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## Analysis of Rashomon Effects on government policy regarding redenomination and sanering

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### Abstract

Redenomination can be understood as sanering which can cause significant economic turmoil. This understanding affects the way of view or public perception of government policy in implementing its policies. Differences in perception or perspective are known as Rashomon effects. The purpose of this study is to determine the effect of Rashomon effects on government policies regarding redenomination and sanering. The sample of this study consisted of 133 respondents. Samples are determined by stratified random sampling techniques and data collection using directly distributed questionnaires. The method of data analysis is a simple linear regression. The results showed that the Rashomon effect had a significantly positive effect on redenomination and sanering. The greater the difference in understanding redenomination and sanering, the greater the public's misperception in supporting government policy and will have an impact on public readiness for government policies to simplify the Rupiah value. The implication is that the government and Bank Indonesia must disseminate to the public about the redenomination and sanering policies intensively and consistently to provide clear information to the public.

### Abstrak

*Redenominasi dapat dipahami sebagai sanering yang bisa menyebabkan gejolak ekonomi yang signifikan. Pemahaman tersebut mempengaruhi cara pandang atau persepsi masyarakat terhadap kebijakan pemerintah dalam menerapkan kebijakannya. Perbedaan persepsi atau cara pandang dikenal sebagai efek rashomon. Tujuan dari penelitian ini adalah untuk mengetahui pengaruh efek rashomon terhadap kebijakan pemerintah mengenai redenominasi dan sanering. Sampel penelitian ini terdiri atas 133 responden. Sampel ditentukan dengan teknik stratified random sampling dan pengumpulan data menggunakan kuesioner yang didistribusikan secara langsung. Metode analisis data adalah regresi linear sederhana. Hasil penelitian menunjukkan efek rashomon berpengaruh positif signifikan terhadap redenominasi dan sanering. Semakin besar perbedaan pemahaman redenominasi dan sanering maka akan semakin besar juga kesalahan persepsi masyarakat dalam mendukung kebijakan pemerintah tersebut dan akan berdampak pada kesiapan masyarakat bagi kebijakan pemerintah untuk menyederhanakan nilai Rupiah. Hal ini memiliki implikasi bahwa pemerintah dan Bank Indonesia harus melakukan sosialisasi kepada masyarakat tentang kebijakan redenominasi dan sanering dengan intensif dan konsisten untuk memberikan informasi yang jelas kepada publik.*

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## 1. Introduction

Economic development is one of the driving forces in Indonesia's development. Every policy and decision-making in the economic field has a broad impact both on the economic activity itself and on society. One of the important issues discussed is about simplifying the value of the currency or better known as redenomination. Redenomination is a simplification of the value of a smaller currency without changing its exchange value. The assumption that underlies redenomination is the accumulation of inflation over a period of time so that the same number of monetary units slowly has a weakening purchasing power. Redenomination is needed to improve the inefficiencies that can occur due to the higher time and transaction costs needed because the transaction value in the community is getting bigger and bigger (Turambi, 2015). Countries with small currency values usually take the redenomination policy as a result of weak economic control which results in hyperinflation.

Redenomination can be understood as sanering which can cause significant economic turmoil (Prabawani, 2017). Sanering is a policy of removing zeros on currency, but the deduction is not done on the price of goods so that people's purchasing power decreases (Pambudi, Juanda, Priyarsono, 2014). This understanding influences people's perspective or perception of government policies in implementing their policies. Regarding redenomination and sanering, it is necessary to study related perceptions or perspectives on how the public perceives as students, the general public and employees in the banking, financial and taxation fields. Different perceptions or perspectives are known as Rashomon effects. Rashomon film by a Japanese director who tells the story of a different crime from the perspective of the characters involved. Each character has a unique interpretation of the event with a variety of conflicting stories about the facts that happened (Rao & Harrington, 2017). The film has ideas about the effects of Rashomon or conflicting interpretations of the same thing and can be exacerbated by a lack of evidence.

To support this research, several reviews were accomplished from several previous studies on redenomination and sanering. Zidek & Chribik (2015) conducted a study on the effect of redenomination on inflation carried out by the Turkish state. The important question related to redenomination and inflation according to Zidek & Chribik (2015) is whether redenomination can help overcome inflation or in other words, can redenomination help the disinflation process? In this study, the conclusion is that redenomination has a direct influence on inflation. However, this study only uses one variable where there are still many factors that need to be studied related to redenomination.

