonesia, government, central bank

I. INTRODUCTION

The Dutch East Indies government experienced various monetary difficulties as a legacy from the "Raffles administration" which ruled Indonesia for several years (1811-1816). The money circulating at that time was issued by the government. On 11 October 1827, De Javasche Bank was founded with first capital of one million guilders. This money was deposited by the Dutch East Indies Government with De Nederlandsche Handel Maatschappij (NHM). With the establishment of De Javasche Bank, the original money circulated by the government was transferred to the De Javasche Bank [1]. This bank obtained a monopoly to circulate banknote. In 1875, the government determined that 40% of the money circulated must be guaranteed by gold. At that time, the regulation with a guarantee of 40%, gold was quite advanced. But the need for money was insufficient so the government gradually gave freedom to the Javasche Bank to circulate money [2].

Furthermore, this bank is a private bank even though in its founding and part of the share of this bank is belong to the Dutch East Indies government. In addition as a bank circulation, De Javasche Bank also performs the duties of commercial banks, thus contributing to compete with other banks. This dualistic nature repeatedly raises various criticisms [3]. The reasons stated are as follows:

With lower interest rates than other banks, De Javasche Bank can easily attract the best customers.

Competition by an institution (De Javasche Bank) which because of its duties can have data from other banks, so it is considered unnatural.

These criticisms if implemented are in fact unreasonable because even though according to the De Javasche Bank law year 1922, the bank obtained a monopoly to issue banknote, but De Javasche Bank never developed as a banker bank.

The tasks of the central bank carried out by De Javasche Bank are:

Issuing and circulating banknote.

Discounted notes, short-term debt instrument, government bond and so on.

- Being a cashier of the government.
- Saving and controlling foreign exchange funds, and.
- Serving as a clearing center since 1909.

The tasks of the central bank that De Javasche Bank did not do were as follows:

- Does not save excess bank cash.
- "Lender of the last resort" bank, and
- Not overseeing bank credit.

It is because De Javasche Bank is not the last point of monetary and banking in Indonesia. Monetary and banking at that time did not stand alone, but it was a continuation of the Dutch monetary and banking policies. The Indonesian currency (Dutch East Indies) and the Dutch currency (Netherlands) at that time could automatically be exchanged directly with the same value [4]. In addition, almost all companies (including banks) have a head office abroad and to finance their companies in Indonesia, transfers are carried out not directly with the country concerned. De Javasche bank does not control banks, so they cannot influence money circulation with monetary policy and the money market is in the Netherlands. De Javasche Bank as explained is not the last station, but an intermediate station in the flow of money. Although De Javasche Bank is not a pure central bank, it has played an important role in finance and banking in Indonesia. Its politics are directed at stabilizing foreign exchange rates with Netherlands [5].

Furthermore, De Javasche Bank has done a lot to improve finances in the Dutch East Indies and helped banks with credit transfers during difficult times. This role cannot be carried out properly if this bank does not have experience in the field of commercial banks and lending to private entrepreneurs. On 6 December 1951, De Javasche Bank was nationalized by the the Republic of Indonesia government.

De Nederlandsche Handel Maatschappij

De Nederlandsche Handel Maatschappij abbreviated as NHM was the largest bank owned by the Dutch. This bank was founded in 1824, initiated by the Dutch king Willem I. The bank was founded with a Dutch royal decree. Initially, NHM was engaged in trading business so the name was known as *Factorij*. Gradually, around the middle of the 19th century, it developed into a bank company. The funds are mainly channeled to finance plantations (*cultuur ondernemingen*).

Except in Indonesia, NHM has various branch offices or representatives in various countries such as in Burma, China, Hong Kong, India, Japan, Malaya, Saudi Arabia and in Kenya (Tanganyika).

De Nationale Handelsbank

Nationale Handels bank abbreviated as NHB was originally De Nederlandsch-Indische Bank. This bank was founded in 1863 by Algemene Maatschappij voor Handel en Nijverheid in the Netherlands. In 1868 (five years later) this public company for trading and folk crafts no longer worked. With the bankruptcy of the company, NHB then became a commercial bank engaged in the financing of plantation businesses.

In 1884, NHB left matters relating to the plantation sector to its subsidiary, namely Nederlandsche Indische Landbouw. NHB does not have a significant role in banking when compared to De Nederlandse Handel Maatschappij (NHM), but has branch offices or representatives in India, Hong Kong, Japan, Singapore and Thailand. In fact, in 1953 it founded The Mercantile Bank of Canada.

