



Analyzing Factors Influencing the Success of Currency Redenomination in Indonesia: A Literature Review

Intan Anindya Pramytha¹, Ula Restu Rafifah², Atika Jauharria Hatta³, Frasto Biyanto⁴,
Alfredo Dos Santos⁵

^{1,3,4}STIE YKPN School of Business Yogyakarta, Indonesia

²Accounting Study Program, Aisyiyah University, Yogyakarta, Indonesia

⁵Faculty of Economics and Business, Universidade Dili (UNDIL), Timor Leste

Corresponding author: email ularesturafifah@unisayogya.ac.id

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ABSTRACT

This study aims to analyze the factors that affect the success of currency redenomination, focusing on the Indonesian context. The method used was a literature study in which 30 articles related to redenomination were reviewed to understand this topic comprehensively. The study results showed that factors such as inflation rate, risk of redenomination, public understanding, currency changes, and psychographic aspects significantly affected the success of redenomination. The contribution of this research lies in providing an in-depth analysis of the implementation of redenomination in Indonesia and policy recommendations that can aid in successful implementation, as well as providing a broader perspective on the practice of redenomination in various economic contexts.

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INTRODUCTION

Currency redenomination is the process of simplifying the nominal value of a currency without changing the prevailing exchange rate (Firliyanti, 2019). Countries often choose these policies to improve transaction efficiency and the image of their currencies, hoping that society will be more adaptable to a simpler monetary system. It is important to note that redenomination differs from sanitation, a reduction in nominal value that can lead to a decrease in people's purchasing power and a prolonged negative impact (Arsyad, 2023). Indonesia has a significant history of currency value changes (Pardasia & Syafri, 2024). In 1965, sanering was carried out by drastically cutting the face value of the currency, which led to a decline in purchasing power and deep economic trauma for the community. The negative impact of sanering is still imprinted in the public's collective memory, creating distrust of changes in currency denominations. This fear is rooted in a bitter experience that leaves many people vulnerable to changes in monetary policy. In 2010, the Indonesian government proposed the implementation of redenomination as a measure to simplify the monetary system and improve economic efficiency. However, this plan was not successfully implemented due to the community's concerns, which were still traumatized from previous sanering experiences (Annazah et al., 2018). The community is concerned that redenomination could have similar negative impacts,

even though the basic concept differs from sanering and is designed to improve the existing system. The redenomination plan is proposed again with a target of implementation in 2025. The government plans to implement redenomination to simplify transactions and improve economic efficiency, hoping to strengthen currency stability and public confidence (Permana, 2015). This research aims to review the existing literature on redenomination, evaluate similar cases in other countries, and prepare policy recommendations that can assist Indonesia in implementing redenomination successfully. In this study, various variables of concern included inflation rate, redenomination risk, comprehension level, currency change, psychographics, readiness level, assets and liabilities, Rashomon effect, distress conditions, financial literacy, economic growth, public debt, and political situation. This analysis provides a comprehensive overview of the potential impact of redenomination in Indonesia to help decision-makers understand the broader context. The literature review shows that most previous studies used survey methods and secondary data analysis to evaluate the impact and implications of redenomination policies (Pereira et al., 2025; Soares et al., 2024). Theories relevant to this topic include financial economics, psychology, monetary policy, money illusion, and financial literacy theories. This research is expected to provide a comprehensive review of the implementation of redenomination in Indonesia and abroad and offer a broader and in-depth perspective on the practices and impacts of such policies in various economic contexts to make a real contribution to the development of economic policies in the future.

LITERATURE REVIEW

Suhendra & Handayani (2012) define redenomination as public regulation that simplifies the use and management of national currencies through new writing on a smaller scale. This process aims to facilitate transactions and increase transparency in the financial system, thereby creating greater trust among the public. The phenomenon of redenomination resurfaced in 2010 when the Central Bank of Indonesia announced its plan to redenomination the rupiah currency by removing the three zeros (Arsyad, 2023). This plan raises many questions, especially regarding the impact of the redenomination and whether this policy will have the same effect as the sanering in 1965. These concerns reflect deep historical experience, where Indonesians are concerned that redenomination might have similar negative impacts, even though the basic concept of redenomination differs from sanering. Therefore, a deep understanding of the social and economic context behind this policy is essential to reduce uncertainty among the public.

Financial economic theory is a branch of economics that studies how individuals, companies, and governments manage their financial resources, including investment and financing decision-making. In the context of redenomination, it is essential to understand how nominal changes can affect market behaviour, especially regarding investment and consumption. Redenomination, which changes the face value of a currency without changing purchasing power, can affect investors' perception of risk and confidence (Marimuthu & Maama, 2021). Additionally, these changes can alter financial market dynamics, possibly affecting long-term investment decisions. Thus, an analysis of the financial-economic perspective is crucial to evaluate the potential impact of the policy, given that investor confidence is key in maintaining economic stability and attracting foreign investment.

