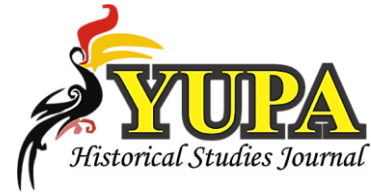


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De Javasche Bank Nationalization Policy: From Private Bank to Bank Indonesia, 1951-1953

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Abstract This article examines the nationalization policy by the Indonesian government towards foreign private banks owned by the Dutch East Indies colonial government to become Bank Indonesia in the period of 1951-1953. De Javasche Bank was nationalized because having significant power in the economic, political and monetary sector, being a source of livelihood, and wealth. The article uses the historical method consisting of four stages, namely heuristics, criticism, interpretation and historiography. Throughout this research, the validity is obtained that on 30 April 1951, the Minister of Finance, Yusuf Wibisono, had plans to nationalize De Javasche Bank. On 2 July 1951, the Prime Minister Sukiman formed the De Javasche Bank Nationalization Committee. Sumitro Djojohadikusumo, the new Minister of Finance, submitted a draft law regarding the nationalization of De Javasche Bank on 22 August 1952 and it was approved on 10 April 1953 with the provisions of Law no. 11 of 1953.

Keywords: Bank Indonesia, De Javasche Bank, Nationalization

Abstrak Artikel ini bertujuan mengkaji kebijakan nasionalisasi yang dilakukan pemerintah Indonesia terhadap bank swasta asing milik pemerintah kolonial Hindia Belanda menjadi Bank Indonesia pada 1951-1953. Latar belakang dicetuskannya gagasan nasionalisasi De Javasche Bank adalah karena bank swasta tersebut mempunyai kekuasaan dalam bidang ekonomi dan politik serta sebagai sumber kekuatan penghidupan, kekayaan, dan memiliki kedudukan yang vital dalam bidang moneter. Metode yang digunakan dalam menyusun artikel ini adalah metode sejarah yang terdiri dari empat tahap yaitu heuristik, kritik, interpretasi, dan historiografi. Melalui penelitian ini diperoleh fakta bahwa Menteri Keuangan Yusuf Wibisono pada 30 April 1951 mempunyai rencana menasionalisasi De Javasche Bank. Hal tersebut direspons oleh Perdana Menteri Sukiman pada 2 Juli 1951 dengan membentuk Panitia Nasionalisasi De Javasche Bank. Sumitro Djojohadikusumo selaku Menteri Keuangan yang baru pada 22 Agustus 1952 mengajukan rancangan undang-undang mengenai nasionalisasi De Javasche Bank dan baru disetujui pada 10 April 1953 dengan ketetapan Undang-undang No. 11 tahun 1953.

Kata kunci: Bank Indonesia, De Javasche Bank, Nasionalisasi



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INTRODUCTION

The Proclamation of Indonesian Independence on 17 August 1945 was the basic foundation in order to change all structures of a colonial society pattern and replace them with structures of a national pattern. The Unitary State of the Republic of Indonesia is a country that had just been free from the power of the Dutch East Indies colonial government, therefore the newly independent country was encouraged to try to ensure that all productive assets previously managed by the Dutch East Indies colonial government are now controlled by the native population in order to maximize them in the economic sector, including in the banking sector (Muhaimin, 1991).

De Javasche Bank was one of the largest banking institutions in Indonesia, however, after Indonesia's independence, its management was still controlled by foreign private parties, namely the Netherlands. This was in contrary to what is contained in Article 33 of the 1945 Constitution which mandates achieving the welfare of the Indonesian people. Therefore, the Indonesian government implemented an overhaul of the economy from a colonial economy to a national economy through a policy of nationalizing all foreign property in Indonesia, one of which was De Javasche Bank, which was a private banking institution founded in 1828 (Nurbaity et al., 2019). The nationalization of De Javasche Bank to become Bank Indonesia had the aim of increasing revenue and reducing export costs. The nationalization policy was also greeted enthusiastically and received a positive response from the Indonesian people because the existence of Bank Indonesia was the beginning of a new era in the financial sector (Fauziah, 2023).

