

THE IMPACT OF COUNTERFEIT MONEY CIRCULATION ON MONETARY STABILITY AND THE ROLE OF BANK INDONESIA IN HANDLING IT

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Abstract

The circulation of counterfeit money in Indonesia poses a serious threat to monetary stability and public trust in the rupiah. This issue can disrupt the financial system, undermine the credibility of legal tender, and weaken the effectiveness of monetary policy. Bank Indonesia, as the central bank, plays a critical role in maintaining the integrity of the national currency and ensuring a smooth payment system. Counterfeit money not only undermines the currency's value but also creates challenges for economic growth and stability. This study aims to analyze the impact of counterfeit money circulation on Indonesia's monetary stability and evaluate the role of Bank Indonesia in mitigating its effects. Using a normative juridical method with a qualitative descriptive approach, the research relies on secondary data obtained through literature reviews, legal instruments, policy reports, and publications from relevant institutions such as Bank Indonesia and law enforcement agencies. The data are analyzed by interpreting legal norms, institutional functions, and strategic efforts concerning monetary stability. The findings indicate that Bank Indonesia has implemented multi-faceted mitigation strategies, including enhancing the security design of the rupiah, improving public financial literacy through campaigns like "Love, Proud, Understand Rupiah," and strengthening cooperation with law enforcement to address counterfeit money circulation. However, challenges remain, particularly with technological advancements used by counterfeiters and insufficient public awareness. The study concludes that Bank Indonesia's role must be continuously strengthened, not only in legal and technological measures but also in increasing public engagement to safeguard the rupiah and ensure monetary stability.

Keywords: Counterfeit money, monetary stability, monetary policy, Bank Indonesia, mitigation

INTRODUCTION

The circulation of counterfeit money is a serious threat to monetary stability in Indonesia. In addition to directly harming the public, counterfeit money can also undermine trust in the national financial system. This distrust has the potential to disrupt various economic sectors, including banking, trade, and investment, which are highly dependent on the stability of the monetary system. In this context, Bank Indonesia has a crucial role in maintaining the integrity of the rupiah currency to ensure smooth economic transactions and overall monetary stability. Bank Indonesia is working with various parties to continue to improve the security system of the rupiah so that it is not easily counterfeited and remains a legal and trusted means of payment (Zulkarnaen, 2021).

The impact of counterfeit money circulation on monetary stability can be seen from the disruption of financial transaction mechanisms and the increased risk of inflation due to the addition of illegal money in circulation. In addition, if public confidence in the rupiah decreases, there will likely be an increase in demand for foreign currency, which in turn can affect the rupiah exchange rate. This phenomenon can have a wider impact on the national economy, where exchange rate instability can trigger uncertainty in the market, cause an increase in the price of imported goods, and worsen economic conditions. Therefore, combating counterfeit money is an important aspect of the monetary stabilization policy implemented by Bank Indonesia. Effective preventive and enforcement measures need to be implemented to ensure that the circulation of counterfeit money does not become more widespread and harm the Indonesian economy. (Kusuma, 2025)

Bank Indonesia has taken various strategic steps in dealing with the circulation of counterfeit money, including through policies to secure the design of money, socialization regarding the characteristics of the authenticity of the rupiah, and increasing cooperation with law enforcement officers to eradicate the production and distribution of counterfeit money (Rahayu et al., 2023). In addition, the application of sophisticated technology in the payment system is part of the mitigation efforts, such as the use of automatic scanning and tracking systems for rupiah money to detect and prevent the circulation of counterfeit money. These efforts also include improving the design of rupiah money with more complex security features, such as color-changing ink, hidden images, and special materials that are difficult for counterfeiters to imitate. Through this policy, Bank Indonesia aims to increase protection for rupiah money and reduce the risk of counterfeit money circulation that can disrupt economic stability.

However, eradicating counterfeit money cannot be done by Bank Indonesia alone. Collaboration with various parties, such as law enforcement officers and other government institutions, is very important in creating a tighter monitoring ecosystem against the circulation of counterfeit money (Bintoro, 2024). Bank Indonesia works with the police, prosecutors, and other financial authorities in identifying and prosecuting counterfeit money networks. In addition, increasing financial literacy for the public is also a key factor in strengthening awareness of the dangers of counterfeit money circulation and how to recognize the authenticity of rupiah money. With broader education, the public can be more aware of the modus operandi of counterfeiters and more confident in detecting the authenticity of the money they receive. These educational programs include training for business actors, banks, and the informal sector so that they can recognize and report counterfeit money more quickly and effectively (Wajdi, 2022).