Theory psychology studies human thoughts, emotions, behaviour, and how individuals interact with their environment (Husen et al., 2022). Understanding people's psychological reactions to redenomination is essential, especially in policy changes affecting daily life. Redenomination can cause psychological effects, such as confusion or anxiety, affecting an individual's consumption patterns and economic decision-making (Prabawani, 2017). By understanding this psychological aspect, we can formulate more effective communication strategies so the community can better understand and accept the proposed changes. This is very important to prevent potential rejection or resistance to policies.



Monetary policy theory is a branch of economics that studies how central banks manage the money supply and interest rates to achieve specific economic goals, such as price stability and economic growth. This policy directly impacts people's financial decisions and overall economic stability. By changing the face value of a currency, redenomination can affect inflation, interest rates, and perceptions of economic stability, all of which are key focuses in monetary policy (Bleaney & Veleanu, 2021). By understanding this relationship, we can see how redenomination policies can be integrated with broader monetary policy, thus creating positive economic synergies. This research will further explore how these policies interact with each other and their impact on society. The money illusion theory is a concept in economics that states that individuals tend to pay attention to the face value of money rather than its real value. This can cause them to make less rational economic decisions based on the visible nominal, which can influence consumer behaviour. Therefore, it is essential to be aware of these effects in the context of redenomination, especially in drafting clear and transparent policies. By understanding the money illusion, policymakers can anticipate the psychological reaction of the community to redenomination and manage communication and policy implementation to minimize confusion (Prabawani, 2018).

Awareness of this phenomenon will help design a more effective approach to explaining policies to the public, increasing public acceptance of these changes. The financial literacy theory refers to an individual's knowledge and understanding of various aspects of finance, including money management, investments, and financial planning, enabling them to make effective economic decisions. In the context of redenomination, financial literacy is critical to ensure that the public can understand and assess the impact of the policy properly. People with good financial literacy will be better able to evaluate the actual effect of redenomination, avoid confusion, and make wiser decisions regarding their finances (Kristianti & Kristiana, 2023; Miswanto et al., 2024; Prabawani et al., 2019; Putri et al., 2023). Therefore, increasing financial literacy must be an integral part of the redenomination socialization strategy so that people can face these changes with more confidence and information. This will contribute to successfully implementing the redenomination policy and create better economic stability.

The above explanation outlines various theories relevant to currency redenomination, ranging from financial economics to community psychology. These theories provide a framework for understanding how changes in face value can affect market behaviour, public perception, and overall economic stability. The following table presents the results of previous research on redenomination, providing empirical evidence supporting each of the theories discussed. Each study in the table shows different variables, such as community understanding, demographic characteristics, and economic conditions, all of which contribute to the success or impact of the redenomination policy. For example, research by Mahardika et al. (2015) explored an individual's perception of the value of goods after the transition, while Prabawani (2017) emphasized the importance of understanding the policy itself. Other studies, such as those conducted by Lianto & Suryaputra (2012), assessed the impact of implementing redenomination from a societal perspective, underscoring the importance of effective communication. Thus, the success of redenomination is strongly influenced by complex psychological, economic, and social factors. This implies the need for a holistic approach in formulating redenomination policies so that they can be accepted and successfully implemented in society.

No.	Researchers	Research objectives	Variable	Methods and Samples	Research results
1.	(Mahardika et al., 2015)	Examining the influence of individual perceptions of the transition of the new rupiah format on estimating the value of goods.	Dependent: the estimated value of goods by respondents. Independent: The rupiah format is used when the respondent estimates the value of goods.	Method: survey. Sample: 147 respondents, consumers aged 17-40 years.	The more individuals use the new Rupiah format without a transition period, the more the estimated value of goods they carry out will become inaccurate.
2.	(Prabawani, 2017)	Examine the effect of policy understanding on redenomination's macro and micro impacts.	Dependent: the perception of redenomination's macro and micro impact on the business. Independent: understanding of redenomination policy.	Method: survey. Sample: 200 respondents, business people in Indonesia.	A stronger understanding of redenomination policies will affect their perception of redenomination's macro and micro impacts.
3.	(Mumu et al., 2019)	Examining the influence of public understanding and the effect of Rashomon on redenomination.	Dependent: government policy regarding redenomination and sanitation. Independent: the Rashomon effect and societal understanding.	Method: survey. Sample: 133 community respondents in Manado.	The greater the difference in public understanding of redenomination and sanitation, the higher the public misperception in supporting government policies to simplify the rupiah's value.
4.	(Lianto & Suryaputra, 2012)	Examining the influence of public perception on the impact of the implementation of redenomination.	Dependent: the impact of the implementation of redenomination based on the perspective of Indonesian citizens. Independent: redenomination with eight indicators used to assess impact.	Metode: survei. Sampel: 100 orang, yang mengetahui tentang redenominasi.	According to Indonesians, the most significant impact of redenomination is restoring Indonesia's credibility with a lambda loading value of 0.87, followed by the view that redenomination benefits Indonesians with a lambda loading value of 0.86.