Mosley (2005) examines redenomination in developing countries. In his research, many developing country governments must deal with and handle high inflation and deterioration, namely the deterioration or fall in the value of currencies against the value of other countries' currencies. What is interesting here as stated by Mosley (2005) is related to the same issue or problem, why do countries take different policies where there are countries that do redenomination and why other countries do not do the same. In general, the results of his research study found that inflation is an important factor in redenomination. Other factors are related to political factors, including the ruling party's ideology, government and legislative fractionalization, and the degree or degree of heterogeneity or social diversity.

On the same issue, several studies were also conducted by Indonesian academics considering that in 2010 Bank Indonesia announced plans to redenominate the Rupiah. Related to this issue, the important question is whether the effect or the consequences for Indonesia are both economic, social, and so on. Lianto & Suryaputra (2012) researched redenomination from the perspective of Indonesian citizens. The main finding of their research is that according to Indonesian citizens' perspective, redenomination will improve Indonesia's credibility and redenomination is preferred by Indonesian citizens. Nababan (2011) conducted a literature review

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on redenomination. In his study, it was stated that several countries that succeeded in conducting redenomination such as Germany (1948), South Korea (1962), Russia (1998), and Turkey (2005). One of the conclusions of the success of these countries in conducting redenomination is, according to Nababan (2011), because of the solid socialization and readiness of the community. Suhendra & Handayani (2012) also conducted a study on the influence of redenomination related to economic indicators such as inflation, exchange rates, economic growth, and export value. The results show that redenomination influences inflation and economic growth. Furthermore, Priyono (2013) examines redenomination, where in his study concluded a number of things such as that redenomination could improve economic efficiency, increase national pride about the Rupiah, and overcome technical obstacles for example in conducting transactions.

The Indonesian government implemented sanering or deduction of currency values in 1959 (Bank

Indonesia, 1966). The sanering policy was caused by the Indonesian government, at that time, prioritizing political interests which resulted in low gross domestic product (GDP) growth, high inflation rates (even reaching 635 percent in 1966) and sharply declining investment. The sanering policy had two implications namely positive implications and negative implications. The positive implication was the increase in government profits as a result of a decrease in the value of IDR1000 and IDR500. However, the policy had more negative implications, where what happened was banks got liquidity difficulties, where banks could not provide credit to companies for export-import, production, and distribution activities increasing goods prices and living costs.

## 2. Hypotheses Development

As stated above, people who take or occupy roles in different regions or domains see the implementation of the organization from a different perspective

**Table 1.** The Differences between Redenomination and Sanering

Definition	Redenomination	Sanering
<b>Meaning</b>	Redenomination is to simplify currency denominations into fewer by reducing zeros without reducing the value of the currency.	Cutting the purchasing power of the people through cutting the value of money. The same is not done on the prices of goods so that people's purchasing power decreases
<b>Impact on Community</b>	There is no loss because the purchasing power remains the same	It causes a lot of losses because purchasing power has dropped dramatically
<b>Goal</b>	Simplify fractions of money to be more efficient and comfortable in conducting transactions and preparing for Indonesia's economic equality with regional countries	Reducing the money supply due to an increase in prices. Implemented because of very high inflation
<b>Value of money for goods</b>	The value of money for goods does not change, because only the method of mentioning and writing money fractions is adjusted	The value of money for goods changes smaller because what is deducted is the value
<b>Conditions when implemented</b>	Macroeconomic conditions are stable, and inflation is under control	Unstable macroeconomic conditions and very high inflation
<b>Transition Period</b>	Prepare well and measurable until the community is ready. It is intended to overcome chaos or turmoil in the community	

(Rashomon effect). Persico et al. (2013) suggested that Rashomon is a reflection of the differences and similarities between the chosen approaches or design is the same for a variety of different perspectives. Perlinski, Morén, & Blom (2013) concluded that the community had a different perspective on receiving information on government policy plans. It is very important for the government in implementing policies to conduct evaluations starting from the local level until the policies implemented well and achieve the expected goals.

Redenomination is interpreted as an effort to reduce currency numbers without reducing the value of the currency. While sanering is defined as cutting the value of money to reduce high inflation rates Lianto & Suryaputra (2012). In general, the difference between redenomination and sanering (Chayati, 2015) is presented in Table 1.