Escompto Bank

De Nederlandsche-Indische Escompto Maatschappij, abbreviated as Escompto Bank, was founded in 1857. This bank has no role in plantation financing, but is engaged in purely commercial bank business [6]. This bank has two representative offices in the Netherlands and does not have offices in other countries. From three banks owned by the Dutch, only Escompto Maatschappij has a head office in Indonesia, while the other two banks are based in the Netherlands. In general, foreign banks arose in Indonesia after the Dutch governments carried out what was called "Open Door Politics" (open door policy), after the eradication of "Cultuurstelsel" (Enforcement Planting). With the open door policy, the Dutch capitalists began to open large plantations in Indonesia (Dutch East Indies).

This large plantation company needs institutions to finance the plantation business. Netherlands banks were established as mentioned above. The Netherlands banks are engaged in long-term credit to finance the business of the large plantation. Some of the banks even participated as shareholders in plantation companies. Gradually, the bank was engaged in trading which usually required short-term credit, and in the next development a separation is held between financing on plantations that require long-term credit and trade financing that requires short-term credit.

II. ENGLAND-OWNED BANK

England-owned banks consist of:

- The Chartered Bank of India, Australia and China, with the head office located in London, and
- The Hongkong and Shanghai Banking Corporation with the head office located in Hong Kong.

The operation of England-owned banks in Indonesia until the 19th century is less well known. In general, those banks do not participate in the financing of large plantation such as Netherlands-owned banks [7]. England banks are mainly engaged in trade credit which has short or medium term.

III. CHINESE-OWNED BANKS

Chinese-owned banks, consist of:

- The Overseas Chinese Banking Corporation with its head office in Singapore.
- The Bank of China with the head office located in Peking.
- NV Batavia Bank with head office based in Batavia (now Bank Jakarta).
- Chungwa Sangieh Maatschappij with the head office located in Medan (now Bank Kesawan).
- NV Bankvereeniging oei Tiong Ham with the head office located in Semarang.

Chinese-owned banks have an important meaning as "remittance shop" (a place to send money). Chinese people try to move capital to their ancestral Chinese country for the benefit of their family or relations there. But the Chinese banks have businesses in providing mortgage credit and exploitation of permanent goods.

IV. JAPANESE-OWNED BANKS

Japanese-owned banks in Indonesia are generally engaged in trade so the loans are short-term loans.

Japanese banks recorded are as follows:

- The Bank of Taiwan.
- The Yokohama Species Bank, and.
- The Mitsui Bank.

V. NATIVE-OWNED BANKS

The definition of native-owned bank is that if all capital or sources of bank funds are owned by native Indonesians. During the colonial period, the role of native-owned banks was relatively small in terms of banking activities. The position of the Indonesian business at that time was very backward and generally consisted of small farmers, laborers, producers and small entrepreneurs [8].

The general understanding here is that working is just maintaining the cost of living (subsistence level) and Volksbank Tonsea was established in Airmadidi. Native-owned banks known are Bataksche Bank *) established in Pematangsiantar. Prominent native-owned banks are the National Bank of Indonesia, founded in 1929, pioneered by Dr. Soetomo. Dr. Soetomo is the founder of Indonesische Studieclub. Together with his friends, he spent many years in the political field. The Indonesische Studieclub aims to bring together scholars to realize their obligations to society and deepen their knowledge about politics, inviting them to do useful work for the community [9].

This is done by discussing national and social issues in meetings that are held. By studying the socio-economic aspects, the members of Indonesia learn the socio-economic aspects of the che studieclub members trying to practice it in society [10].

Initiated by Indonesia Studieclub, boarding houses, houses for female administrators, weaving schools, cooperatives for meat companies, handicraft centers and banks, the main objective of the establishment of the National Bank of Indonesia is to educate the public to save money so later they can build house. In addition, it is also to assist national entrepreneurs in capital. To expand the bank, branch offices were established in five cities, namely Mojokerto, Malang, Yogyakarta, Magelang and Bandung. Loans given are generally and relatively small loans [11].

Initially the bank was directed to credit cooperatives and deposits were aimed to build housing. This is considered the easiest way to unite small capitals. To achieve that, the first attempt made is to gain society's sympathy in order they want to provide assistance to get capital for the company [12]. And second attempt is to gain society's sympathy to save money in order they can build their own homes in the future. Regrettably, this only stands for 15 years because the Japanese army occupied Indonesian. During the Japanese occupation there was reshuffled of the economy structure which resulted in an economic process focusing more on the war economy [13].