5.	(Prabawani, 2018)	Examine the influence of geographical, demographic, and psychographic characteristics on the potential of money illusions.	Dependent: the potential illusion of money. Independent: the geographical, demographic, and psychographic characteristics of the community.	Method: survey. Sample: 600 domiciled respondents in the Semarang, Kudus, and Banjarnegara areas.	The more diverse the geographical, demographic, and psychographic characteristics, the higher the potential for the illusion of money in society.
6.	(Dzokoto et al., 2010)	Examine the influence of money illusions on life experiences (self-esteem, trivialization of price increases, changes in spending behaviour, and changes in generosity levels).	Dependent: the life experience of adult consumers in Ghana after currency redenomination. Independent: the illusion of money that includes self-esteem determination, trivialization of price increases, changes in spending behaviour, and changes in the level of generosity.	Method: survey. Sample: 40 respondents, Ghanaian people aged 19-71 years.	The stronger the illusion of money, the greater its influence on their life experiences, including self-esteem, trivialization of price increases, changes in spending behaviour, and changes in the level of generosity.
7.	(Marimuthu & Maama, 2021)	Examine the effect of the period before and after redenomination on the company's profitability and value.	Dependent: the company's value growth, measured through Tobin's Q growth and return on assets (ROA). Independent: redenomination of the Cedi, the currency change from the old Cedi to the new Cedi in Ghana in 2007.	Method: secondary data analysis. Sample: growth of Tobin's Q and Return on Assets (ROA) in the 5 years before and 5 years after redenomination in 2007.	The longer the time after the cedi redenomination, the more the company's profitability will increase, even if the company's value does not increase significantly.

8.	(Pambudi et al., 2015)	Testing the influence of economic conditions on the success of currency redenomination.	Dependent: the successful redenomination of the currency. Independent: the inflation rate, economic growth, currency exchange rates, growth in the money supply, and forms of government.	Method: secondary data analysis. Sample: 30 countries that have redenominated currencies.	A positive relationship exists between good economic conditions (such as high economic growth) and the success of currency redenomination.
9.	(Prabawani et al., 2019)	Testing the influence of the economic rationality of the Meratus Dayak Tribe on the success of currency redenomination.	Dependent: the successful redenomination of the currency. Independent: marginal economy, low formal education, high social capital, and financial literacy.	Method: survey. Sample: 79 respondents, Dayak Meratus community in Loksado District, aged 20-50 years.	There is a positive relationship between the economic rationality of the Meratus Dayak Tribe and the success of currency redenomination.
10.	(Borri, n.d.)	Examine the effect of CDS differences in US dollars and euros and distress conditions in other countries on the risk of redenomination.	Dependent: risk of redenomination. Independent: the difference between CDS in US dollars and euros and the distress conditions of other countries in the Eurozone.	Method: secondary data analysis. Sample: daily data on the country's CDS spreads for 5-year contracts in Euro and US dollars.	There is a positive relationship between the difference in CDS in US dollars and euros and distress conditions in other countries with the risk of redenomination.
11.	(Tholl et al., 2020)	Examines the influence of the political situation in Italy on the relationship between the cost of bank funding in Germany and Italy.	Dependent: the cost of bank funding. Independent: political situation and interest rates.	Method: secondary data analysis. Sample: data on bank funding costs in Italy and Germany (for comparison).	The political situation in Italy affects the relationship between the cost of bank funding in Germany and Italy.



12.	(Kiss & Alipanah, 2024)	Testing the effect of government bond spreads divergence in the Eurozone on qCDS (as a proxy for redenomination risk).	Dependent: divergence spread bond yield. Independent: Quanto Credit Default Swaps (qCDS) spreads, inflation, and US dollar liquidity shocks.	Method: secondary data analysis. Sample: panel data from Eurozone member states during the global financial crisis and the COVID-19 pandemic.	Divergensi <i>spread yield</i> obligasi pemerintah di Eurozone dipengaruhi oleh beberapa faktor, termasuk qCDS (sebagai proxy risiko redenominasi), inflasi, dan shock likuiditas dolar AS.
13.	(Bleaney & Veleanu, 2021)	Examine the influence of the risk of Euro separation (redenomination) or the risk perception of corporate bond investors.	Dependent: the spread of non-financial corporate bonds. Independent: redenomination risk, liquidity risk, and macroeconomic risk.	Method: secondary data analysis. Sample: data on non-financial corporate bonds in Eurozone countries, with <i>hard</i> and <i>soft</i> Euro area categories.	Risks related to the Euro split (redenomination) affect investors' perception of risk towards corporate bonds, thus affecting bond spreads.
14.	(Cherubini, 2021)	Examine the influence of redenomination and default risks and the impact of policy changes (such as Brexit) on risk perceptions in financial markets.	Dependent: risk perception. Independent: risk of redenomination, risk of default, and impact of policy changes (such as Brexit).	Method: secondary data analysis. Sample: CDS contract standards in 2014 - 2017.	The dependence between redenomination risk and default risk and the impact of policy changes (such as Brexit) on risk perceptions in financial markets.
15.	(Anelli et al., 2020)	Examine the influence of redenomination risk on financial instruments such as CDS pricing.	Dependen: Spread Credit Default Swap (CDS). Independent: risk of redenomination and other factors in the Merton Model.	Method: secondary data analysis. Sample: CDS spread data at the Bank of Italy emphasizes the sovereign debt crisis of 2018.	The risk of redenomination in a crisis is a key factor in determining the pricing of financial instruments such as CDS.

