Indonesian Interdisciplinary Journal of Sharia Economics (IIJSE) Vol. 7. No. 2 (2024)
e-ISSN: 2621-606X Page: 2146-2163

POLICY EVALUATION TO CHANGES SAVINGS VALUE GUARANTEED BY DEPOSIT INSURANCE: INDONESIA STUDY

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Abstract

LPS is permitted to propose changes to the deposit insurance coverage limitations. The evaluation dimensions of effectiveness and efficiency are used as the primary assessment criteria in this paper to analyze these adjustment criteria utilizing the evaluation dimensions theory. Data on savings account distribution are all used. According to the analysis's findings, just 0.1 percent of all banking accounts hold 60.42 percent of the sector's total nominal deposits. The study comes to the conclusion that the standards used to gauge the level of deposit protection offered by LPS do not entirely correspond to the theoretically derived dimensions of efficiency and effectiveness. This study emphasizes the possibility of systemic risk by focusing on the dynamics of banking customers' deposits, account distribution, and nominal distribution of bank deposits.

Keywords: Bank, Deposit Insurance, Economic Stability, Policy Evaluation, Saving Distribution

INTRODUCTION

Article 12 of the Indonesia Deposit Insurance Corporation (LPS) Law mandates that all banks conducting business in Indonesia sign up to participate in the LPS guarantee scheme. This indicates that all commercial banks and rural banks (BPR), including branch offices of foreign banks, are unquestionably LPS guarantee participants and that customer deposits made there are, guaranteed deposits, covered by LPS up to the specified amount and conditions. Overall, 1,714 banks were participating in the LPS guarantee scheme as of December 31st, 2022. Of these, 1,608 rural banks and 106 conventional and sharia commercial banks made up the total.

The LPS deposit guarantee policy is clearly defined, ensuring that specific conditions are met to guarantee deposits while maximizing coverage for both deposits and customers. The following conditions are documented in financial ledgers maintained by banks; the interest rate does not surpass the maximum interest rate guaranteed by the LPS (except Sharia banks); furthermore, there is no evidence of engaging in or being convicted of fraud, specifically in the financial industry.

The determination of the guaranteed savings value provided by the LPS is subject to evaluation according to the stipulations outlined in paragraph 11, subsection (2) of the LPS Law. If any of these conditions are satisfied, the government is authorized to engage in consultations with the House of Representatives (DPR) to deliberate potential modifications to the guaranteed savings value. Subsequently, the aforementioned will be codified in the shape of a Government Regulation. The aforementioned conditions are as follows: a) A phenomenon known as a bank run, characterized by a substantial withdrawal of cash from financial institutions, has been observed; b) Over the past few years, there has been a notable escalation in the inflation rate; or c) The proportion of banking deposit customers protected by the LPS has declined to less than 90 percent of the total customer base.

According to the savings distribution data published by LPS, the combined total deposits in Commercial Banks and rural banks, which adhere to both conventional and sharia principles, reached IDR 8,356.5 trillion as of December 31st, 2022. This amount is further broken down into IDR 8,202.9 trillion in deposits held by commercial banks and IDR 153.6 trillion in deposits held by rural banks. The cumulative number of accounts across both types of banks stands at 523.9 million. The presence of substantial capital within banks and the

role of banking intermediation undoubtedly have implications for the Indonesian economy in the event of serious and systemic shocks. Therefore, it is imperative to impose limitations on LPS assurances.

The determination of limitations on the extent of the guarantee amount necessitates consideration of three assumptions outlined by Shy, Stenbacka, and Yankov (2016). Firstly, it is acknowledged that bank runs have the potential to occur and disrupt the stability of the financial system. Consequently, it is imperative to establish deposit guarantee coverage that is sufficiently substantial to mitigate this risk. Secondly, the imposition of restrictions on deposit coverage serves to minimize the likelihood of the guarantor institution or the state utilizing funds in fulfilling their guarantee obligations. Lastly, the coverage amount of the guarantee must be of a magnitude that encourages account holders with substantial balances to adhere to policies about guarantee coverage.

This paper aims to examine the relevance of the policy concerning the criteria for adjusting the guaranteed deposit amount as stipulated in paragraph 11(2) of the LPS Law, based on a careful analysis of the problem description provided above.