Mitigation measures that have been taken by Bank Indonesia. This study uses a literature review and regulatory analysis methods to provide a clearer picture of the efforts that have been made to maintain monetary stability in Indonesia. Based on this, there are two main problems studied in this research:

1. Is the technology used by Bank Indonesia effective enough to detect increasingly sophisticated counterfeit money?
2. How to improve coordination between Bank Indonesia and law enforcement officers in eradicating counterfeit money?

The method used in this study is a normative legal method with a qualitative approach, which utilizes secondary data from various literature and reliable sources. The results of this study are expected to contribute to the development of policies and recommendations for strengthening the counterfeit money monitoring and eradication system to maintain monetary stability in Indonesia. With a more in-depth analysis, it is hoped that this study can provide more concrete solutions in increasing the effectiveness of counterfeit money detection and strengthening cross-agency cooperation in eradicating it.

RESEARCH METHOD

This research employs a normative legal research method with a qualitative approach. The study is based on secondary data obtained through a literature review, analysis of existing laws and regulations, as well as reports and publications from relevant institutions such as Bank Indonesia, the Financial Services Authority (OJK), and law enforcement agencies. The normative approach is used to understand the legal framework and policy strategies implemented by Bank Indonesia in mitigating the circulation of counterfeit money and maintaining monetary stability (Hehanussa et al., 2023).

The qualitative analysis focuses on interpreting the legal norms, institutional practices, and regulatory mechanisms that support the eradication of counterfeit currency in Indonesia. Sources include academic journals, legal documents, government publications, and credible online resources. The data collected is systematically analyzed to identify patterns, assess the effectiveness of mitigation strategies, and propose policy recommendations for enhancing coordination between monetary and law enforcement institutions. The research aims to contribute to the development of legal and institutional frameworks in addressing threats to Indonesia's monetary stability (Fuady, 2018).

RESULTS AND DISCUSSION

1. Effectiveness of Technology Used by Bank Indonesia to Detect Sophisticated Counterfeit Currency

1.1. Advanced Security Features in Banknotes

Bank Indonesia has consistently adopted innovative methods in the design and security of its currency to protect it from the growing threat of counterfeiting (Zulkarnaen, 2021). The currency features a wide array of advanced security elements that make it extremely difficult for counterfeiters to replicate. One of the most prominent features is the use of color-changing ink, a highly effective security measure that alters its color when viewed from different angles. This visual effect is a unique characteristic that is hard to replicate with traditional printing methods (Kusuma, 2025).

In addition to color-shifting ink, the banknotes include a complex array of security threads that are woven into the paper itself. These threads, which can often be seen when the note is held up to the light, contain both visible and hidden elements that serve to enhance the note's security. The threads are designed to resist tampering and are integral to maintaining the integrity of the currency.

Furthermore, each note is equipped with a watermark that is invisible under normal lighting but becomes visible when the note is held up to a light source. The watermark contains an image that matches the note's face, serving as another layer of protection against counterfeiting. This feature is extremely difficult for counterfeiters to reproduce accurately and adds a level of verification for the authenticity of the banknote.

Microprinting is another key feature that helps detect fake banknotes. It involves the printing of extremely small text or images that are visible only under magnification, making it difficult for counterfeiters to replicate accurately. These features, in conjunction with other security elements, create a multi-layered defense system that ensures the authenticity of the rupiah currency. The sophisticated design and manufacturing process behind these features make counterfeiting a significantly more challenging and less profitable activity, safeguarding the economy from the circulation of counterfeit money (Sigalingging et al., 2004).

1.2. Integration of Detection Tools in Public and Private Sectors

To support the security features embedded in the rupiah currency, Bank Indonesia has taken significant steps to ensure that counterfeit detection technology is readily accessible to both the public and private sectors. One of the most common detection tools in circulation is the ultraviolet (UV) light scanner. These devices are available in retail outlets, banks, and public spaces, allowing individuals and businesses to easily check for the presence of UV-reactive features on the banknotes. UV ink embedded in the notes is only visible under UV light, providing an instant method for verifying the authenticity of the currency. The widespread availability of these UV scanners has empowered the public to take an active role in preventing counterfeit money from entering the economy.