In nationalizing De Javasche Bank, the Indonesian government did not execute it by seizing or forcibly taking over the assets of the Dutch foreign private sector, but by purchasing shares in De Javasche Bank from its owner. At that time, the nationalization policy of De Javasche Bank was perceived to be very important because in the early 1950s there was a political debate regarding steps to eliminate Dutch interests, so that it was expected that they could build Indonesia's national economy. Some government officials had provided suggestions regarding the gradual dismantling of foreign-owned private banking institutions, namely the Netherlands, to prevent serious economic disruption. However, some other national leaders had other ideas, namely proposing faster steps without considering the short-term costs of economic dislocation and for the replacement of state business units or cooperatives (Agusta, 2014).

Based on the background of the study above, the author formulates a research problem, namely that after Indonesian independence, all economic assets owned by foreign private companies, including De Javasche Bank, should have been under the management of the Indonesian government so that they could be utilized optimally for the benefit of the people, but in fact, these banking institutions were still managed and owned by foreign private companies. Therefore, in solving this problem, the Indonesian government issued Government Decree no.

118 dated 2 July 1951 regarding the formation of the De Javasche Bank Nationalization Committee. The committee had the power to take preparatory actions and held negotiations regarding the nationalization of De Javasche Bank on behalf of the Indonesian government (De Javasche Bank, 1952).

Few studies has been done on De Javasche Bank. Lindblad discusses the process of *indonesianisasi* (Indonesianization) of the central bank of Indonesia, focusing on the transition from De Javasche Bank to Bank Indonesia between 1945 and 1953. The article examines this as a case study of economic decolonization (Lindblad, 2004). On the other hand, Syifa comprehensively discussed about the transition of De Javasche Bank into Bank Indonesia and the challenges it faces as the central bank of Indonesia (Syifa et al., 2025). Meanwhile, Jasper van de Kerkhof, in his article entitled Dutch Enterprise in Independent Indonesia: Cooperation and Confrontation, 1949-1958, discusses the dynamics of economic and business relations between Indonesia and the Netherlands in the post-independence period (Kerkhof, 2005). Van de Kerkhof highlights that relations between the two countries in this field were not solely characterized by cooperation, but also by confrontation influenced by political intervention and the legacy of past colonial relations. The article also reviews the Indonesianization process of former colonial-owned companies, such as De Javasche Bank, which was marked by the placement of Indonesian citizens in strategic positions. This move was made not only to increase state control over these companies, but also as part of the initial stages towards the massive nationalization that took place in 1957. The novelty offered in this article is this article focuses to discuss the nationalization policy which was organized by the Indonesian government towards foreign-owned private banking institutions, namely De Javasche Bank from 1951 to 1953 and its influence on banking industry in Indonesia, including the emergence of the concept of nationalization, dynamics in the nationalization process, and the change of De Javasche Bank into Bank Indonesia.

METHOD

The research method used to compile this article is the historical method. The historical method is a way of reconstructing the past through a process of critical examination and analysis of past records and remains (Gottschalk, 1983). The essence of the historical method is collecting sources and testing the authenticity and credibility of historical sources as well as compiling detailed conclusions into interconnected stories. The historical method has four steps that must be conducted, namely heuristics, criticism, interpretation, and historiography (Kuntowijoyo, 1995).

Heuristics is a process for finding and collecting historical sources, both primary and secondary (Garraghan, 1957). The primary source used by the author was obtained from the Bank Indonesia Archives (BI) and the National Archives of the Republic of Indonesia (ANRI) in the form

of Verslag van de President: Nationalisatie van De Javasche Bank, in Verslag over het Boekjaar 1951-1952, Wet op de Nationalisatie van De Javasche Bank N. V. wet No. 24 van December 1951 in Staatsblad van Indonesia 1951 No. 120, letter to the Prime Minister regarding the Nationalized De Javasche Bank Draft Law in the Archives of the Minister of Finance 1950-1969, Wet No. 11/1953 houdende het Statute of Bank Indonesia in Staatblad of the Republic of Indonesia 1953 No. 40, Director of LAAPLN: Circular dated 30 June 1953 regarding the change of name of De Javasche Bank to Bank Indonesia stated in the Indonesian Cabinet Archives 1950-1959.

Meanwhile, the research uses secondary sources in the form of scientific articles, theses, and scientific books by scholars and experts related to this study. The secondary sources that the author used were obtained from the National Library of the Republic of Indonesia, the Library of Central Java Province, the Library of Department of History of Diponegoro University, the Library of the Faculty of Humanities of Diponegoro University, and UPT Library and UNDIP Press.