REVIEW OF LITERATURE

Public policy refers to a set of deliberate decisions made by the government on the implementation or non-implementation of various acts. Public policy is designed to pursue certain objectives that serve the collective interests of the entire community. Policy evaluation holds significant importance within the decision-making process as it is one of the integral stages of the policy cycle (Bozzini and Hunt 2015). The Policy Cycle is a multifaceted process that commences with the identification of policy issues, followed by the development of policy proposals, the establishment of policy legitimacy, the execution of policy measures, and the assessment of policy outcomes. Similar to other policy cycles, a multitude of policy actors may participate in the implementation of a policy evaluation. These actors encompass academics, legislators, non-governmental organizations (NGOs), policy makers, bureaucrats, and researchers. Policy assessment is a multifaceted undertaking that involves numerous stakeholders. Its primary objective is to assess and ascertain the extent to which a policy has effectively accomplished its intended objectives. The policy evaluation process involves conducting an analysis and review to determine the extent to which a policy,

once implemented, can effectively address the problems and challenges identified during its formulation. Additionally, this process aims to assess whether the policy's implementation has aligned with the initial expectations set forth (Nurchamid 2012).

Pattyn and Bouterse (2020) emphasize the significance of assessing policy implementation by considering the involvement and engagement of policymakers in reviewing the implemented policy. Given the significance of data required by policy actors for conducting policy evaluations, it is imperative to ensure that actors are provided with comprehensive data before doing such reviews. Evaluating a policy can pose a significant challenge when it is subject to frequent and dynamic changes. In such cases, the actors involved must possess comprehensive, precise, up-to-date, and intact data. The ability of these actors to effectively conduct policy evaluations in such a dynamic environment becomes crucial, as it ultimately determines whether a policy will undergo evaluation or not.

To enhance policy capacity, it is imperative to conduct evaluations as a supplementary measure for augmenting policy capacity. Numerous assessment criteria, including economic criteria, efficiency, legitimacy, and other relevant factors, can be employed for this purpose (Pattyn and Brans 2015). According to Nurchamid (2012), the evaluation assessments of policy implementation typically employ a predetermined set of standardized criteria. Therefore, it may be inferred that the stage of policy evaluation also encompasses the assessment of the caliber of the effects resulting from a policy and the extent to which the policy objectives have been accomplished. At this juncture, it becomes imperative for policy evaluators to gather pertinent information that will shape policy determinations. Policy evaluation primarily aims to assess the efficacy of a given policy. Similarly, the primary objective of policy assessment is to assess the efficacy and efficiency of a program, and then identify potential enhancements that might be implemented.

This perspective aligns with the viewpoint expressed by Mergoni and Witte (2022), who argue that the assessment of intricate public policies necessitates careful consideration of two crucial factors: efficiency and effectiveness. Efficiency analysis is a valuable tool for assessing the performance of Decision-Making Units (DMUs) in decision-making processes. On the other hand, effectiveness analysis is employed to analyze the impact of interventions on various pertinent variables, hence gauging the policy's capacity to alter the given scenario.

The significance of these two elements lies in their ability to collectively assess public interventions or contributions and detect deficiencies in policy implementation.

However, according to Hudib and Cousins (2022), the objective of the policy evaluation process is to assess responsibility and facilitate learning for the various stakeholders engaged in policy implementation. Accountability and learning provide contrasting perspectives on the evaluation of a policy since they reflect the varied interests of the people involved.

In the context of policy evaluation, policy makers and evaluators must possess a comprehensive understanding and profound insights regarding the constituent elements that will be employed for evaluation. This approach becomes advantageous in mitigating inefficiencies within the policy evaluation process. A fundamental understanding of the required data and the appropriate timing for conducting policy evaluations constitutes essential knowledge and insights in the field (Oliver and Boaz, 2019).

Dunn (2018) presents his perspective on evaluation criteria, enumerating six distinct criteria for evaluation. These criteria are as follows: 1) **Effectiveness:** Effectiveness in policy evaluation shows the extent to which goals are achieved when compared to predetermined targets. This will be useful when policy actors will monitor whether the effectiveness of policy implementation is following the target or not; 2) **Efficiency**: The amount of resources or costs used is a measure of success that assesses the efficiency of the activities carried out. This efficiency is used to see how much resources and costs can influence policy evaluation; 3) **Adequacy**: Adequacy looks at how far achieving the desired results solves the problem; 4) **Alignment**: Smoothing is used to see whether the benefits of evaluating a policy are distributed evenly to different groups; 5) **Responsiveness**: Responsiveness is used to see whether the results of the policies and evaluations carried out meet the needs of the groups involved; 6) **Precision:** Accuracy is used to see whether the desired objectives of a policy and its evaluation are useful and valuable for its stakeholders.