Almost all domestic and foreign trades at that time experienced paralysis. In addition, inflation has also hit this country which is not easy to control, causing many companies to go out of business. The National Bank of Indonesia during the Japanese occupation could not continue its business, even though it had been tried in various ways. It is a fact that the bank's customers consisting of marginal entrepreneurs have suffered as a result of the economic crisis [14]. Those things make it difficult for banks to develop. The National Bank of Indonesia, based in Surabaya, was established two years earlier than the National Bank, established by merchants who come from Bukittinggi. The idea of establishing a bank in Bukittinggi originated from the establishment of the National Bank of Indonesia. The success of Mr. Tom (Dr. Soetomo) with his bank aroused the spirit of merchants with the spirit of independence to establish a bank in west Indonesia (West Sumatra) under the name of the Abuan Saudagar National Bank. In conjunction with the founding of the bank, it is also expected to fight for economic and political independence [15].

Initially, the National Bank focused lending to the cooperative sector. Branch offices such as Payakumbuh, Batusangkar, Padang and Padang Panjang were established by the shareholders. During the occupation of the Japanese army, this bank's business experienced crisis. Lending was gradually stopped and branch offices gradually closed, except the head office in Bukittinggi. After recognition of Republic of Indonesia "sovereignty", the bank immediately organized a reorganization to launch a banking business. Until today the bank is still running, making it the oldest national private bank in Indonesia [16].

VI. SOCIETY CREDIT

Large foreign plantation in Indonesia generally received financial fund from large Western banks (mainly Netherlands). Likewise, trading companies either large, medium and small companies obtain financial fund from foreign banks, either England, Japanese or Chinese-owned banks. It is different with the society's agriculture which has been cultivated by native Indonesia society for a long time [17]. Society's agriculture is not financed by banks, because according to the assumption, the credit banks requested by farmers are generally small, so the risks are large and do not cover administrative costs, let banks bring for the risk alone, because of the social nature of the society's credit, so the government should play the role and hold the authority since long time ago. In society's credit, it can be seen the existence of a system formed from:

- a. Village granary.
- b. Village bank, and
- c. Algemene Volkscredietbank (A VB).
- a. Village granary

The growth period of the village granary began with the efforts of Purwokerto's assistant resident, De Wolff van Westerrode because he failed in its attempt to use the former Priyayi Bank created by Patih Wiria Atmaja for the benefit of credit for villagers, in 1897 250 village granaries were established in its territory. In 1900, De Wolff van Westerrode was released from his duties as resident assistant and subsequently devoted his energy to investigate society credit development. Four years later, in 1904 De Wolff died, but because of his influence, the supervision and leadership arrangement of the society's credit business was equipped by Credit Inspector of

Agricultural Society (Inlandsche Landbouw Credietwezen). Carpentier Alting was the first official that legalized Credit Inspector of Agricultural Society.

The village bank operation was actually only carried out in 1905, after De Wolff died. The development of village credit institutions by De Wolff is based on the assumption that credit in the village is used cooperative principles. De Wolff's ideas arose from the experience and knowledge he gained while on leave in Germany. The Raiffeisen system in Germany is a credit effort undertaken by villagers for capital sourced from the villagers themselves. Raiffeisen considered appropriate to run in Indonesia, because in rural communities there is a habit of mutual assistance, known as mutual cooperation. After all, among the villagers there are still strong family ties. Regarding the form and basis of village banks and village granary, in its growth it is not a credit institution owned by the villagers, but rather becomes a village-owned body by incorporating cooperative elements.

Developments deviate from the original goal because:

- 1)The condition of society's education so they cannot understand the meaning and knowledge of cooperative.
- 2)Lack of skilled personnel in the village to devote their energy to the development of the implementation of cooperative objectives.
- 3)The sudden need for credit institutions in the village due to the economic situation of the village and disasters in agriculture occurred around 1901-1902.

In Sumedang, a village granary was established with capital from voluntary support in 1901. In other districts, residents are required to save some portions of their rice harvest in the village granary, which can then be lent during famine period. Rice supplies for seedlings must also be stored in the village granary. In this regency, the village granary works for rice mills and operates them together. But soon the rice mill vanished, because in that area no longer planted rice and rice export was high price. In Cirebon in 1901, Resident Mesman created another system, which was then used as an example by other regions.

The capital is collected from the voluntary contribution of villagers according to the area of land they have. Those donations are then returned by the village granary gradually, after village granary can collect their own capital. Loans provided by the village granary only to those who participated in the village granary capital [18].

Starting in 1903, members of the village granary management included village clerk named granary commentator. The village commentator holds the administration consecutively in a week of the granary group and they get percent salary as is the case with the other board members, while in Cirebon this official was replaced by a clerk with fixed salary. Other board members of the village granary, namely two people who are classified rich or have enough wealth were appointed by village official of religious matters.