The next stage is the source criticism to filter the information obtained during the heuristic process in order to obtain authentic and credible data. The next step, the author interprets historical facts so that it delivers a logical and chronological relationship regarding past events. The final stage is historiography, namely the activity of reconstructing past events in the form of a systematic, logical and scientific historical story or arranging historical facts into a harmonious and integral event so that the expected historical story is imminent to actual reality, therefore, it can produce historical studies that are descriptive analytical in nature by prioritizing high scientific and applicable aspects (Herlina, 2020).

This article uses a political-economic historical approach. In the context of this research, politics is associated with government power and policies. Nationalization is essentially a government policy oriented towards the economic sector. Nationalization was closely related to the elimination of Dutch supervision and the fundamental reorientation of the Indonesian economy after the declaration of independence. Nationalization can also be interpreted as an act of replacing Dutch employees with Indonesian experts both within the bureaucracy and private companies in Indonesia (Wasino, 2016). The implementation of the nationalization policy was intended to strengthen the economy in newly independent Indonesia. At that time, its application included assets belonging to the Dutch government during the colonial period, one of which was De Javasche Bank. Based on this statement, the use of political-economic history as an approach in this research aims to reveal and comprehend the relationships and influences resulted from the implementation of nationalization policies on nationalized objects, especially De Javasche Bank.

RESULT AND DISCUSSION

The emergence of the concept of nationalizing De Javasche Bank

In 1949, the Unitary State of the Republic of Indonesia had succeeded gaining full sovereignty, but on the other hand, it also faced very urgent economic problems that needed to be addressed immediately. The economic problem was that the Indonesian government had the task of repairing the national economy which was defective due to the Japanese occupation and the war of independence, as well as the demands of the wider community to change the pattern of the colonial economy into a national economy. Even though Indonesia had achieved political independence, its economic structure did not represent any important changes. This can be noticed from the many large Dutch companies known as *The Big Five*, namely Jacobson & van den Berg, Internatio Borneo-Sumatra Maatschappij (Borsumij), Lindeteves, and Gon Wehry which continued to exhibit their existence in Indonesia in the 1950s (Nurbaity et al., 2019).

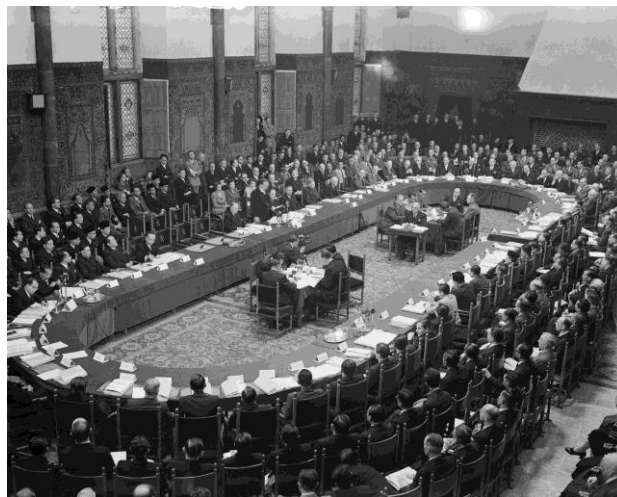


Figure 1. Dutch-Indonesian Round Table Conference (KMB) 2 November 1949

Source: Nationaal Archief, 1949

Based on Figure 1, it can be stated that the existence of large Dutch companies in Indonesia in the 1950s cannot be separated from the results of the Round Table Conference (KMB) signed by national leaders in Den Haag in 1949 which provided a guarantee that the rights given to foreign capitals would be respected. This means that Dutch companies continued to supervise economic sectors that control the interests of the Indonesian people. The Indonesian government's attitude towards foreign capital throughout the 1950s was greatly influenced by the experience of the Dutch East Indies colonial government. The Indonesian government's perspective towards foreign capital, especially the Dutch, was to see their presence as an obstacle to the realization of sovereignty in the economic sector. This cannot be separated from the role of foreign capital which was administered only to exploit or extract maximum economic benefits from the Indonesian people, without participating and caring about economic improvements to

improve the standard of living of the people in general. Foreign capital was not considered to have a strong interest in domestic economic conditions. If the situation in Indonesia became uncondusive for foreign capital, then they could withdraw their capital at any time to save themselves (Kanumoyoso, 2001).

To respond the country's economic states, Indonesian leaders conveyed an idea or thought in the form of economic nationalization or national economy which contained three main aspects, namely a diverse and stable economy which meant it no longer depended on exports of raw materials, advanced economic development and bringing prosperity, and an indigenously managed economy which meant that the economic dominance of the West and China must be transferred or accommodated to the Indonesian people. The ideas or thoughts of these national leaders ultimately increased strong pressure demanding the nationalization of foreign companies (Kanumoyoso, 2001).