This study will primarily center on the examination of policy evaluation criteria about the assessment of the guaranteed savings value offered by the LPS, as stipulated in Article 11 Paragraph (2) of the LPS Law. The analysis conducted will utilize characteristics of Efficiency and Effectiveness. The selection of these two metrics was based on the evaluation

criteria established by William Dunn and the research conducted by Mergoni and Witte in 2022.

RESEARCH METHOD

This study will utilize secondary data from savings distribution reports provided by LPS and other relevant institutions to examine evaluations about the efficacy and efficiency of policy criteria for changes in the value of savings guaranteed by LPS. The acquired data documentation will be analyzed to generate comparative data on the distribution of banking deposits, the number of deposits and accounts that meet the deposit value guaranteed by LPS, Gross Domestic Product, and the number of commercial banks and rural banks operating in Indonesia. This analysis will be presented in the form of visual representations such as images or tables. The data contained in the image or table will be analyzed by characterizing the information based on the average representation of the table. The methodical collection of data from various sources will be conducted, with careful consideration given to the specific emphasis of the study.

This paper will employ descriptive qualitative methodologies for data collection and analysis. The descriptive qualitative approach was selected due to its inherent benefits in addressing the research objectives. Specifically, this method allows the author to examine the effectiveness of policy criteria for changes in the value of LPS deposit guarantees about the potential occurrence of systemic risk in the Indonesian banking sector. This examination focuses on the substantive aspects of the policy, such as its content and provisions.

Following the discussion, the researcher established indicators by utilizing Dunn's theory to measure efficiency and effectiveness. These indicators were constructed based on many characteristics:

Efficacy, using measurable criteria: a) Equitable allocation of nominal deposits between Commercial Banks and rural banks; b) A direct comparison between the number of accounts and the aggregate amount of deposits in the banking sector; And c) Interference The implementation of the LPS guaranteed interest rate policy aims to achieve a more equitable allocation of deposits between Commercial Banks and rural banks.

Efficiency, measured by indicators: a) Sustained inflation rate; b) The significant quantity of deposits that are partially guaranteed (with a value of more than IDR 2 billion) in the banking sector; c) The volume of Third Party Funds and interbank deposits exhibits an annual growth; and d) Indonesia's GDP per capita aligns with the LPS guarantee amount as per the rules set by the IMF.

RESULTS AND DISCUSSION

Based on the data pertaining to deposit distribution, it is evident that among the 508,546,341 accounts held in commercial banks, a significant majority of 508,209,638 accounts, constituting approximately 99.9 percent of the total, possess a nominal value not exceeding IDR 2 billion. Furthermore, it is observed that approximately 98.7 percent of the total accounts maintain savings amounting to approximately IDR 100 million. In alternative terms, under the assumption that customer deposits satisfy the criteria, it can be inferred that a substantial proportion of accounts in commercial banks, specifically 99.9 percent, enjoy complete assurance from the LPS. Conversely, a smaller fraction, approximately 0.1 percent, comprising 336,703 accounts, receive partial protection up to IDR 2 billion from the LPS due to the presence of account values exceeding IDR 2 billion.

In the rural bank's dataset, there are a total of 15,359,292 accounts. Among these accounts, 15,355,570 or 99.9 percent have a nominal value of up to IDR 2 billion. Furthermore, 98.3 percent of the total accounts have deposits of less than IDR 100 million. It is worth noting that a small subset of 3,722 accounts possess a nominal value exceeding IDR 2 billion. In alternative terms, under the premise that customer deposits satisfy the 3T criteria, it can be inferred that a substantial majority, specifically 99.9 percent, of customer deposit accounts within rural banks are subject to complete assurance by LPS. Conversely, a minor proportion, amounting to 0.1 percent, of deposit accounts in rural banks receive partial coverage up to IDR 2 billion from LPS, as these accounts possess a nominal value exceeding IDR 2 billion.

Based on the aforementioned facts, it can be inferred that a significant majority of banking accounts, specifically 99.9 percent, enjoy complete assurance through LPS, while a little 0.1 percent receive partial coverage up to IDR 2 billion from LPS. This implies that the quantity of savings accounts that are fully guaranteed by the LPS remains significantly higher

than the minimum need for the number of customer accounts insured by the LPS, as stipulated in Article 11 Paragraph (2) of the LPS Law, which is set at 90 percent.