In 1905, the entire village granaries recorded were 5.301 and in 1912 village granaries increased until around 12.800. At that time, there were about 1.454 villages all around Indonesia.

b. Village Bank

Like the village granary, the head of the village bank is ruled of a committee led by village chief. This village bank is better known in Java Island. The village bank was established to meet the villagers' financial needs. Some village banks arise from the village granary, which is when the money traffic develops in the villages, thus increasing the demand for credit in the form of money. The initial capital of the village bank was collected from the villagers, both by voluntary donation and from village granary reserve and sometimes strengthened by loans from banks (district bank, afdelingsbanken). This loan is repaid from the profit of the bank. In 1917, there were 2.800 rural banks all around Indonesia. And in 1940 the number increased to 7.443. In its operation, the village bank mainly issued weekly loans, but besides that there were also monthly and seasonal loans. The important position of the weekly loan in 1926 is recorded as follows:

Number of people:	Loans in guilders:			
Loans of	weekly	monthly	seasonal	total
2,809.000	f31.009 90,5%	f2.940 8,6%	f3 29 0,9%	f34.278

In 1912 the Dutch East Indies government was established Society's Credit Service, which supervised under the Interior Ministry (Department of Binnenlandsche Bestuur).

This agency is intended to improve supervision and leadership of village credit institutions that are closely related to the municipal (civil service). The leadership is held by an advisor in charge of outlining credit

policies, while supervision is carried out by the inspector, the adjunct inspector and the village granary assistants.

Short-term loans and many loans that are only past the harvest period are classified as consumer credit. With Staatsblad No. 77 on 11 March 1927, Society's Credit Agency was merged with Central Cash (the central cash which function was initially as the center in the local financial sector of Volksbank). Then the government expanded its task with supervision of village banks and also gave instructions toward those institutions. With the formation of Al-gemene Volkscredietbank (AVB) in 1934, it began to coordinate village level credit.

With the formation of this bank, liquidation of the Central Cash was held, and the supervision task of the village credit institutions was transferred to AVB. In the AVB, all volksbanks are incorporated, however the work procedures of the village credit institution, both the organization and its supervision, do not change significantly. Coordination was then held in the form of restrictions on the granting of credit between village banks and AVB branch offices including f10 credit, - less (ten guilders) in an area to be served by village bank.

Regency Bank

The district banks (Afdelingsbanken) were founded in the early 20th century. This bank is called a district or regional bank, because the area involved is region or district area. The district bank was initiated by civil service based on the regional government's patriarchal obligations towards its population. The regent is the head of the regency's bank management and other members of the board consist of civil service servants and people who share the people's fate.

Working capital of regency bank is obtained from excess money from village granaries and village banks, deposits from private parties, but the government also provides working capital. Residents and creditors assume that the regency bank is a government institution because ultimately the government is responsible for this bank.

Central Cash

Central cash was established to serve society who needs loans. At first, this central cash worked alone so there was no collaboration with each other. To direct healthier society's credit, the Dutch East Indies government intervened in this matter.

In 1905, the supervision of society's credit was left to the inspector, who was later named "advisor for society's credit and cooperative". With a government decree in 1912, the Society Credit Institution (Bureau) was established, even though it cannot be said that there is an active supervision. With the decision of Dutch King on 10 May 1912, the Central Cash Office was established. This institution is in charge:

- Providing working capital to society's credit institutions, and
- Providing advice and guidance in society's credit businesses.

The regency bank also obtained credit from the Central Cash, but the Central Cash was entitled to distribute matters. In this way, it is assumed that the integration of society's credit can be created. In 1924, all district banks were under the supervision of the Central Cash.

Algemene Volkscredietbank (AVB)

In 1934 in Batavia (Jakarta) Algemene Volkscredietbank (AVB) was founded. The establishment of this bank was the result of the merger of Central Cash and regency banks totaling 94. Regency banks became AVB branches. This merging was accelerated by the 1930 Depression that caused many economic hardships. Regency banks are unable to overcome the difficulties of their customers, otherwise customers cannot repay their debts.

The establishment of AVB was carried out with an ordinance on 19 February 1934 and at the same time the Central Cash Office was closed. The purposes of AVB are as follows:

- Providing credit to Indonesia residents (Dutch East Indies) who cannot obtain credit from other credit institutions.
- Receive money from local government, society's cooperatives and other society's credit institutions for safekeeping.
- Together with postal savings banks encourage the spirit of saving among society.

Providing advice and guidance to society's credit institutions, society's cooperatives and others.