On the one hand, the Indonesian government had the view that nationalization of foreign private companies, especially Dutch ones, would only bring losses due to the lack of Indonesian professionals and there was no guarantee that after nationalization the economic sectors would run rationally, so that the price of goods could be kept as low as possible and there would be no speculation. However, based on the consideration that Indonesia's economic sovereignty was difficult to realize without nationalization action, the nationalization policy issued by the Indonesian government received widespread support even though the government still tried to take on rationally (Kanumoyoso, 2001).

De Javasche Bank was a Dutch-owned foreign private banking institution which was nationalized by the Indonesian government. This was undertaken by the Indonesian government because De Javasche Bank was a Dutch private bank which had great power in the economic and political fields, namely as a source of strength, livelihood and wealth and it also had a vital position in the monetary sector, so that in its development, from the perspective of the Indonesian people, it was considered an obstacle to achieving social welfare. On the other hand, the Indonesian government expected that the nationalization of De Javasche Bank could comply the cash void from the businesses run by the bank and that the bank itself had a strategic position and became a matter of national pride (Nofianto, 2001).

The nationalization policy of De Javasche Bank administered by the Indonesian government cannot be separated from the results of the decision of the notoriously compromising Round Table Conference which resulted in an agreement to change the status of Bank Negara Indonesia from being a central bank to a general bank whose activities were transferred to the field of development and economic development, meanwhile De Javasche Bank was designated as a circulation bank with the right to circulate banknotes (Hartono, 1976).

The result of the approval of the Round Table Conference which was detrimental to the interests of the Indonesian people was that the Indonesian government's regulations which concerned and would change De Javasche Bank in which it had to first hold discussions with the Dutch government, as well as regarding the appointment and dismissal of the Bank's Directors, then deliberations with the Dutch government were also required regarding the credits that would be given by De Javasche Bank to the Indonesian government. Indonesia as a sovereign country responded to this provision which was considered to seriously hinder the government in conducting the economic and monetary policies because it was still confined or shackled in the grip of the Dutch, so there was pressure to immediately nationalize De Javasche Bank and to make it the property of the Indonesian state (Nofianto, 2001).

Dynamics of De Javasche Bank Nationalization

The Round Table Conference (KMB) held in Den Haag from 23 August to 2 November 1949 resulted in an agreement regarding finance and the economy. The conference also agreed to appoint De Javasche Bank as a circulation bank, while Bank Negara Indonesia (BNI) as a development bank. Sumitro Djojohadikusumo responded to the decision with disappointment and firmly rejected it because he perceived that the one who had the right to become a circulating or central bank was Bank Negara Indonesia (BNI), which had been formed in 1946 for this purpose (Kusuma, 2014).

When reviewing the situation of widespread news regarding the nationalization of Dutch-owned companies, the nation's leaders or nationalists thought clearly in making a decision whether or not it was necessary to undertake nationalization action against De Javasche Bank, a Dutch-owned private banking institution. These people had the consideration that in undertaking actions or steps to nationalize Dutch-owned foreign companies, including De Javasche Bank, they needed to consider the pros and cons of the future development of the Indonesian economy and especially the economy of the Indonesian people who had just finished experiencing a period of war (Nurbaity et al., 2019).

In its plan to nationalize De Javasche Bank, the Indonesian government implemented the first step through a press interview conducted by Mr. Yusuf Wibisono as Minister of Finance on 30 April 1951 informing the general public about the plan to nationalize De Javasche Bank. Dr. A. Houwink, the President of De Javasche Bank, responded to Mr. Yusuf Wibisono by submitting a letter of resignation from the position he held because he had not been notified in advance. Therefore, he was replaced by Mr. Sjafruddin Prawiranegara who served as the New President of De Javasche Bank on 15 July 1951 (*Verslag van de President: Nationalisatie van De Javasche Bank Dalam Verslag over Het Boekjaar 1951-1952*, 1952).