16.	(Lapavitsas, 2018)	Testing the effect of redenomination risk on changes in the value of new currencies.	Dependent: the risk of redenomination of the Greek economy in the context of exiting the Eurozone. Independent: the assets and liabilities of each sector.	Method: secondary data analysis. Sample: the Greek economist sector (public, private, banking, and the Central Bank of Greece).	When Greece leaves EMU, there is a significant risk that the value of the new currency will be lower than that of the euro.
17.	(Hardiyanto & Daulay, 2013)	Testing the influence of preparation and socialization on MSME actors to receive redenomination.	Dependent: the perception of the business actor. Independent: level of preparation and socialization.	Method: survey. Sample: 100 respondents, MSME actors in Medan.	Careful preparation and adequate socialization can influence MSME actors to receive redenomination.
18.	(Astrini et al., 2016)	Testing changes in prices and categories of goods against the impact of redenomination.	Dependent: the impact of redenomination. Independent: price changes, categories of goods, economic growth, and inflation.	Method: survey. Sample: 24 respondents, who will be experimented to become sellers and buyers (as illustrators of economic growth).	Redenomination leads to a decline in the price of elastic goods in conditions of low economic growth and high inflation.
19.	(De Santis, 2019)	Examining the influence of redenomination risk on the government bond market in the Eurozone.	Dependent: spread yield sovereign. Independent: risk of redenomination and exchange rates.	Method: secondary data analysis. Sample: sovereign yield spread data in Italy, Spain, and France for 2011-2013.	The risk of redenomination significantly affects the government bond market in the Eurozone.
20.	(Kremens, 2023)	Testing the effect of currency redenomination risk on credit spreads.	Dependent: credit spreads. Independent: risk of redenomination and change of government in France and Italy.	Method: secondary data analysis. Example: bond data for 2014 (during the debt crisis).	The risk of currency redenomination affects credit spreads, especially changes in governance in France and Italy.



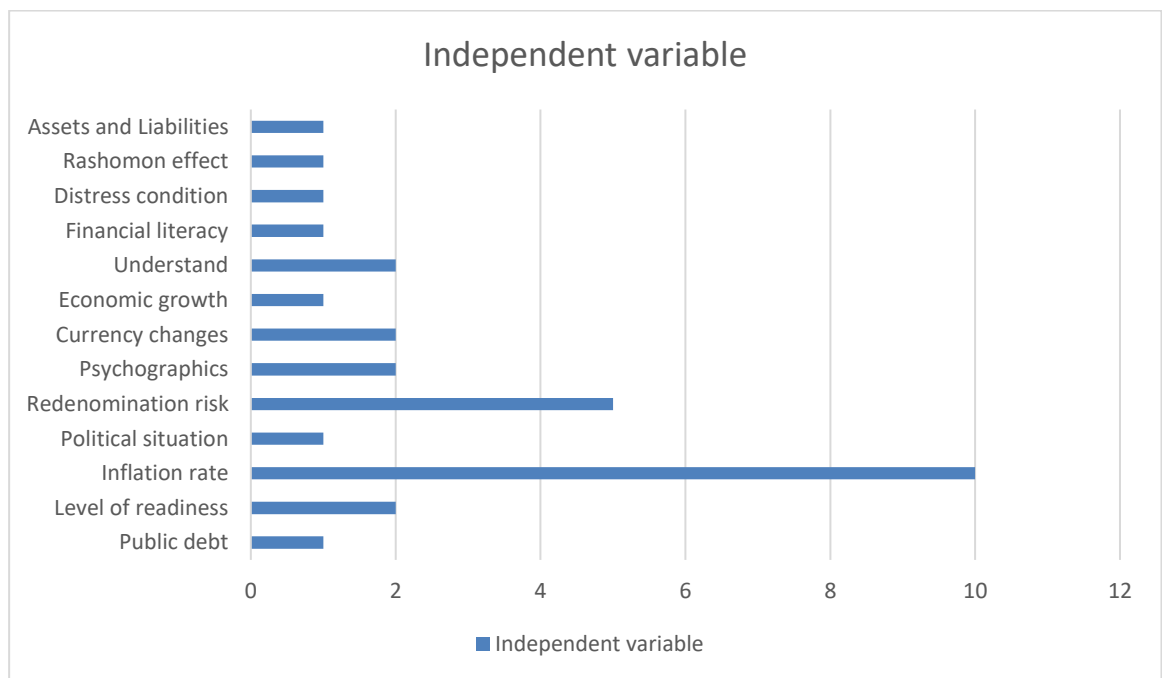
21.	(Durand & Villemot, 2020)	Examining the influence of public and financial sector debt on redenomination risk.	Dependent: risk of redenomination. Independent: public debt and the financial sector.	Method: secondary data analysis. Sample: balance sheets of Ireland, Portugal, Spain, Italy, France (negative GDP) and Germany, Belgium, and Netherlands (positive GDP).	Public debt and the financial sector affect redenomination risk.
22.	(Obuobi et al., 2020)	Testing the influence of economic growth on currency redenomination.	Dependent: currency redenomination. Independent: Economic growth (GDP, inflation, and FDI)	Method: secondary data analysis. Sample: economic growth data in Ghana 1997-2017.	Currency redenomination is beneficial for economic growth.
23.	(Nilasari, 2014)	Examining the effect of economic stability and inflation rates on redenomination.	Dependent: redenomination of the value of the rupiah. Independent: economic stability and inflation rates.	Method: survey. Sample: Indonesian people who know about redenomination.	Economic stability and inflation rates affect redenomination.
24.	(Permana, 2015)	Examine the influence of macroeconomic indicators on the impact of redenomination.	Dependent: the impact of redenomination. Independent: macroeconomic indicators (inflation and state spending).	Method: secondary data analysis. Sample: Indonesian macroeconomic data in 2010-2014.	Macroeconomic indicators affect the impact of redenomination.
25.	(Suhendra & Handayani, 2012)	Testing the influence of inflation and economic growth on redenomination.	Dependent: redenomination. Independent: inflation and economic growth.	Method: survey. Sample: 27 countries that have redenominated their currencies.	Inflation and economic growth affect redenomination.