The first capital of AVB was obtained from the Central Cash capital

and regency banks totaling f21,4 million. Supervision of the administration of AVB is carried out by government commissioner. The supervision and guidance center committee consists of socioeconomic division and financial technical division.

Beside function as society credit, AVB also performs as a cashier for the needs of prospective pilgrims (haji) to Mecca.

JAPANESE OCCUPATION PERIOD

The first year of the Japanese occupation (8 March 1942 - 17 August 1945) bank offices were closed. On October 1942 all Netherlands, England and some Chinese banks were declared liquidated. However, AVB was not liquidated, while the activities of other banks were followed by a Japanese credit institution called "Syomin Ginko". Then the Japanese army in Indonesia established the Nanpo Kaihatsu Ginko which is a circulation bank headquartered in Tokyo.

WAR PERIOD

After Japan surrendered to the Allies, the Republic of Indonesia was proclaimed by Soekarno-Hatta on 17 August 1945. Together with the defeat of Japan, the Dutch government tried to return to Indonesia by allied with British army (Allies). As a result of the invasion of the Dutch army, there was a war of independence that the Indonesian people fought with burning passion. To save the Republic of Indonesia, which was still very young, the capital was moved from Jakarta to Yogyakarta. Both militarily and through police the Dutch government tried to surround RI. Militarily, the Netherlands took the offensive with raids, the first in the middle of 1947 and the second at the end of 1948. In the history of the regions invasion of the Republic of Indonesia, this was known as "Political Action I" and "Political Action II".

Besides, the "politics of divide et impera" is also politically carried out with the establishment of puppet states such as the State of East Indonesia, the State of East Java, the State of Pasundan, the State of East Sumatra, etc. With Politics creating those puppet states, then there were two regions namely:

- Republican area, namely territories controlled by the Republic of Indonesia.
- Federal area, which is the area occupied by the Dutch army and established puppet states.

Banking in Republican Region

Below is discussed successive banking activities in areas controlled by RI, where there are two government banks and several private national banks. The two government banks are Bank Negara Indonesia and Bank Rakyat Indonesia.

Bank Negara Indonesia

Bank Negara Indonesia (BNI) was established on 5 July 1946 with Government Regulation in lieu of Law (Perpu No. 2 of 1946), thus 5 July was then commemorated as Bank Day, while BNI was later supplemented by its name with BNI 1946. BNI's objectives are listed in article 2 of the decree which reads: "In the name of Bank Negara Indonesia, a bank belonging to the Republic of Indonesia was established for:

Regulating banknote spending and circulation at a fixed price according to the society needs as for the exchange tool.

Improving circulation of other payment instruments.

Fulfilling society credit and generally working in the public interest, all according to the regulations or based on this law.

The bank's head office is located in the capital of the Republic of Indonesia, which was originally in Jakarta, then moved to Yogyakarta, simultaneously the movement of Republic of Indonesia capital. After recognition of "sovereignty" by the Dutch towards RI, BNI's head office moved back to Jakarta. BNI is intended as a

Circulation bank for RI. The situation and conditions at that time did not allow the new bank to carry out all its duties properly. However, this bank has helped many national struggles of economy in general and the monetary sector in particular. In the banking sector, BNI has established relationships with Bank Soerakarta, Bank Dagang Indonesia and Bank Rakyat Indonesia. Specifically for trade credit, BNI in February 1947 helped establish the "Banking & Trading Corporation" (BTC) in Java island, established trading companies in several cities in Sumatra island such as Bukittinggi (Central Trading Company), in Jambi (Jambi Trading Company) and provided credit as working capital to the State Textile Institution, the State Industrial Institution, the State Plantation Center and others.

BNI in its development has never issued banknote. Oeang Republik Indonesia (ORI), is a state money issued by the government of the Republic of Indonesia, although in terms of circulation, BNI is asked to assist and also to exchange Japanese money circulated among society. In the first years, BNI opened branch offices in Cirebon, Garut, Purwokerto, Malang, Sala, Madiun, Kediri, Bukittinggi, Kotaraja (now Banda Aceh), Pakanbaru, Jambi and Sibolga. In December 1948, the capital of the Republic of Indonesia was occupied as a result of the invasion of the second military action. BNI's head office in Yogyakarta is one of the main targets for the Dutch army who came to invade on 19 December and the bank's wealth in the form of hundreds millions of ORI and other valuables were controlled. Ahead of the Round Table Conference held in the Netherlands, on 19-22 July 1949 in Yogyakarta and on 31 July - 2 August 1949 in Jakarta, the Inter-Indonesia Conference was attended by representatives of the Republic of Indonesia and also representatives of the state of van Mook's creation known as BFO (Bijzonder Federal Overlegvan Mook,