Additionally, Bank Indonesia has developed and promoted the use of mobile applications designed to assist individuals in verifying the authenticity of banknotes. These apps use the smartphone's camera to scan the currency and analyze its security features. When a banknote is scanned, the app provides instant feedback regarding whether the note is genuine or counterfeit. This technology is particularly beneficial for individuals who may not have access to UV scanners or other detection tools. (Affandy & Yusuf, 2024)

The ability to use a mobile device to detect counterfeit currency enhances convenience and encourages a broader range of people to be proactive in checking the authenticity of money. This

widespread accessibility to counterfeit detection tools is an essential part of Bank Indonesia's strategy to prevent the circulation of fake money, ensuring that both consumers and businesses are equipped with the necessary resources to spot counterfeit notes quickly and effectively.

1.3. RFID-Based Tracking System for Currency

One of the more innovative steps taken by Bank Indonesia to combat counterfeit money is the implementation of Radio Frequency Identification (RFID) technology. This cutting-edge tracking system allows Bank Indonesia to monitor and trace the movement of rupiah currency throughout the economy. Each banknote embedded with an RFID tag can be scanned to track its location and verify its authenticity. The RFID tag transmits a unique signal that can be detected by specialized readers placed at strategic points, such as banks, retail locations, and even during transportation between Bank Indonesia and financial institutions.

The RFID system not only helps track the movement of genuine currency but also acts as a deterrent for counterfeiters (Kepala Perwakilan Ombudsman, 2024). When counterfeit notes are identified, the RFID tags provide valuable data that can assist law enforcement in pinpointing the source of the counterfeit money. This technology allows authorities to track counterfeit notes back to their origin, enabling targeted investigations and making it easier to identify and dismantle counterfeiting networks. The RFID system provides Bank Indonesia with the ability to have real-time visibility over the circulation of the rupiah, which greatly enhances the institution's ability to ensure that only legitimate currency is circulating in the economy. The successful integration of this technology is a significant step forward in the battle against counterfeiting, offering a powerful tool to maintain the integrity of the nation's monetary system (Nugroho, 2020).

1.4. Public Awareness and Education

While the technological advancements in currency security and counterfeit detection tools are crucial, their effectiveness ultimately depends on the public's ability to recognize and utilize them (Winarno, 2016). To address this, Bank Indonesia has launched a series of public education campaigns aimed at increasing awareness about the various security features embedded in the rupiah currency (Bank Indonesia, 2024). The Cinta, Bangga, Paham Rupiah campaign is one such initiative that educates the public on how to distinguish authentic banknotes from counterfeit ones. The campaign provides detailed information about the security features in the rupiah, including the color-shifting ink, security threads, watermarks, and microprinting.

In addition to educating the public about how to spot counterfeit notes, Bank Indonesia has also launched outreach programs that encourage citizens to report any suspicious or counterfeit currency they encounter (Humas Polres, 2023). This reporting system plays a critical role in helping authorities identify and remove counterfeit money from circulation before it can cause further harm to the economy (Sinulingga, 2025).

To further enhance public awareness, Bank Indonesia has partnered with various media platforms, including television, radio, and social media, to ensure that the message reaches a wide audience across different demographics. By fostering a greater understanding of how to check for counterfeit currency and encouraging citizens to report fake money, Bank Indonesia is creating a more informed and vigilant society that plays an active role in safeguarding the integrity of the rupiah currency (Sumardijanto et al., 2023).

2. Strengthening Coordination Between Bank Indonesia and Law Enforcement in Combating Counterfeit Currency

2.1. Formation of Joint Task Forces

To combat the growing threat of counterfeit currency, Bank Indonesia has established close cooperation with law enforcement agencies, including the Indonesian National Police (Polri). A critical element of this collaboration is the formation of specialized joint task forces dedicated to investigating and tackling counterfeit money. These task forces consist of personnel from both Bank Indonesia and law enforcement agencies, ensuring that efforts to detect and dismantle counterfeiting operations are coordinated and efficient. The primary role of these task forces is to monitor and investigate counterfeit currency activities, identify sources of fake money, and take action to prevent further distribution. They also work closely with financial institutions, retailers, and other stakeholders to gather information and detect counterfeit notes in circulation. By bringing together the expertise of both Bank Indonesia and law enforcement, these task forces ensure that there is a unified and comprehensive response to the problem of counterfeit currency. This joint approach also allows for

faster identification and apprehension of counterfeiters, preventing them from further undermining the stability of the nation's financial system.

2.2. Capacity Building for Law Enforcement

A key component of the collaboration between Bank Indonesia and law enforcement is the ongoing training and capacity-building programs provided to police officers and other law enforcement personnel. These training programs are designed to ensure that law enforcement officials are equipped with the knowledge and skills needed to effectively detect counterfeit money. Officers are trained to identify the security features embedded in the rupiah currency, learn how to use counterfeit detection tools, and stay up to date with emerging counterfeiting techniques (Dewi, 2014).