On 28 May 1951, Prime Minister Sukiman provide an explanation and government announcement regarding the nationalization of De Javasche Bank in parliament. After that, on 19

June 1951, the De Javasche Bank Nationalization Committee or Commissie tot Nasionalisatie van De Javasche Bank was formed which was ratified by Government Decree No. 118 dated 2 July 1951. The committee was given the authority by the government to administered preparations and negotiations regarding the nationalization plan of De Javasche Bank with the task of providing suggestions and opinions to the government as well as drafting a law regarding the nationalization (*Verslag van de President: Nasionalisatie van De Javasche Bank Dalam Verslag over Het Boekjaar 1951-1952*, 1952).

Commissie tot Nasionalisatie van De Javasche Bank's organizational membership consists of Moh. Soediono as Chairman and Secretary General of the Ministry of Economic Affairs, while the other members are Dr. R. M. Sumitro Djojohadikusumo (Government Commissioner of De Javasche Bank), R. B. Sabaruddin (Director of the Foreign Payment Instruments Institute), Drs. A. Oudt (Advisor to the Council of Ministers of Finance), and Drs. Khouw Bian Tie (Adviser General to the Ministry of Economic Affairs) (Nofianto, 2001).

Circulation or central bank is a means of national sovereignty. Based on this consideration, the Commissie tot Nasionalisatie van De Javasche Bank decided to administer nationalization action by taking over its shares. Therefore, on 3 August 1951, the Indonesian government officially submitted an offer to purchase De Javasche Bank shares from its owners or shareholders. This was a unique thing because the Indonesian government announced ahead of time a draft that would be submitted to the House of Representatives (DPR) for the realization of the nationalization of De Javasche Bank through the purchase of its shares (*Verslag van de President: Nasionalisatie van De Javasche Bank Dalam Verslag over Het Boekjaar 1951-1952*, 1952).

The Indonesian delegation who conducted actions of diplomacy in Amsterdam succeeded in convincing the Vereeniging voor de Effectenhandel or Securities Traders Association that Indonesian government would shell out equitably for the shares. Owners or shareholders felt interested in the offer made by the Indonesian government. Therefore, the Indonesian government could control approximately 97% of De Javasche Bank's shares at a purchase price of 20% above the normal price. However, a legal basis was still required, therefore on 6 December 1951, the Indonesian government announced Law no. 24 concerning the Nationalization of De Javasche Bank which is contained in the Republic of Indonesia State Gazette No. 120 of 1951 (Nurbaity et al., 2019).

Law no. 24 contains procedures or steps for taking over shares related to the nationalization of De Javasche Bank. This law is the result of careful thought and consideration that as an independent and sovereign country, Indonesia requires a central bank, namely by nationalizing De Javasche Bank, which was a private central bank owned by foreign capital (Wet No. 24 van December 1951; Wet Op de Nasionalisatie van De Javasche Bank N. V. Dalam Staatsblad van Indonesie 1951 No. 120., 1951).

On 22 August 1952, as the new Minister of Finance, Sumitro Djojohadikusumo submitted a draft law to nationalize De Javasche Bank. The draft law is a review of several points regarding the main regulations for circulation banks that had been formulated by Commissie tot Nasionalisatie van De Javasche Bank previously, stating that one of the articles of the new draft law is to decide that the condition for appointment to the position of director must be an Indonesian citizen (Surat Kepada Perdana Menteri Mengenai Rancangan Undang-Undang De Javasche Bank Yang Dinasionalisasikan Dalam Arsip Menteri Keuangan 1950-1969, 1952).

The draft law on the nationalization of De Javasche Bank submitted by Sumitro Djojohadikusumo on 10 April 1953 was finally approved and served into the Basic Law of Bank Indonesia (UUPBI) with the provisions of Law no. 11 of 1953 which was announced in the Republic of Indonesia State Gazette No. 40 dated 2 June 1953 (Staatsblad van de Republiek Indonesia, 1953). On 30 June 1953, F. A. K. Nijpels as Director of the Institute for Foreign Payment Instruments (LAAPLN) announced through Circular Letter C No. 281 that the change in the name of De Javasche Bank to Bank Indonesia prevailed from 1 July 1953 (Direktur LAAPLN: Surat Edaran Tanggal 30 Juni 1953 Tentang Perubahan Nama De Javasche Bank Menjadi Bank Indonesia Dalam Arsip Kabinet RI 1950-1959, 1953).

From De Javasche Bank to Bank Indonesia

The Bank Indonesia Basic Law (UUPBI), which started to be prevailed on 1 July 1953, marked the emergence of a bank that the public aspired to, namely Bank Indonesia. The legal basis known as Law no. 11 of 1953 is an organic law for the Indonesian central bank which replaced De Javasche Bankwet 1922 which was promulgated on 31 March 1922. Article 1 of Law no. 11 of 1953 stated that Indonesia's central bank is addressed Bank Indonesia, replacing De Javasche Bank (Staatsblad van de Republiek Indonesia, 1953).