At the two conferences, there was no agreement on understanding of the form of circulation bank. Is this financial institution, a state-owned bank or private-owned bank were given actrooi (patent right) by the government to print and circulate money [19]. Republican representatives wanted BNI to become the central bank, while BFO representatives wanted a private bank. Although it was not explicitly stated by the BFO delegation, what was meant by the private bank was De Javasche Bank, a Dutch private commercial bank which during the Dutch colonial administration also functioned as a circulation bank. Because there is no firm decision, then the issue of the central bank will be submitted to the parliament of the Republic of the United States of Indonesia (RIS) which will be formed.

After recognition of "sovereignty" by the Dutch, then with the help of the government, BNI began working again. Unless it is then a commercial bank, BNI is also intended as a development bank. However, this intention was not realized so BNI remains a state-owned commercial bank.

Bank Rakyat Indonesia

Bank Rakyat Indonesia (BRI) was established with government regulation (PP) on 22 February 1946. BRI was formerly known as Algemene Volkscredietbank (A VB), which during the Japanese occupation was Syomin Ginko. Therefore, BRI is a state-owned bank. Article 3 of the government regulation concerning the establishment of BRI contains the business of the bank as follows:

- Giving loans to the society.
- Receiving deposit.
- Carrying out commercial bank tasks, and
- Carrying out other tasks set by the government.

From the provision of the article above, BRI is intended by the government as a bank that is directly related to the society. A few years later with Perpu No. 41 year 1960, BRI named bank koperasi Tani dan Nelayan (BKTN). During the Trikora (Tri Komando Rakyat) era - the struggle to liberate West Irian (West Papua) - from Dutch colonialism, Nederlansche Handel Maatschappij (NHM) was taken over by the Indonesia government and entered into BKTN under the name BKTN Exim (Export-import).

On July 1, 1965 with the stipulation of President (Penpres) No. 8 and 9 BKTN and integrated into Bank Indonesia. In 1965, government banks were divided into 5 units.

National Private Bank

Beside of two state-owned banks above (BNI and BRI), there were also several private national banks such as:

- Bank Surakarta MAI in Solo was founded in 1945.

- Bank Indonesia in Palembang was founded in 1946.
- Bank Dagang Nasional in Medan was founded in 1946, and
- Indonesia Banking Corporation (IBC), later named Bank Amerta in Yogyakarta was founded in 1947.

Banking in the Federal Area

What is meant by federal area is the legal territory of the Republic of Indonesia, which was seized by the Dutch government with the political action I and II. With that authorization, the Dutch, British and Chinese banks were revived while Japanese banks are no longer allowed to be rebuilt. In addition, by intensifying nationalism and the desire for independence, businesses in the federal area belonging to the Indonesian society also emerged. Those banks are national banks which are generally commercial banks and are mostly engaged in trade. This is in line with the activities of Indonesian entrepreneurs who are generally engaged in the business field and it began to emerge middle class entrepreneurs. Among the several national private banks are as follows:

- NV Bank Sulawesi in Manado was found on 8 February 1946.
- NV Bank Perniagaan Indonesia in Jakarta was found on 11 March 1948.
- Bank Timur NV in Semarang was founded on 20 September 1949*)
- Bank Dagang Indonesia NV in Banjarmasin was found on 12 October 1949.
- Kalimantan Banking and Trading Corporation NV in Samarinda was found on 18 February 1950**).

State Industrial Bank

Long before Bapindo (Bank Pembangunan Indonesia) now Bank Industri Negara (BIN) was established in the beginning of 1951, this bank engaged in development spending resources, especially in the field of industry and mining.

This is in accordance with the objectives to be achieved by the government to rehabilitate the fields of industry and mining which suffered a lot as a result of World War II. In fact, three years earlier, in 1948, the federal government had established the "Bureau Handel Financiering" (BHF), an organizational unit within the *temen van Financien* (Department of Finance) environment to provide rehabilitation credits to private companies. But in reality, until the time of recognition of "sovereignty" in 1949, BHF credit activities were not large. Moreover, the work carried out by BHF is only for the sake of rehabilitation of Dutch-owned companies.

And more principle, the thought arises to rehabilitate and finance as the construction of companies is still needed a method of financing and policies that are more free than how the government works [20]. On this basis, it was felt the need for preparations and implementation of the plan for industrialization in a long term. Thus on 4 April 1951 with a notary deed was established a limited liability company. Furthermore, with Emergency Law No. 5 year 1952 on 28 February 1952, a legal form was given to the State Industrial bank, which main tasks were as mentioned above. More than 9 years later, when BIN had merged into Bapindo, BIN had recorded progress that had been increasing. With the increasing number of assistance requested and the various jobs faced by BIN, its functions have also increased.