Upon examining the distribution of deposits in commercial banks, it becomes evident that a significant portion of the total nominal deposits, which amounts to IDR 8,202.9 trillion, corresponds to savings exceeding IDR 2 billion. Specifically, this represents 61.36 percent of the total nominal deposits in commercial banks, equivalent to IDR 5,033 trillion. In the interim, the aggregate nominal deposits amounting to IDR 2 billion in commercial banks are recorded at IDR 3,169.9 trillion, constituting 38.64 percent of the overall nominal deposits in commercial banks. It is noteworthy that out of the entire amount of IDR 5,033 trillion in savings exceeding IDR 2 billion, a substantial portion of IDR 4,379.7 trillion is attributed to savings exceeding IDR 5 billion.

In contrast to commercial banks, the distribution of deposits at rural banks exhibits distinct patterns. Specifically, out of the total nominal deposits amounting to IDR 153.6 trillion, deposits with a nominal value of up to IDR 2 billion constitute 89.75 percent or IDR 137.9 trillion. Conversely, deposits exceeding IDR 2 billion in nominal value in rural banks amount to IDR 15.7 trillion.

Based on the aforementioned data, it can be inferred that the vast majority, specifically 99.9 percent, of banking accounts, encompassing both commercial banks and rural banks, enjoy complete assurance from LPS as they possess a deposit value not exceeding IDR 2 billion per account per bank. Conversely, a mere 0.1 percent of accounts receive a partial guarantee from LPS due to their deposit value surpassing IDR 2 billion per account. Nevertheless, upon examining the distribution of deposits in terms of nominal value, it becomes apparent that the aggregate deposits falling under the purview of the LPS guarantee threshold amount to a mere IDR 3,307.8 trillion, or a mere 39.58 percent of the overall deposits held by banks in Indonesia. In the present context, it is seen that a significant portion of total bank deposits, specifically IDR 662.01 trillion or 7.92 percent, falls under the bracket of amounts above IDR 2 billion but not exceeding IDR 5 billion. It is noteworthy that a significant proportion of total deposits, specifically 52.50 percent or IDR 4,386.76 trillion, consists of deposits above IDR 5 billion in nominal value. To clarify, it can be stated that a mere 0.1 percent of accounts within the Indonesian banking sector own a significant control over 60.42 percent of the total nominal deposits in the said sector.

It can be stated that while the LPS guarantee extends to 99.9 percent of the current accounts, it only encompasses 39.58 percent of the aggregate nominal deposits held in banks. As stated by Rahayu (2023), it is a common occurrence for substantial nominal deposits to constitute the majority of the nominal account balance. This phenomenon can be attributed to the fact that accounts holding substantial nominal sums are typically under the ownership of corporate entities.

In addition to consumer deposits, interbank deposits are a significant constituent of third party funds inside the banking sector. Despite the absence of substantial growth in customer deposits during the past three years, this circumstance is sufficient to engender interdependence among banks. In the event of a bank collapse, the potential contagion effect might lead to liquidity challenges for the impacted banks as well.

As previously mentioned, the LPS guarantee program has established certain criteria to mitigate the occurrence of moral hazard. These criteria serve as prerequisites for LPS to provide guarantees for deposits. One of the stipulations is that the interest rate must not be above the LPS guarantee interest rate. The LPS organization conducts regular assessments and establishes the LPS Guarantee Interest Rate (TBP). The underlying principle of TBP revolves around the objective of preventing the dissemination and acquisition of inequitable profits by financial institutions, specifically banks, to the general populace. The objective of this initiative is to preserve the liquidity and capital of banks, preventing their erosion due to competitive pressures, which would inevitably result in adverse effects on the overall banking landscape. This TBP demonstrates a justifiable upper limit in generating financial gains through interest and similar means.

When assessing the TBP, LPS implements policy intervention by applying distinct TBP measures for Commercial Banks, rural banks, and foreign currency deposits. To ascertain the term structure of TBP, it is imperative to take into account market interest rates that are shaped by banking operations in the management of third-party funds (DPK). In addition to employing this particular strategy, it is necessary to adapt the methodology employed to account for potential variables, such as the expectations and perceptions around specific economic issues and policies. Nevertheless, despite the occurrence of changes, the evaluation of TBP still necessitates the use of precise and pertinent data and information.

