

## Synergy between BI, OJK and LPS in Constructing Economic Resilience in Indonesia Latest Discourse

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### ABSTRACT

*The global financial crisis of 2008 exposed flaws in financial institutions around the world, including Indonesia's, which saw increased unemployment, market volatility, and economic downturn. In response, the government of Indonesia established the Deposit Insurance Corporation (LPS), the Financial Services Authority (OJK), and Bank Indonesia (BI) in order to preserve financial stability. To assist Indonesia's economic rehabilitation, these three organizations must work together on information sharing, policy coordination, and infrastructure development. This study employs a qualitative, descriptive methodology, namely a library research study. The Deposit Insurance Corporation (LPS), Bank Indonesia (BI), and Financial Services Authority (OJK) are all essential to preserving Indonesia's financial stability. LPS protects bank deposits, OJK supervises the financial services industry, and BI controls monetary policy the payment system. Resilience of the financial system depends on these institutions working together through infrastructure development, policy coordination, and information sharing. Indonesia (BI) is in charge of the payment system, monetary policy, and stability of the Rupiah. The Financial Services Authority (OJK) safeguards customers, fosters innovation, and keeps an eye on the financial industry. The Deposit Insurance Corporation (LPS) helps banks in distress and insures bank deposits. Coordination of policies and combined supervision by BI, OJK, and LPS is crucial to the stability of Indonesia's financial system.*

**Keywords: Indonesia Bank, The Sharia Economic Institution, Economic**

### INTRODUCTION

The 2008 global financial crisis revealed the flaws in the financial systems of numerous nations, including Indonesia. The crisis has led to increased unemployment, slower economic development, and volatility in the financial markets. The creation of new organizations like Bank Indonesia (BI), the Financial Services Authority (OJK), and the Deposit Insurance Corporation (LPS) is only one of the steps the Indonesian government has taken to fortify the financial sector in response to the crisis.

In order to keep Indonesia's financial system resilient and stable, BI, OJK, and LPS play crucial roles. BI's responsibilities include overseeing banks, creating and maintaining payment networks, and preserving the value of the rupiah. The job of regulating and overseeing the financial services industry, which includes capital markets, insurance, and banking, falls to OJK. LPS is responsible for providing bank deposit guarantees to customers.

In order to preserve the stability and resilience of Indonesia's financial system, the three institutions must collaborate effectively with one another. BI, OJK, and LPS can work together in a number of ways, including:

1. Information and data exchange: To have a complete view of the state of the financial system, BI, OJK, and LPS must routinely exchange information and data.
2. Coordination of policies: In order to develop and carry out policies that promote the resilience and stability of the financial system, BI, OJK, and LPS must work together.
3. Joint infrastructure development: To support their individual responsibilities and roles, BI, OJK, and LPS can collaborate to build a shared infrastructure.

The interplay between BI, OJK, and LPS is becoming more and more significant in light of the most recent discussion surrounding the restoration of Indonesia's economic resiliency. For Indonesia to rebuild its economic resilience, it needs a robust and secure financial system. The combination of BI, OJK, and LPS can make it more likely that Indonesia's financial sector will be able to support the agenda for rebuilding economic resilience.

## **DISCUSSION**

### **A. The Financial System's Use of BI, OJK, and LPS**

#### **1. The Function of BI in the Banking System**

As the country's central bank, Bank Indonesia (BI) is essential to preserving the stability and efficient operation of the financial system in Indonesia. The three key facets of BI's function in the financial system are as follows:

##### **1. Controlling the Monetary System**

###### **a. Preserve Stability in the Rupiah Value.**

The Bank Indonesia (BI) is in charge of issuing and distributing Rupiah and managing the currency's exchange rate with other currencies. This is carried out in order to preserve consumers' purchasing power and the stability of product and service prices.

###### **b. Promoting Economic Development**

Monetary policies are developed and put into action by BI to support steady and balanced economic growth. Setting interest rates, managing liquidity, and carrying out other monetary activities are some of these policies.

##### **2. Preserve the Stability of the Payment System**

###### **a. The National Payment System's organization**

Building and overseeing a secure, effective, and seamless payment system infrastructure falls within the purview of BI. This covers the creation of different payment instruments like debit cards and electronic money in addition to the provision of clearing and settlement services.

###### **b. Monitoring the Payment System's Smoothness** BI keeps an eye on payment system service providers to make sure rules are followed and payments are processed without hiccups.

##### **3. Preserve Stability of the Financial System**

###### **a. Conduct Macroprudential Supervision**

In order to avert financial catastrophes, BI is empowered to monitor the operations of financial institutions and take prompt action.