Based on the literature review and previous research, the hypothesis in this study is the effect of Rashomon on government policies regarding redenomination and sanering. This study aims to determine people's perceptions as a Rashomon effect on government policies regarding redenomination and sanering. Using a questionnaire, it is hoped that the Rashomon effect will be known and at the same time the extent to which the community understands about redenomination and sanering.

### 3. Method, Data, and Analysis

This study uses a quantitative method by examining the relationship between the effects of Rashomon on government policies regarding redenomination and sanering. The population in this study was 200 people consisting of students at several universities, the general public, banking, and finance and banking employees in the city of Manado. The sampling technique is stratified random sampling, which is to take proportionally randomly from each group of respondents. Based on the Slovin formula, the numbers of samples in this study were 133 respon-

dents. A questionnaire distributed to respondents and it used a Likert scale with three measurement scales for Rashomon effect variables and five measurement scales for government policy variables regarding redenomination and sanering. This research questionnaire was adopted from the University of North Sumatra research questions regarding the analysis of perceptions of Rupiah redenomination policy and research questionnaire at Diponegoro University regarding the potential impacts of redenomination (Prabawani, Hanika, & Werdani, 2018)

The data analysis technique is a simple regression analysis, which is to find out how the Rashomon effect affects government policies regarding redenomination and sanering, which are stated in the equation below:

$$Y = a + bX \quad (1)$$

When:

- Y : government policies regarding redenomination and sanering
- X : Rashomon effect
- a : intercept
- b : coefficient of regression

### 4. Results

To measure the validity of the questionnaire, researchers used the Pearson correlation coefficient (Kremelberg, 2011). Correlation coefficients are used to measure the reliability of measuring instruments such as questionnaires (Spatz, 2008). An instrument is valid if the value of the correlation coefficient is  $> 0.3$ . The results of the validity test in Table 2, show that all research variables have a correlation coefficient value of all statement items greater than 0.3. Thus the statement in this research instrument is valid. The results of the validity test are shown in Table 2.

Reliability test is used to measure the degree of accuracy and accuracy of an instrument. The instrument is reliable if it has an alpha value greater than 0.6. Reliability test is related to the variance value of a

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**Table 2.** The result of Validity Test

Variable	Statement Item	Correlation Item	Status
Rashomon Effect regarding Redenomination and Sanering (X)	Statement 1	0.399	Valid
	Statement 2	0.569	Valid
	Statement 3	0.314	Valid
	Statement 4	0.305	Valid
	Statement 5	0.369	Valid
	Statement 6	0.238	Valid
	Statement 7	0.548	Valid
	Statement 8	0.539	Valid
	Statement 9	0.470	Valid
	Statement 10	0.497	Valid
Government policy regarding Redenomination and Sanering (Y)	Statement 1	0.466	Valid
	Statement 2	0.468	Valid
	Statement 3	0.413	Valid
	Statement 4	0.436	Valid
	Statement 5	0.516	Valid
	Statement 6	0.464	Valid
	Statement 7	0.698	Valid
	Statement 8	0.457	Valid
	Statement 9	0.382	Valid
	Statement 10	0.394	Valid

number of test values. Cronbach-alpha is used to estimate the proportion of variance in the score test that is attributed to or associated with the actual variance score. The reliability test results in Table 3 show that the two variables in this study are reliable so that they can be continued for further analysis.

**Table 3.** The Result of Reliability Test

Variable	Cronbach's Alpha	Status
Rashomon Effect Redenomination and Sanering (X)	0.657	Reliable
Government Policy regarding Redenomination and Sanering (Y)	0.656	Reliable

The correlation value between the effects of Rashomon and redenomination and sanering is 0.593, so the relationship between the two variables is sturdy. While the coefficient of determination is 0.351 which means that 35.1 percent of the Rashomon effect affects the public perception of redenomination and sanering. Furthermore, the rest is other variables ex-

plain 64.9 percent. The results of the regression analysis shown in Table 4 and the equation of the model in this study are as follows:

$$Y = 16.0892 + 0.649X \quad (2)$$

The coefficient of the regression equation means that if the Rashomon effect is equal with zero, then redenomination and sanering have a positive value of 16.0892. The coefficient of redenomination and sanering is 0.649 which means that an increasing of one unit will have a positive effect on the Rashomon effect. The effect of Rashomon effect on redenomination and sanering can be seen in the simple regression coefficient value of its variable which is 0.593 with a significance level of 0.000 (< 0.05). This shows that the Rashomon effect has a positive and significant effect on government policies regarding redenomination and sanering.