The primary focus of the TBP policy lies in the attainment of equitable remuneration. These policies must take into account the potential attractiveness to specific stakeholders and the associated hazards. Hence, disparities in interest rates might arise among Commercial Banks, foreign exchange, and rural banks.

Moreover, inflation is one of the indicators that reflects economic fluctuations. Inflation is a macroeconomic phenomenon that examines the state of price levels for goods and services, specifically focusing on their upward movement within a specified timeframe. Inflation can arise from various factors, including heightened demand for products and services, escalated production costs, or alterations in government monetary policy. The presence of excessive inflation is associated with adverse consequences for society, including a decline in individuals' purchasing power, an escalation in credit interest rates, and a reduction in investment (Dinh, 2020). This is the reason why inflation is considered a key factor in the assessment criteria for evaluating fluctuations in the value of funds that are protected by the LPS.

According to the historical data on Indonesia's yearly inflation, as reported by Central Bank of Indonesia, it is evident that the inflation rate in Indonesia between 2008 and 2022 may be characterized as being effectively managed, with no notable instances of consecutive substantial increases.

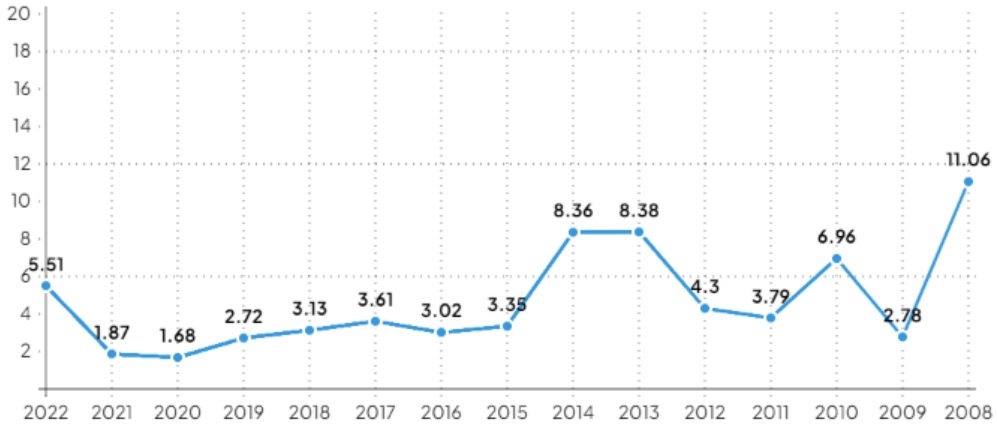

Figure 1
Indonesian Inflation 2008 – 2022 Period
(Source: Bank Indonesia, Inflasion Data)

The Gross Domestic Product (GDP) per capita serves as an indicator of a nation's long-term economic growth on a per capita basis (Coscieme et al., 2020). According to

Fendi's (2017) study, the GDP per capita of a nation plays a significant role in determining the extent of the deposit insurance value. Specifically, Fendi found that there is a positive relationship between GDP per capita and the scope of the deposit insurance value. In other words, as the GDP per capita increases, so does the extent of the deposit insurance value. When examining the establishment of Government Regulation No. 66 of 2008, which pertains to the Value of Deposits Guaranteed by the Deposit Insurance Corporation, it is noteworthy to consider the data provided by the Central Statistics Agency (BPS, 2009). This data reveals that Indonesia's GDP per capita in 2008 amounted to IDR 21.7 million (US$ 2,271.2), which was approximately 92 times greater than the sum safeguarded by LPS. In accordance with the data provided by BPS in 2023, it is projected that Indonesia's gross domestic product (GDP) per capita in the year 2022 will amount to IDR 71.0 million (equivalent to US$ 4,738.9). The savings insured by the LPS is 28 times the initial amount.

Anger and Demirguc-Kunt (2018) assert that the International Monetary Fund (IMF) offers a directive on the per capita deposit insurance amount, which ranges from 1 to 2 times the GDP. This rule is consistent with the findings of Demirguc-Kunt and Detragiache (2002), who observed that nations with savings limitations over four times their GDP per capita are five times more prone to encountering a financial crisis compared to countries with savings limits below their GDP per capita.