26.	(Zulhaisa et al., 2021)	Testing the influence of public perception and consumption patterns on the rupiah currency redenomination policy plan.	Dependent: the policy plan for the redenomination of the rupiah currency. Independent: public perception and consumption patterns.	Method: survey. Sample: 100 respondents aged 20 years and above in 11 sub-districts in Padang city.	Public perception and consumption patterns affect the policy plan to redenominate the rupiah currency.
27.	(Annazah et al., 2018)	Testing the influence of inflation and economic growth on redenomination.	Dependent: the success of the redenomination. Independent: inflation and economic growth.	Method: secondary data analysis. Sample: historical data from 32 countries that have redenominated.	Inflation and economic growth have a positive effect on redenomination.
28.	(Jati & Prasetyo, 2018)	Examining the influence of MSME actors' understanding and perception on redenomination policies.	Dependent: rupiah redenomination policy. Independent: level of understanding, perception, and gender.	Method: survey. Sample: 100 respondents, MSME actors in Semarang City.	MSME actors' understanding and perception of redenomination policies are not influenced by gender
29.	(Firliyanti, 2019)	Testing inflation and economic growth rates against the success of redenomination.	Dependent: the success of the redenomination. Independent: the rate of inflation and economic growth.	Method: secondary data analysis. Sample: inflation and economic growth data in 2015-2019.	Inflation rates and economic growth affect the success of redenomination.
30.	(Amir, 2013)	Examining the influence of inflation and the financial system on the success of redenomination.	Dependent: the success of the redenomination. Independent: inflation and the financial system.	Method: secondary data analysis. Sample: inflation and financial system data (interest-based or not) in 2007-2008.	Currency redenomination will be effective if the financial system changes and inflation is low.

METHOD

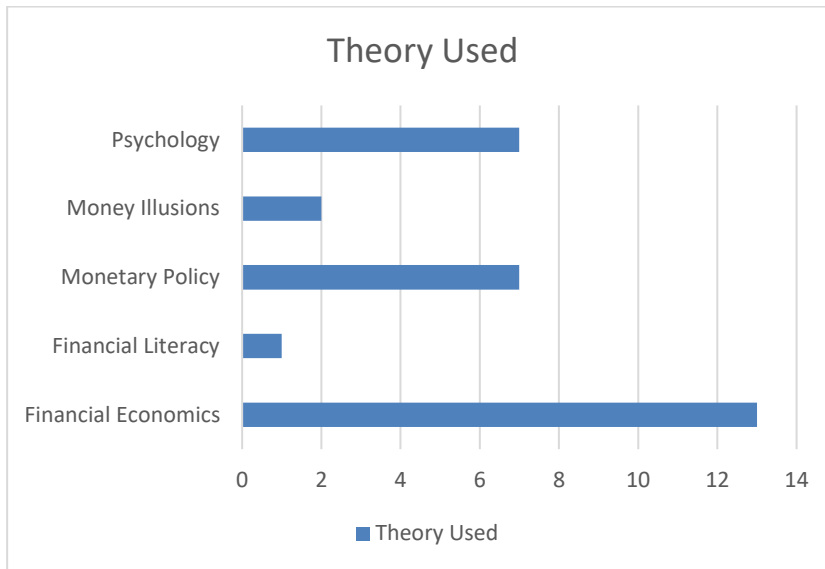
The literature study method is data collection, which establishes research concepts, processes, and analysis of research materials. This method is an effort to obtain the basis or foundation of a research, which will later be used to establish the theory, framework of thinking, hypothesis, and bibliography collection. Articles on this redenomination were then reviewed in a literature review classified as follows:

1. Based on the year of publication of the journal



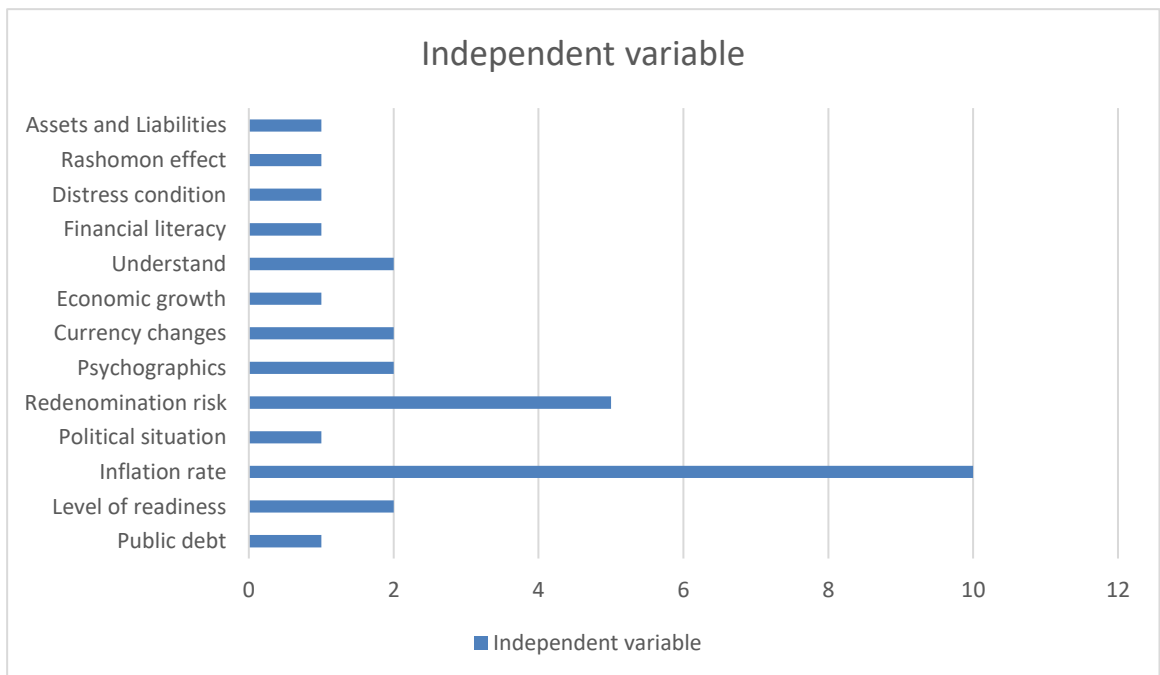
Of the articles reviewed in this literature study, the most, namely 4, were published in 2018, 2019, 2020, and 2021, and the least, namely 1 article published in 2010. However, it can be seen that in the last 10 years, the topic of redenomination has continued to be researched. This shows that this topic continues to attract the attention of academics and companies.

2. Based on the theory used



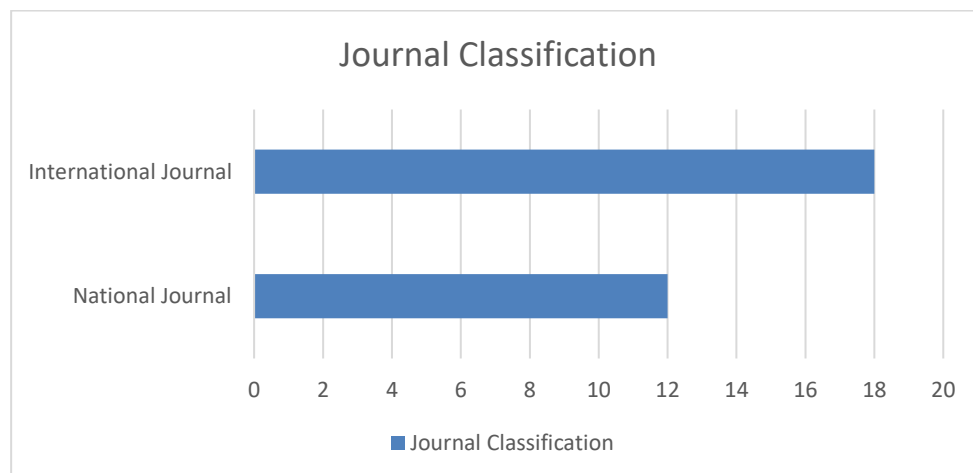
The graph above shows that the most widely used theory as the basis for research on the topic of redenomination is the theory of financial economics. Other theories relevant to the topic of redenomination are psychology theory, monetary policy theory, money illusions theory, and financial literacy theory.