###### **b. Planning the Handling of Crises**

BI supplies cash to financial institutions going through severe financial difficulties, serving as the Lender of Last Resort (LoLR).

#### **Additional Roles:**

##### **1. Printing and Circulating Rupiah** BI has the only authority for printing and distributing Rupiah currency.

##### **2. Research and Education** BI carries out research to bolster its policy positions and actively educates the public about the financial system.

##### **3. Bringing About International Collaboration**

In an effort to improve financial stability worldwide, BI collaborates with other central banks and international organizations.

## 2. OJK's Role in the Financial System

The Financial Services Authority (OJK) is an independent institution established under Law Number 21 of 2011 concerning the Financial Services Authority. (OJK, 2019) OJK has a crucial role in maintaining stability and protecting consumers in the financial system in Indonesia. Here are some of the OJK's main roles:

### a. Regulating and Supervising

#### 1) Drafting and stipulating regulations

OJK is authorized to develop and stipulate regulations governing financial services activities in the banking sector, capital markets, insurance, pension funds, and other financial services institutions.

#### 2) Conducting supervision

OJK supervises the activities of financial services institutions to ensure compliance with regulations and protect consumers.

#### 3) Taking action against violations

OJK has the authority to take action against violations of financial services regulations, including imposing sanctions on violating financial services institutions.

### b. Protecting consumers

#### 1) Improving financial literacy

OJK is active in improving public financial literacy through various education and socialization programs.

#### 2) Providing consumer complaint services

OJK provides consumer complaint services to help people who experience problems with financial services institutions.

#### 3) Resolving disputes

OJK can resolve disputes between consumers and financial service institutions through mediation and arbitration.

### c. Encouraging Innovation

#### 1) Encouraging the development of financial services products and services

OJK encourages financial services institutions to develop products and services that are innovative and in accordance with the needs of the community.

#### 2) Creating a conducive financial services industry climate

OJK strives to create a financial services industry climate that is conducive to business growth and development.

### d. Maintaining Financial System Stability

#### 1) Analyze and monitor financial system stability

OJK analyzes and monitors financial system stability to identify potential risks and take preventive measures.

#### 3) Coordinating with relevant authorities

OJK coordinates with other relevant authorities to maintain overall financial system stability. Dwiyanto et al., 2023)

## 3. The Role of LPS in the Financial System

The Deposit Insurance Corporation (LPS) is an independent institution established under Law Number 24 Year 2004 on Deposit Insurance Corporation. LPS has an important role in maintaining financial system stability and protecting bank customer funds in Indonesia. Here are some of the main roles of LPS:

### a. Guaranteeing Bank Customer Deposits

#### 1) Guaranteeing bank customers' deposits

LPS guarantees bank customer deposits up to a certain limit, currently Rp100 million per customer per bank.

2) Settle customer deposit claims

In the event of a bank failure, LPS will settle customer deposit claims in accordance with applicable regulations.

b. Maintaining Financial System Stability

1) Increase public confidence in banking  
The existence of LPS increases public confidence in banking, because customers feel safe keeping their funds in the bank.

2) Minimizing the risk of a banking crisis

LPS can help minimize the risk of a banking crisis by providing bailout funds to banks experiencing financial difficulties.

c. Improving Consumer Education and Protection

1) Improving financial literacy

LPS is active in improving public financial literacy through various education and socialization programs.

2) Protecting the rights of bank customers

LPS protects the rights of bank customers by ensuring banks comply with applicable rules and regulations.

d. Supporting Bank Resolution

1) Assisting in the bank takeover process

LPS can assist in the takeover process of banks experiencing financial difficulties.

2) Facilitate bank mergers and acquisitions

LPS can facilitate bank mergers and acquisitions to strengthen the banking structure.

## B. BI, OJK, and LPS Working Together to Maintain the Construction of Economic Resilience

The word "synergy" is derived from the word "cooperation," which refers to the joining of two or more components to create a greater and better result than either could achieve alone. Put otherwise, synergy is the state or situation in which synergy arises. Generally speaking, synergy refers to the successful collaboration of multiple entities towards the accomplishment of a shared objective. Adji (2021) For instance, overcoming the issue of poverty requires cooperation between the public and private sectors as well as civil society. Synergy in the context of economics and finance is frequently linked to collaboration across pertinent organizations in order to preserve the stability of the financial system.