### 5. Discussion

The results showed that the hypothesis proposed in this study is accepted which stated that the Rashomon

effect had an effect on government policy regarding redenomination and sanering. Thus, if the Rashomon effect is higher in the community, then the public will mistakenly perceive between redenomination and sanering so that it will affect the community's readiness to take the government's policy for a redenomination of the Rupiah. This supports previous research from Chayati (2015) which stated that redenomination that was a Bank Indonesia policy program to simplify currency values had 'reaped' the pros and cons of society. This is due to community debates on this matter - there are those who agree, disagree, and even interpret the meaning of redenomination with sanering, which was implemented at the time of the New Order (*Orde Baru*) government. Concerns of the community are quite reasonable considering that the sanering policies that are put in place make people suffer more. This supports research from Pambudi, Juanda, Priyarsono (2014), that the public did not believe that the government could control inflation after implementing redenomination, which it will not affect consumption patterns from the community. The results of a similar study by Turambi (2015), showed that redenomination and sanering as a policy of the monetary authority that was technically in nature and needed maturity and understanding from all levels of society, particularly to understand concepts and applications. History has shown that the Rupiah had experienced three times of sanering and had a negative impact, so the same concerns arose over the impact of redenomination.

Nababan (2011), Lianto & Syahputra (2012), and Priyono (2013) had a different result of the study. They found that Indonesian citizens thought redenomination was beneficial for them. The biggest impact of redenomination, when applied in Indonesia, was

to increase Indonesia's credibility from the view of other countries. The successful implementation of redenomination made the Rupiah currency stronger. But before that, the government must ensure that the requirements are met before implementing redenomination. Dissemination of policies must continue to be improved and maintain a low inflation rate. Socialization must reach out to all people in the city and the countryside and remote areas and also borders of Indonesia which must be implemented to provide a clear understanding so as not to raise doubts and unrest for the community.

The importance of socialization of government policies regarding redenomination and sanering is supported by research from Prabawani, Hanika, & Werdani (2018). This study states that the Indonesian people are heterogeneous communities and have a low level of understanding of what and how redenomination will be applied. Meanwhile, ignorance from the public will trigger hyperinflation. Socialization is very important which considers the disparity and segregation in terms of geographic, demographic, psychographic and heterogeneous conditions of the community. The redenomination policy should not have a negative impact on the Indonesian economy because there is no change in value in real terms. However, the socio-graphic conditions of the people who are vulnerable to issues make the rationality of the people less.

## 6. Conclusion, Limitations, and Suggestions

### Conclusion

The government's plan to simplify the value of the rupiah (redenomination) is still understood differently by the community (Rashomon effect) and

**Table 4.** The result of Regression Analysis

Model	Beta	T Statistics	Sig	
Constanta	16.0892			
of Rashomon Effect	0.593	7.610	0.000**	Significant
R			0.351	

Variable Dependent: Government Policy regarding Redenomination and Sanering

\*\* Significant on level 5 percent

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equates the policy as sanering (deduction of currency values). The results of this study indicate that the Rashomon effect has a positive and significant effect on redenomination and sanering government policies. The greater the difference in understanding redenomination and sanering, the greater the misperception of the community in supporting government policies and will have an impact on the readiness of the community for government policies to simplify the value of the Rupiah.

By the result, this research suggests that before implementing redenomination, the government submits to the monetary authority and given authority in accordance with applicable regulations. The stages of redenomination should be done as well as possible starting from very intense socialization, transition, and

withdrawal of old currencies. In terms of economic theory, redenomination policy will not have any impact because there is no change in value in real terms. However, the condition of socio-graphic of people who are vulnerable to negative issues must get the government's concern.

### Limitations and suggestions

This research has limitations in the number of respondents and the survey area, considering that this research was only conducted in parts of Manado and districts in Minahasa. For further research must cover a broad survey area and more respondents to assess the readiness of the community in the redenomination policy.

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