The determination of the limit on the collateral guaranteed by LPS is a complex task due to the potential consequences associated with setting it too low or too high. A low limit could amplify liquidity risk during a bank run, while a high limit may introduce moral hazard concerns, particularly for owners of substantial funds (Anginer and Demirguc-Kunt 2018). However, Demirguc-Kunt and Detragiache contend that it would be prudent to remove significant depositors, subordinated debt holders, and correspondent banks from coverage, as their inclusion may imply a potential risk to their funds. This will incentivize individuals to engage in effective private monitoring alongside public monitoring of those institutions and individuals.

Based on the aforementioned data description, it appears that the policy regarding the guaranteed amount of savings value by LPS has minimal influence on the criteria associated with the William Dunn evaluation model, as evidenced by the initial indicators

In the effectiveness dimension, it appears that the specified indicators are not met, as summarized below:

Equal distribution of nominal deposits in Commercial Banks and Rural Banks

There seems to be an uneven allocation of deposits between commercial banks and rural banks. By the conclusion of 2022, the total count of banks is projected to reach 1,714. There is a notable increase in the number of rural banks, and a significant emphasis is placed on the office network. Commercial banks exert greater control over the network through their branch offices. The objective is to achieve an equitable distribution of nominal deposits across all banks. In actuality, the proportion of deposit funds in the banking sector is predominantly concentrated in commercial banks, accounting for 98.1 percent of the total IDR 8,356.5 trillion. This figure is in stark contrast to the far larger number of rural banks, which amounts to 1,608 banks, in comparison to the relatively smaller count of 106 Commercial Banks. The proportion of total deposit money held in rural banks is about 1.9 percent.

A comprehensive analysis of the correlation between the quantity of accounts and the aggregate amount of deposits within the banking sector

The phenomenon of uneven distribution is also evident when comparing the number of accounts to the total deposits in the banking sector. This phenomenon is evidenced by the fact that a mere 0.1 percent of accounts in the Indonesian banking sector exert influence over a substantial 60.42 percent of the total nominal deposits inside the Indonesian banking system.

The implementation of the LPS guaranteed interest rate has not effectively achieved deposit distribution equality between commercial banks and rural banks, despite policy involvement

The policy intervention implemented by LPS, which involves the differentiation of the LPS Guarantee Interest Rate (TBP) for commercial banks, rural banks, and savings in foreign currency, is unlikely to significantly affect the distribution of deposits among banks. The aforementioned data description provides evidence of this phenomenon. In the context of efficiency, it is evident that the indicators established alone meet the criterion of maintaining a stable inflation rate, as outlined in the following summary:

The maintenance of the inflation rate is ensured

Inflation is a macroeconomic phenomenon that does not have a direct impact on the distribution of deposits inside banking institutions. Inflation is a phenomenon that can exert both indirect and immediate effects on bank savings. Empirical evidence supports the notion that sustained inflation has a positive impact on the nominal value of bank deposits. The stability of inflation variations during the period from 2008 to 2022 has been observed to have a positive impact on the growth of bank deposits. Based on the provided data, a comparison may be made between the years 2008 and the conditions as of 31 December 2022. The analysis reveals a substantial increase of 487 percent in total deposits held by commercial banks, while total accounts have experienced a remarkable growth of 621 percent.

The large number of deposits that are partially guaranteed (N > IDR 2 billion) in banking

According to the nominal distribution and savings accounts, it is observed that a significant majority (99.9 percent) of banked accounts are secured by the LPS due to their possession of nominal accounts valued below IDR 2 billion. However, the aggregate value of deposits covered by the LPS guarantee is merely IDR 3,307.8 trillion, representing a mere 39.58 percent of the overall deposits held within Indonesian banks. In the banking sector, it is seen that a significant portion of total deposits, amounting to IDR 662.01 trillion or 7.92 percent, falls within the range of IDR 2 billion to IDR 5 billion. Furthermore, a substantial proportion of total deposits, accounting for 52.50 percent or IDR 4,386.76 trillion, consists of deposits with a nominal value exceeding IDR 5 billion. To clarify, a mere 0.1 percent of accounts within the Indonesian banking sector exercise control. In the Indonesian banking sector, approximately 60.42 percent of the total deposits can be attributed to nominal deposits.

The quantity of Third Party Funds and interbank deposits exhibits an upward trend over successive years

The data indicates a consistent and stable inflation rate throughout the years, which is accompanied by a noticeable upward trend in the levels of Third Party Funds and interbank deposits. As a consequence, there is a rise in the premiums acquired by

LPS, along with the necessity to assess the guarantee policies of LPS in accordance with the escalating risks in the economy, banking sector, and deposit insurance.

