

# CHAPTER I

## Introduction

### 1.1 Problem Identifications

With the way the development of technology emerges in every country, the need to adapt toward technology is a must for any business, including government institutions. Technology has brought several tools that previously seemed impossible to do to be possible in today's era. The ability to utilize this technology can be a crucial factor that determines the success of any institution.

One form of technology that is growing is in the sector of communication. The development of technology in communication enables people to communicate and deliver messages in multiple ways. Including being able to communicate from far distances and with a clearer message to be delivered between each other. Whether through social media that enables direct interaction between people or by being everywhere through digital out-of-home communication such as billboards.

This opportunity that the technology creates several ways in which firms and institutions are able to improve communication and brand image toward the target audience. This is important as it can affect customers in a certain way. Grewal, D., et.al (2021), in their research to find that digital communication can influence public perceptions, attitudes, behaviours and shopping journeys. This not only benefits businesses and firms alike but also Government institutions.

One government institution that relies on the perception and expectation of its audience is the central bank. With the development of the central bank's journey of communication from the era of mystery to an era of transparency, openness and accountability is leading to a current situation where monetary policy communication is becoming a tool in helping the implementation of monetary policy. This is proven in the recent research in Central bank communication has been proven to be able to support the acceptance and efficacy of monetary policy that is being issued. One of them In the research of Dhanessar, A., & Mitchell, T. (2021), an effective communication by the central bank can complement the acceptance of monetary policy toward the stakeholder. The communication that

central banks create when issuing the monetary policy also creates an anchoring effect toward the acceptance of the monetary policy in the future (Rusuhuzwa, 2021).

With technology, now central banks have more diverse tools to work with communication. Unlike before, it relies on press conferences to communicate its policy and other conventional methods. Now they can use technology to address specific audiences and communicate with personalized messages that suit with every different stakeholder. Digital communication can be used in several ways. Each digital communication channel can deliver different messages to different stakeholders. In the business world, Facebook, LinkedIn and YouTube are used for communicating commercial information and promoting the business while Instagram and Twitter are used to raise the awareness for the CSR Initiative (Troise & Camilleri, 2021).

On the central bank side, digital communication can be used as forward guidance to our potential stakeholders. As economic agents our stakeholder contribute toward future macroeconomic variables via their expectation (Cole, 2021) . The tone of central bank communication also has a signalling effect on the economic agent. As the study state that the tone in which central bank communicates toward digital communication help agent predict future decision, thus decreasing the uncertainty of the agent-making decision process (Hubert & Labondance, 2021).

The Central Bank of Indonesia, as the authority in handling the stability of the economy of Indonesia, has utilized communication as a tool in supporting the effectiveness of transmission policy in Indonesia. This move is proof that Bank Indonesia has been acting toward openness and accountability based on regulation No 23. 1999. By having a vision as the leader of digital of central bank in Asia, Bank Indonesia has put its focus in which one of them is digitalization. With digitalization being developed, the way Bank Indonesia communicates has evolved into more adaptive and giving personalized messages toward targeted audiences and interactions toward stakeholders. This developed way of communication in hopes for a higher hierarchy toward transparency and accountability toward

stakeholders by acting in a best practice to ensure disruptive growth among the other central banks even in the sector of communication.

Until 2021 Bank Indonesia has developed several actions which improve the communication toward the stakeholders. The development of digital communication of Bank Indonesia started in 1997 with the first development of the Website as the information center related to the central bank that is being optimized every four years. Followed by the establishment of the social media Bank Indonesia in 2011 as the trend of Social media has emerged in Indonesia. This marked the first social media of Bank Indonesia, which is Twitter, which already has 794.5 Million Followers in 2021, being the highest follower among central banking around the world. In 2014 Bank Indonesia expanded their wings toward YouTube and Flickr as a platform to share videos and activities of Bank Indonesia. Furthermore in 2015 Bank Indonesia also established their institution on the platform Facebook and Instagram, which is one of the main channels for digital communication. At the moment, primary digital communication of Bank Indonesia related to social media includes Twitter, YouTube, Facebook and Instagram as well as non-social media platform including Website and Application as well as Digital out of Home advertisement (DOOH) in strategic places that has been constantly updated with a content matrix based on the activity of Bank Indonesia and in response toward external influence.

The existence of Bank Indonesia in the digital world is proof which shows the commitment to digital communication. The role toward increasing public literacy toward central banking and keeping and maintaining the expectation and credibility of Bank Indonesia toward all stakeholders.

## **1.2 Research Problem**

In accordance with the identification of the problems described previously, the formulation of the problem in this study is as follows: “Does the digital communication of central bank is effective from the public perspective as a tool in maintaining credibility?”

### 1.3 Research Objectives

With the explanation above this research would like to answer the following questions and will be formulated as the hypothesis for this research in the upcoming chapter. With the question as follow

1. Are digital communication significantly influence public perspective on central bank credibility?
2. How does the exposure to the bank Indonesia communication method influence public perspective on the Bank Indonesia Credibility?
3. By exposing to the central bank of Indonesian method of communication, how has this type of communication affect public perception of central bank Indonesian credibility

### 1.4 Research Advantages

The advantage of these studies relies upon finding out the effectiveness of digital communication dimension well as variable that being used by Bank Indonesia in managing expectations and trust in order to gain credibility. This is possible by utilizing the model in assessing the degree understanding and the relation between central bank communication that is now open and transparency due to central bank manifestation its credibility as well as the ability for central bank to create a genuine news to manage public expectation as well as reducing the potential asymmetric information to prevent uncertainty. This study will provide an assessment of the effectiveness of communication that Bank of Indonesia uses by measuring each method for each public stakeholder.

1. Theoretical Benefits
  - a. As a basis for developing further research for academics and researchers who are interested in the assessing credibility of central bank using their digital communication dimensions.
  - b. As a study material and contribute conceptually, especially regarding central bank credibility assessment from the public perspective and the implementation of monetary policy through digital communication channel of central.

## 2. Practical Benefits

- a. This study finding will open up toward the new measurement of communication assessment for Central Bank Communication that can be a good case practice for other central banks as the communication research of central banks is still new in the current times thus both central bank around the world and Indonesia government will be benefit from this research
- b. This research is expected to help a central bank in opening open a room for improvement in every digital communication channel that Bank Indonesia has in delivering their messages. This will allow Bank Indonesia to see and measure which kind of digital communication method proven to be effective in managing expectation and trust in order gaining credibility in the perspective of public.