The nationalization administered by the Indonesian government from De Javasche Bank to become Bank Indonesia indicates that formally and symbolically in accordance with the 1945 Constitution, Indonesia has achieved economic sovereignty in addition to the political sovereignty it had previously achieved. The monetary policy that during the colonial government was carried out by the Dutch has been changed or taken over by Indonesia through Bank Indonesia, so that Bank Indonesia is the monetary authority of the Republic of Indonesia after the implementation of the nationalization policy for De Javasche Bank (Nofianto, 2001).

Based on Article 2 of the Bank Indonesia Basic Law (UUPBI), it is stated that the form of bank business entity is a limited liability company. This means that the bank remains an independent legal entity and is separate from the state, so that the bank has freedom in implementing its duties. UUPBI also regulates bank financial years starting from 1 April to 31 March, which means that the first financial year starts on the day the law prevailed and ended on 31 March 1954 (Staatsblad van de Republiek Indonesia, 1953). Apart from that, Article 3 of the

UUPBI explains that the position of the central bank is in Jakarta, and that it has branch offices, correspondent offices, and if necessary, large branch offices in the territory of Indonesia, the number of which is regulated according to the requirement of implementing its duties. The bank's initial capital is IDR. 25.000.000,00 as stated in Article 4 of UUPBI (*Undang-Undang Republik Indonesia No. 11 Tahun 1953 Tentang Penetapan Undang-Undang Pokok Bank Indonesia, 1953*).

The duties of banks in general are regulated in Article 7 of the UUPBI, including that banks have the task of regulating the value of Indonesian money units in the best way for the prosperity of the country and the nation and ensuring that the value of money remains stable, carrying out the circulation of money in Indonesia which consists of banknotes, facilitating the flow of demand deposits in Indonesia and advancing the flow of payments abroad. Banks also have the task of promoting healthy development regarding credit affairs and bank affairs in Indonesia in general, national credit affairs and national bank affairs in particular, as well as supervising credit affairs. Apart from that, banks are waiting for the implementation of a legal regulation regarding supervision of credit matters, then with government regulations, further regulations can be made for banks to implement supervision in the interests of ability to shell out (*solvency*) and financial continuity (*liquidity*) credit agencies, as well as for providing credit in a healthy manner and based on appropriate bank policy principles (*Undang-Undang Republik Indonesia No. 11 Tahun 1953 Tentang Penetapan Undang-Undang Pokok Bank Indonesia, 1953*).

Sjafruddin Prawiranegara, the first Governor of Bank Indonesia, previously also held the position of President Director of De Javasche Bank, making policies to improve the condition of the Bank Indonesia institution because there was still a serious shortage of experts to fill upper echelon and official level positions, and several positions that required expertise, such as bank supervisors, which were very important for Bank Indonesia as the central bank which was still officiated by people with Dutch citizenship. Therefore, the policy taken by Sjafruddin Prawiranegara was to provide training and work practices for prospective staff at the head office for 6 years and abroad for 6 years (Nurbaity et al., 2019).

CONCLUSION

The recognition of the sovereignty of the Republic of Indonesia in 1949 had consequences in the transfer of political power into the hands of the Indonesian government. However, the national economic sector at that time was still dominated by foreign capital through Dutch companies. The urgency of nationalizing foreign companies was based on the perspective that political sovereignty must also be accompanied by economic sovereignty, especially in strategic sectors that have a significant impact on people's welfare and the stability of the national economy. One of the Dutch foreign companies that was targeted for nationalization was De Javasche Bank, which at that time had the status of a private bank. The nationalization discourse raised pros and cons among national economists with their respective perspectives. Systematic

efforts to nationalize De Javasche Bank by the Indonesian government began in 1951, marked by the formation of the De Javasche Bank Nationalization Committee. The takeover mechanism was implemented by purchasing shares in stages. After going through a series of negotiations, the nationalization process of De Javasche Bank was successfully completed in 1953, designated as a central bank and circulation bank, and changed its name to Bank Indonesia. This nationalization was then followed by administrative and organizational restructuring in order to strengthen Bank Indonesia's status as the highest monetary authority and symbol of the country's economic sovereignty.

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