The ratio of GDP to the amount of savings guaranteed by LPS

Despite a notable decrease in the ratio of GDP to the volume of deposits protected by the LPS between 2008 and the present, it remains inconsistent with the deposit insurance standards set forth by the International Monetary Fund (IMF), which recommend a coverage limit of only 1-2 times the GDP. Countries that possess deposit insurance equivalent to 4 to 5 times their Gross Domestic Product (GDP) are more prone to experiencing the risk of a crisis.

Based on the aforementioned explanation, it may be inferred that the evaluation criteria employed to assess the value of the guaranteed savings by LPS do not align with William Dunn's standards for evaluating efficiency and effectiveness. Indeed, upon analyzing the processed data, it was ascertained that a major systemic catastrophe loomed, posing a significant threat to the Indonesian economic ecology. According to Alamsyah (Putri, 2020), the absence of a guarantee for an account with a substantial balance may potentially lead to disruptions that could pose risks to the bank's stability, particularly if significant money is removed from this account. This phenomenon will undoubtedly have a contagious effect and thus lead to a systemic influence.,

The risk potential can be observed by the distribution of nominal deposits in banks, wherein a mere 0.1 percent of accounts own 60.42 percent of the total nominal deposits in Indonesia. In addition to this, it is worth noting that the ratio between GDP and guarantee amounts remains significantly higher than the guidelines put forward by the International Monetary Fund (IMF) and the findings of relevant research studies. The evaluation criteria for determining the amount of savings value guaranteed by the LPS, as stipulated in Article 11, Paragraph 2 of the LPS Law, do not encompass or consider these particular aspects.

CONCLUSION

In addition to its role in safeguarding customer deposits in banks, LPS also has the responsibility of executing resolutions for failed banks that are transferred to its jurisdiction. The purpose of this resolution mechanism is to mitigate the adverse effects caused by the failure of banks, which may necessitate the utilization of the national budget for their

resolution. Due to this rationale, LPS implements a resolution process that involves the utilization of premium funds obtained from the banking sector, thereby holding the industry accountable for its performance.

One of the significant implications arising from the analysis of deposit distribution in the Indonesian banking industry is the potential occurrence of bank failures, which can have a systemic effect on the overall banking ecosystem and other sectors of the economy. Indonesia has experienced instances of bank failures that had significant systemic consequences. In 1998, the liquidation of 16 banks had a notable impact, while in 2008, the rescue of Century Bank was undertaken to prevent the exacerbation of the ongoing global economic crisis. One notable distinction lies in the utilization of the APBN (Anggaran Pendapatan dan Belanja Negara, or State Revenue and Expenditure Budget) in managing these two scenarios. In the context of the 1998 economic crisis, the utilization of the APBN (Anggaran Pendapatan dan Belanja Negara, or State Budget) was employed to undertake the restructuring of systematically failing banks, thereby exerting a significant influence on the economic ecosystem that was directly affected. In the context of Bank Century's operations, it is noteworthy that all funding is derived from the earnings of banking industry premiums controlled by LPS.

Considering the aforementioned factors, it is pertinent to assert that the assessment criteria for fluctuations in the value of deposits protected by the LPS should encompass not only macroeconomic indicators such as a substantial rise in the inflation rate, instances of banking liquidity strain manifested through bank runs, and the narrative surrounding the state of guaranteed accounts but also take into account the state of nominal banking deposits distribution and the ratio of GDP to the volume of deposit insurance. The assessment of the distribution of nominal deposits holds significance as a criterion for modifying the guaranteed amount of deposits by the LPS, given the risk of bank insolvency and the ensuing economic turmoil stemming from the uneven allocation of nominal deposits.

In addition to this, LPS must implement policy measures aimed at redistributing nominal savings to banks from an alternative standpoint. The LPS Guarantee Interest Rate (TBP) can serve as an intervention mechanism for the allocation of nominal deposits to banks in Indonesia. Nevertheless, the current implementation of the policy intervention via TBP seems to be insufficient in effectively redistributing the existing bank savings, hence leaving

room for significant systemic concerns. This is because TBP solely focuses on macroeconomic variables and the competitive landscape of the banking industry. The collaboration between LPS and the Financial System Stability Committee (KSSK) is necessary to convene and discuss the revision of banking regulations, including the establishment of minimum capital requirements for banks and the evaluation of banking business models, among other pertinent matters.

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