3. Based on independent variables used in the study



Many variables can be studied when examining the factors that influence redenomination. The most widely used variable is the inflation rate, used in 10 of 30 articles. The next most commonly studied factor is the risk of redenomination, which is studied in 5 out of 30 articles. The independent variables that have been studied previously and are relevant to the topic of redenomination are the understanding variable, the currency change variable, the psychographic variable, and the readiness level variable.

4. Based on journal classification



This literature study used 18 international journals with Scopus 1, 2, 3, and 4 indexes and 12 national journals with Sinta 1, 2, 3, 4, 5, and 6 indexes. International journals from Scopus provide insight into the latest trends and findings at the global level, while national journals from Sinta help understand the context and relevance of domestic research.

RESULT AND DISCUSSION

Previous studies have comprehensively examined variables influencing redenomination, including inflation rate, risk, comprehension level, currency changes, and psychographics. Inflation rate variables, for example, have been studied by Pambudi et al. (2015); Kiss & Alipanah (2024); Astrini et al. (2016); Obuobi et al. (2020); Stuart (2014); Permana (2015); Suhendra & Handayani (2012); Annazah et al. (2018); Firliyanti (2019); and Amir (2013). The findings of these studies suggest that high inflation can disrupt public confidence in the currency, thus affecting the success of redenomination.

In addition, the risk of redenomination was also the focus of attention in a study by Bleaney & Veleanu (2021), Cherubini (2021), Anelli et al. (2020), De Santis (2019), and Kremens (2023). The study emphasizes that economic uncertainty can add complexity to the redenomination process, which can trigger concern among the public.

This policy's level of public understanding has also proven to be important, as revealed by Prabawani (2017) and Jati & Prasetyo (2018). A good knowledge of redenomination can reduce confusion and increase public acceptance, contributing to the successful implementation of policies. In addition, currency changes, which were researched by Mahardika et al. (2015) and Marimuthu & Maama (2021), as well as the psychographic aspects discussed by Prabawani (2018) and Dzokoto et al. (2010), suggest that people's perceptions and attitudes towards change can influence their response to such policies.

In addition, other variables such as the level of readiness (Hardiyanto & Daulay, 2013; Zulhaisa et al., 2021), assets and liabilities (Lapavitsas, 2018), the Rashomon effect (Mumu et al., 2019), distress conditions (Borri, 2019), financial literacy (Prabawani et al., 2019), economic growth (Lianto & Suryaputra, 2012), public debt (Durand & Villemot, 2020), and the political situation (Tholl et al., 2020) also play an essential role in ensuring that people can adapt well to redenomination.

This broader study involving 30 articles confirms that the variables influencing redenomination are interrelated and create complex contexts that must be comprehensively understood. Thus, this discussion will further explain the independent variables that have been proven to affect redenomination based on the research

that has been reviewed, as well as identify areas that require further attention to achieve success in implementing redenomination policies.

Research by Annazah et al. (2018) states that low and stable inflation contributes positively to the success of redenomination. Low inflation indicates price stability in the market, which is very important for people's purchasing power. When the prices of goods and services do not fluctuate significantly, people tend to be more receptive to nominal changes in the currency without worrying about losing purchasing power. This creates an environment conducive to a smooth transition to the new currency. Controlled inflation will facilitate the redenomination transition process and increase public confidence in the new currency (Suhendra & Handayani, 2012). Thus, regular inflation monitoring is a strategic step in ensuring the success of the redenomination policy.

Risk can be defined as the possibility or potential for losses or other negative consequences due to a particular event or decision (De Santis, 2019). Risk generally includes uncertainty about future outcomes that may affect a person's goals or interests (Miswanto, 2012, 2013; Miswanto et al., 2022; Miswanto & Husnan, 1999). According to Borri (2019), the risk of redenomination is influenced by global economic conditions, which suggests that external factors also play an essential role. When global economic conditions are volatile, the risk of redenomination increases due to higher uncertainty in international financial markets. This can cause investors and the public to feel wary, so they may be reluctant to support the redenomination policy. Therefore, mitigating risks through transparent policies and effective communication is necessary to maintain the psychological stability of the community.

According to Prabawani (2017), people with a good understanding of the economy tend to be more receptive to the redenomination policy. A lack of economic knowledge can increase social risks due to societal resistance. This shows that education and financial literacy are essential in supporting the implementation of these policies. Public understanding and acceptance of redenomination are essential to reduce social risks that can hinder the redenomination process (Jati & Prasetyo, 2018). By increasing public awareness, it is hoped that a more supportive environment can be created for the success of this policy.

Furthermore, using the new Rupiah format without a transition period caused the respondents' estimation of the value of goods to be inaccurate (Mahardika et al., 2015). Without an adequate transition period, society may not be prepared to adapt to nominal currency changes, which can increase the risk of value misperceptions and resistance to redenomination policies (Marimuthu & Maama, 2021). This emphasizes the importance of careful planning in the redenomination process so that the community has time to adapt. In addition, socialization about these changes must also be carried out effectively to minimize confusion and increase public trust in the new policy.