The training also includes practical exercises that simulate real-world scenarios, allowing officers to develop hands-on experience in detecting counterfeit notes and understanding the complexities of high-tech counterfeiting operations. As counterfeiters become more sophisticated, law enforcement must stay one step ahead, using advanced detection methods and technologies to identify fake money (alfaridzi123, 2024). Through continuous education and training, law enforcement officials are better prepared to handle the challenges posed by counterfeit currency and can more effectively contribute to the nation's efforts to protect the rupiah from counterfeit threats (Andhisa & Pratama Hapsari, 2023)

2.3. Data Sharing and Technology Transfer

Effective cooperation between Bank Indonesia and law enforcement also involves the sharing of critical data and technology. Bank Indonesia regularly provides law enforcement agencies with updated information on the latest counterfeit currency trends, including descriptions of newly identified counterfeit notes and the methods used by counterfeiters. This real-time information sharing enables law enforcement to quickly adapt to new challenges and make informed decisions during investigations.

In addition to sharing information, Bank Indonesia has facilitated the transfer of counterfeit detection technology to law enforcement agencies. This includes providing them with the latest equipment, such as UV light scanners, RFID readers, and counterfeit detection software, which enhances their ability to identify counterfeit currency. The transfer of this technology allows law enforcement to stay equipped with the tools necessary to effectively combat counterfeiting, ensuring that they have access to the best possible resources to carry out their work.

2.4. Public Education and Outreach

As part of its comprehensive strategy, Bank Indonesia and law enforcement also collaborate on public education campaigns aimed at raising awareness about counterfeit money. These outreach initiatives focus on informing the public about how to recognize counterfeit currency, what steps to take if they encounter fake money, and how they can report it to the authorities. Law enforcement officers participate in these campaigns by attending community events and interacting with the public, sharing valuable information on how to protect themselves from counterfeit money.

By working together on these public education efforts, Bank Indonesia and law enforcement are fostering a more informed and vigilant public. Citizens who understand the risks of counterfeit money and know how to identify it are less likely to fall victim to counterfeiting schemes. Additionally, a more informed public is better equipped to report counterfeit money when they encounter it, helping to ensure that it is removed from circulation quickly.

These education and outreach efforts strengthen the overall response to counterfeit money and create a more proactive approach to combating counterfeiting at the grassroots level. Through these initiatives, both Bank Indonesia and law enforcement aim to build a society that actively participates in protecting the integrity of the nation's currency and financial system.

2.5. Challenges in Coordination and Enforcement

Despite the successes of this collaborative effort, challenges remain in effectively combating counterfeit currency. The sophistication of modern counterfeiting techniques, which often involve advanced printing technologies, continues to pose a significant challenge to both Bank Indonesia and law enforcement. Counterfeiters are increasingly using high-quality materials and technology, such as holography and 3D printing, to create fake notes that closely resemble genuine currency (Parlementaria, 2025).

Moreover, limitations in resources and manpower can hinder the effectiveness of enforcement efforts. Law enforcement agencies may face challenges in keeping up with the growing scale of the

counterfeit problem due to budget constraints, a lack of specialized personnel, and a shortage of high-tech detection tools. Bureaucratic hurdles, such as insufficient penalties for counterfeiters, also undermine efforts to deter counterfeiting. Addressing these challenges requires continuous innovation, greater investment in enforcement resources, and stronger legal frameworks to ensure that those involved in counterfeiting face appropriate consequences.

CONCLUSION

Bank Indonesia's strategy to combat counterfeit currency demonstrates a holistic and technology-driven approach. By embedding advanced security features in rupiah banknotes, such as color-shifting ink, watermarks, security threads, microprinting, and RFID tracking, Bank Indonesia has significantly strengthened the ability to detect fake currency. These measures are supported by accessible tools like UV scanners and mobile applications, empowering both the public and private sectors to verify banknote authenticity with ease. Public education campaigns, particularly "Cinta, Bangga, Paham Rupiah," further enhance public awareness, enabling citizens to actively participate in detecting and reporting counterfeit money.

Equally important is the collaboration between Bank Indonesia and law enforcement, which includes the formation of joint task forces, ongoing training, and technology transfer to ensure effective enforcement against counterfeiting operations. However, challenges such as limited resources, increasingly sophisticated counterfeiting methods, and lenient legal penalties remain. To maintain the integrity of the national currency and financial system, continuous innovation, stronger legal enforcement, and increased investment in technology and human capital are essential.

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