The Deposit Insurance Corporation (LPS), Bank Indonesia (BI), and Financial Services Authority (OJK) are three key organizations that support the resilience and stability of Indonesia's financial system. The best possible stability and resilience of the financial system can only be achieved through the synergy between these three institutions because of their complementary duties and functions. The following are typical instances of how BI, OJK, and LPS work together to preserve the stability and robustness of Indonesia's financial system:

### 1. Data and Information Sharing

Information and data about macroeconomic conditions, the financial industry, and the stability of the financial system are frequently shared by BI, OJK, and LPS. The three institutions are able to fully comprehend the state of the financial system and the

hazards that could be there thanks to this information sharing. The three institutions can sustain the resilience and stability of the financial system by taking appropriate action if they have a comprehensive understanding.

2. Coordination of Policies

When developing and putting into practice policies that promote the resilience and stability of the financial system, BI, OJK, and LPS collaborate. The Financial System Stability Committee (KSSK) is one platform used for this coordination of policies. The three institutions can guarantee that the issued policies do not conflict with one another or work against their goals by coordinating their policies. In 2021, Handika and Rosyidah

3. Collaborative Development of Infrastructure

Infrastructure is developed together by BI, OJK, and LPS to support their individual responsibilities. The Financial Information Service System (SLIK) and the Bank Indonesia National Clearing System (SKNBI) are two instances of collaboratively designed infrastructure. The creation of this shared infrastructure supports the seamless functioning of financial transactions and the payment system while also increasing the efficacy and efficiency of the three institutions' activities.

4. Law Enforcement and Supervision:

BI, OJK, and LPS collaborate to oversee and apply the law to financial service providers. These three organizations have the power to punish financial service providers who break rules and laws by conducting audits, investigations, and punishments. Consumers who use financial services are protected and market discipline is maintained by this cooperation in law enforcement and oversight. (Siregar & Amri, 2020).

5. Training and Education

In order to raise public financial literacy, BI, OJK, and LPS collaborate to plan educational and training initiatives. The public's knowledge and comprehension of the financial system, financial goods and services, and the responsibilities and rights of financial services users are all intended to be improved by these initiatives. The likelihood of financial issues brought on by public ignorance can be reduced by raising public financial literacy. (Sari & Maulidani, 2022)

The synergy of BI, OJK, and LPS has proven effective in maintaining the stability and resilience of the financial system in Indonesia. This is evident from the well-maintained financial system stability indicators, such as the low inflation rate, non-performing loan (NPL), and non-performing loan ratio (KBK).

Nevertheless, there are still several challenges that need to be faced in improving the synergy of BI, OJK, and LPS. These challenges include:

1. Lack of coordination between institutions

Sometimes there are still overlapping authorities and lack of coordination between institutions in carrying out their duties and functions.

2. Limited resources

The three institutions still have limited resources, both in terms of funds and human resources.

3. Rapid technological development

Rapid technological developments bring new opportunities and challenges to the financial system. The three institutions need to continue to adapt to technological developments in order to maintain the stability and resilience of the financial system.

Moving forward, it will be necessary to work toward enhancing the synergy between LPS, OJK, and BI, among other things:

1. Strengthening institutional coordination: To prevent authority overlapping and enhance the efficiency of task and function implementation, institutions must have a stronger mechanism for coordination.
2. Increasing resources: In order for the three institutions to perform their roles and functions as effectively as possible, efforts should be made to enhance resources, both financial and human.
3. Increasing the use of technology is required to support the responsibilities and activities of the three institutions, including infrastructure development, education, and supervision.

It is anticipated that BI, OJK, and LPS will be more successful in preserving the stability and resilience of Indonesia's financial system in order to promote equitable and sustainable economic growth by strengthening their synergies and overcoming a variety of obstacles.

## CONCLUSION

As the country's central bank, Bank Indonesia (BI) is crucial to monetary policy, Rupiah stability, and a seamless payment system. In addition, it has the exclusive right to print Rupiah notes and serves as a supervisor of macroprudential policies and a lender of last resort in times of financial crisis. Regulation, supervision, and consumer protection in the financial sector are under the purview of the Financial Services Authority (OJK), an independent organization set up to monitor the financial sector. It also encourages innovation and the stability of the financial sector by enforcing laws and coordinating policies. By giving bank customers security and aiding in the resolution of distressed banks, the Deposit Insurance Corporation (LPS) contributes to ensuring client deposits and promoting financial stability.

The cooperation of BI, OJK, and LPS is essential to keeping Indonesia's financial system robust. Through the Financial System Stability Committee, they coordinate policies, share information, and construct infrastructure together, including financial information systems and clearinghouses. To increase public awareness, this collaboration also include cooperative oversight and the execution of financial literacy initiatives. To increase this synergy's ability to support inclusive and sustainable economic growth, there are still issues that must be resolved, such as poor coordination and scarce resources.

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