Research by Prabawani (2018) shows that diverse societies with demographic and psychographic characteristics have a higher potential to experience the illusion of money, which can increase the risk in the redenomination process. This illusion of funds can lead to misunderstandings about the value of new currencies and affect people's economic decisions. Therefore, the government needs to consider the diversity of community characteristics in communication and socialization strategies to reduce the risk of money illusions and increase the success of redenomination (Dzokoto et al., 2010). With a more inclusive approach, it is hoped that the community can better understand and accept the changes that occur. In addition, the use of media based on the demographic and psychographic characteristics of the community can also increase the effectiveness of conveying information about redenomination.

Previous studies have tested variables that have an influence on redenomination, namely the inflation rate (Pambudi et al., 2015); Kiss & Alipanah, 2024; Astrini et al., 2016; Obuobi et al., 2020; Scott, 2014; Permana, 2015; Suhendra & Handayani, 2012; Annazah et al., 2018; Firliyanti, 2019; and Amir, 2013), the risk of redenomination (Bleaney & Veleanu, 2021; Cherubini, 2021; Anelli et al., 2020; De Santis, 2019; and Kremens, 2023), level of comprehension (Prabawani, 2017, and Jati & Prasetyo, 2018), currency changes (Mahardika et al., 2015 and Marimuthu & Maama, 2021), and psychographic (Prabawani, 2018, and Dzokoto et al., 2010). In addition, there are other variables, namely the level of readiness (Hardiyanto & Daulay, 2013; Zulhaisa et al., 2021), assets and liabilities (Lapavitsas, 2018; the effect of Rashomon Mumu et al., 2019), distress conditions (Borri, 2019), financial literacy (Prabawani et al., 2019), economic growth (Lianto & Suryaputra, 2012), public debt (Durand & Villemot, 2020), and the political situation (Tholl



et al., 2020). Among these variables, some variables affect redenomination, namely inflation rate, redenomination risk, level of understanding, currency changes, and psychographics; furthermore, independent variables that are proven to affect redenomination will be discussed, namely based on 30 articles reviewed, and the most researched in the article.

Research by Annazah et al. (2018) states that low and stable inflation contributes positively to the success of redenomination. Low inflation indicates price stability in the market. When the prices of goods and services do not fluctuate significantly, people tend to be more receptive to nominal changes in currencies without worrying about losing purchasing power. Controlled inflation will facilitate the process of redenomination transition and increase public confidence in the new currency (Suhendra & Handayani, 2012).

Risk can be defined as the possibility or potential for loss or other negative consequences due to a certain event or decision (De Santis, 2019). Risk generally includes uncertainty about future outcomes that could affect a person's goals or interests. According to Borri (2019), the risk of redenomination is influenced by global economic conditions. When global economic conditions are volatile, the risk of redenomination increases due to higher uncertainty in international financial markets.

According to Prabawani (2017), people with a good understanding of economics tend to be more receptive to redenomination policies. A lack of economic knowledge can increase social risks due to societal resistance. Public awareness and acceptance of redenomination are essential to reduce social risks that can hinder the redenomination process (Jati & Prasetyo, 2018).

Using the new Rupiah format without a transition period caused the estimated value of goods by the respondents to be inaccurate (Mahardika et al., 2015). Without an adequate transition period, societies may not be prepared to adapt to nominal currency changes, which can increase the risk of value misperceptions and resistance to redenomination policies (Marimuthu & Maama, 2021).

According to Prabawani's (2018) research, diverse societies with demographic and psychographic characteristics have a higher potential to experience the illusion of money, which can increase the risk in the redenomination process. The government needs to consider the diversity of community characteristics in communication and socialization strategies to reduce the risk of money illusions and increase the success of redenomination (Dzokoto et al., 2010).

CONCLUSION

Based on the findings of previous studies, it was found that the factors that affect redenomination are inflation rate, redenomination risk, level of understanding, currency changes, and psychographics. Other variables have not been proven to affect redenomination. Previous research by (Mahardika et al., 2015) shows the importance of transition periods in the redenomination process, but not much discusses the optimal duration and effective implementation strategies of transition periods. Therefore, suggestions for further research can focus on analyzing the optimal duration of the transition period and effective implementation strategies to ensure smooth adaptation by communities and business people. This study may involve a comparative analysis of redenomination cases in different countries using different approaches.

Redenomination will be applied when inflation is at a low and stable level. Price stability is essential for successful redenomination because people are more likely to accept nominal currency changes without worrying about losing purchasing power. The primary motivation for implementing redenomination is to increase public confidence in the currency and the government's monetary policy. Low and stable inflation can increase positive perceptions of the new currency and monetary policy. Therefore, redenomination can be implemented by conducting thorough socialization and educating the public and business people about the goals, benefits, and mechanisms. Effective education is needed to reduce the risk of misunderstandings and increase public acceptance of implementing redenomination policies in Indonesia. Thus, consumers and business actors' behavioural and psychological impact on redenomination can be studied more deeply. Further studies may focus on changes in spending habits, saving behaviours, and overall financial confidence among different demographic groups.

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