BIN no longer acts as a bank or creditor, but has become the owner, promoter, director and executor of various development projects.

Indonesian Development Bank

After 9 years of working through various difficulties and advancements, BIN arrived at assessment phase sourced from the Presidential Decree on 5 July 1959. One of the most important follow-ups of the economic order was to be formulated as a "guided economy". In the "Development Mandate" uttered by the President before the opening session of the National Design Council on 28 August 1959 in Bandung, which was then tasked with drawing up a plan for the "Planned Overall National Development", and also formulated ideas about banking. In line with efforts to adjust the pattern of the Planned Overall National Development (PNSB) with Law No. 21 year 1960, government regulations established by the Bank Pembangunan Indonesia (Bapindo).

Bapindo is intended as a center for raising capital and financing for the implementation of PNSB. On the basis of the consideration that BIN's business areas could be covered by Bapindo and to obtain better financing for PNSB projects, the decision was made to merge BIN into Bapindo on 16 August 1960 (Law No. 30 Government Regulation year 1960). For approximately six years carrying out the task of channeling funding for the development of Bapindo PNSB projects, there have been various kinds of problems. The existence of factors of political importance that dominate rational economic thought, both for the implementation of the decisions that have been taken previously, as well as further decisions, have resulted in various provisions which had previously been laid out to be completely obscured.

Basically Bapindo is not a development bank, because its job is only to channel government money from development budgets. Thus Bapindo actually carries out the work normally done by the state treasury office. For this financing service, Bapindo levies 1% of the amount of money channeled to the project. In reality Bapindo in carrying out its duties became dualistic, because beside of acting as a bank, also often on the project side there was dissatisfaction with its services. This is because government development projects are usually not "bankable" project. Therefore, starting in 1966 fund for development projects taken from the development budget was carried out directly by the Ministry of Finance, so Bapindo no longer had work. Thus Bapindo no longer receives income to finance its own expenses. With the issuance of the RI Ampera Cabinet decision No. 127 / V / 5/1967 dated 26 May 1967, Bapindo's duties were expanded not only as a commercial bank for the state sector, but also covered the private sector as follows::

- a. Become a commercial bank for the industrial sector for government or private companies by accepting current accounts, deposits and expanding demand deposits.
- b. Providing medium and long term loans for industry both for state and private companies by receiving deposits and issuing medium and long term valuable papers.
- c. Providing services to help establish and develop industrial projects.

With the decision of Bank Indonesia No. 10/106 / Kep / Dir / UPK dated 30 December 1977, Bapindo was allowed to provide investment loans of more than Rp. 1,5 billion per project with maximum term of 15 years including a grace period maximally six years. It was stated that the law on the Indonesian Development Bank would be regulated and enacted later.

Regional Development Bank

Bank Pembangunan Daerah (BPD) or Regional Development Bank is essentially a financial institution owned by the regional government (Pemda) that carries out banking business, originally established under Law No. 13 year 1962, namely the provisions of the principal local government. With the issuance of the Banking Law No. 14 year 1967, BPD operations were determined as follows:

1.
 - a. Receiving fund in the form of deposit;
 - b. Taking out medium and long term valuable papers;
 - c. Receiving medium and long-term credits in development projects.
2. If receiving demand deposits, their use is carried out according to Bank Indonesia guidance, and
3. Can provide short-term credit from demand deposit.

Until now the Regional Development Bank has not been able to accept long-term deposits. The community is more interested in saving short-term funds.

Central Bank

In article 110 of the Provisional Constitution (UUDS) of the Republic of Indonesia is mentioned:

- There is one central bank for Indonesia.
- The appointment of the central bank and its composition and authority are regulated by law.

When the Indonesian Constitution was issued, the question arose: whether De Javasche Bank would be appointed as the central bank or whether a new institution would be established to become the central bank. There were symptoms or signs that the De Javasche bank would be appointed as the central bank. That tendency was caused:

a. Bank Negara Indonesia, which was founded in 1946 which was originally intended to be the central bank of Indonesia, had another assignment.

b. The Indonesian government's policy is apparently not intended to establish a new central bank, but the reality shows that more and more Indonesian people are appointed as the leaders or staff of De Javasche bank.

c. The general recognition of the Indonesian people about the lack of expertise that would enable to take over all De Javasche Bank's works.

Based on Bank Indonesia Principal Law No. 11 year 1953, it was determined that the duties of Bank Indonesia were as follows:

a. Setting the value of the Indonesia money unit in the best way for the prosperity of the homeland and the nation, and maintain as best as possible so the value is balanced (stable).

b. Promoting the healthy development of credit and bank affairs in the Republic of Indonesia in general, national credit affairs and national bank affairs in particular.

c. Supervising credit matters.

d. Taking out banknote. This right only belongs to Bank Indonesia.

e. Doing the work of other banks.

From tasks above, it can be seen that the Indonesian bank has the task of leading and influencing the work of commercial banks to control monetary and economic politics that are deemed necessary for the country interest. So it is evident that Bank Indonesia is intended as a central bank even though it is dualistic in nature, namely that it still acts as a commercial bank and also become the central bank.

Single Presence Policy in Banking Sector

In 1958 when an action was taken to seize West Irian from Dutch colonialism or known as "Tri Komando Rakyat), then in the economic / financial sector also conducted actions to facilitate Trikora, namely by taking over Dutch banks that were still standing magnitude at that time.

Banks that were taken over (nationalized) were as follows:

- Escompto bank became Bank Dagang Negara (BDN).
- Nederlandse Handelsbank (NHB) became Bank Umum Negara (Buneg), and
- Nederlandse Handelmaatschappij (NHM or Factory) became Bank koperasi, Tani dan Nelayan (BKTN) Exim.

With that takeover action, many State Banks are doing the same task, namely as the Commercial bank. This certainly does not make bank as an efficient credit tool and often among the state banks, there is unfair competition. This kind of situation cannot be left for too long. With Presidential Decree No. 8, 9, 10, 11, 13 and 17 year 1965, it was decided that all public state banks were integrated into one single presence policy in banking sector, namely Bank Negara Indonesia.

The integrated banks are: Bank Indonesia (BI), Bank Koperasi, Tani dan Nelayan (BKTN), Bank Negara Indonesia (BNI), Bank Umum Negara (Buneg) and bank tabungan negara (BTN). In the integration transition period, BI is called Bank Negara Indonesia (BNI) unit I, BKTN is called BNI unit II, BNI is called BNI unit III, Buneg is called BNI unit IV and BTN is called BNI unit V. With this integration, it is hoped that banks can be more utilized as one of the tools in implementing a guided economic and financial system. And with the structure of single presence policy in banking sector, government can carry out distribution, supervision and use of funds efficiently.

Beside of the objectives of the structure of single presence policy in banking sector, it is easier to run a "pooling" business, selection and distribution of banking experts to expand the banking network, regulate the payment system and the more guided and organized money flow. The structure of banking integration is based on the principles formulated by the State Banking Committee to centralize policy command, specialization in serving economic sectors and deconcentration in management. This integration is also intended not only for organizational and administrative integration, but also for the mentality of all the work and leadership of the bank.

The integration of state banks has become a reality since 17 August 1965, just waiting for the completion of the follow-up implementation. At that time, pawnshop PN (State Enterprise) was integrated into the single presence policy in banking sector, which in the transition period was called BNI Unit VI. Integration has become a reality and has been legally established with the Presidential Decree. However, the implementation of the Inconcreto (Law Enforcement) until the end of 1968 never materialized. Integration is merely a change in the name of a state bank and does not result in any changes to the activities of the banks concerned. For more than three years, the integration was only integration in name, while the goals and objectives of integration were never achieved, both organizational and administrative, because this was more a concentration of banking in the state authority. With the integration of state banks, private national banks have only a complementary position from state banks, while foreign banks play a small role.

VII. CONCLUSION

One of the important steps in the banking sector is to abolish the concept of single presence policy in banking sector and formulate the Basic Banking Law No. 14 year 1967, where according to the function of the Bank is divided into 4 types namely:

- a. Central Bank in Indonesia is Bank Indonesia which plays the role as Leader of other banks with the main task:
 - a. Manage, maintain and preserve the stability of rupiah value;
 - b. Encouraging the smooth production, development and employment opportunities, in order to improve society's lives.
- b. Commercial Bank, is a Bank which in the collection of funds, primarily accepts deposits in the form of demand deposits and deposits and in its business primarily provides short-term credit.
- c. Savings Bank, is a Bank in which the collection of funds primarily accepts from savings in the form of savings and in its business mainly extends funds in valuable paper.
- d. Development Bank, is a Bank which in the collection of funds, primarily accepts deposits in the form of deposits or releases medium and long term valuable papers and in its business mainly provides medium and long term loans in the development sector..

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