

MONETARY AND FISCAL POLICY IN THE COVID 19 PANDEMIC ERA PRESENTATION AND ANALYSIS

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ABSTRACT

The research was carried out in order to analyze Indonesian monetary policy and fiscal policy carried out by the Government and Bank Indonesia to anticipate all economic impacts arising from the Covid-19 pandemic which has had a major influence on the Indonesian economy. The method used in this research is descriptive qualitative, namely a research method that tries to understand various concepts found in research using content analysis techniques and library research. The research results show the efforts made by the Indonesian government in the form of monetary policy which is needed in order to stabilize the economic system together with fiscal policy. The Indonesian government together with the Central Bank have made optimal efforts to implement a combination and synergy of these policies to ensure that the country recovers quickly and emerges from a larger economic crisis.

Keywords: Covid 19 Pandemic, Monetary Policy, Fiscal Policy

JEL Classification: G10, E02, E42

INTRODUCTION

The Covid-19 pandemic has spread throughout the world, where this case started in the city of Wuhan - China, one of the cities which is famous as a gathering center for Chinese citizens during Imlex every year, regarding Covid-19 at this time the Government has not provided comprehensive information about this virus. Katadata.com in its report published that the spread of the corona virus until the second quarter had reached 28.3 thousand cases worldwide. Where the highest number of cases are in China (China), namely approximately 28 thousand cases. The rest are spread across European countries, America, Asia and Australia as well as the United Arab Emirates. This very deadly virus has spread in around 28 countries. Including Indonesia, which first confirmed the first two cases of positive Covid-19 patients on March 2 2020. (Pranita: 2020).

Data from learnbonds.com, the novel corona virus (2019-nCoV) has become one of the most expensive epidemics in the last 20 years. where recorded economic losses resulting from this virus, which attacked almost half of mainland China, which was the first region to announce that it had contracted Covid-19, were projected based on fairly accurate information to record losses of approximately US\$ 62 billion. This figure is much higher. The large economic loss caused by the Ebola virus was valued at US\$ 53 billion.

China's economy is weakening due to the spread of the corona virus. In fact, global gross domestic product (GDP) has so far been contributed by 17% from China, which automatically means that other countries will experience economic disruption. Most affected is Hong Kong, which is estimated to experience a decline in economic growth of 1.74%. Next are South Korea (0.41%), Brazil (0.32%), Australia (0.29%) and Indonesia (0.26%) in 2020. Suryahadi said that the economic downturn due to Covid-19 will increase

the population poor in Indonesia. The worse impact, if the economy only grows 1%, will result in a 12.4% poverty rate in Indonesia.

This poverty rate increased compared to 2019 by 9.2%, so the implication is that to help poor communities, new social protection programs are needed. (Suryahadi, 2020) According to the Ministry of Finance, in the Order Letter, SP – 27 /KLI/2020, in line with the PSBB and WFH regulations, the government issued a policy in the taxation system, namely by implementing relaxation in the payment of PPh Article 29 OP and the reporting of PPh OP SPT, which results in non-optimal realization of State income from PPh Article 29 OP. Moreover, State revenues sourced from Customs and Excise, nominally from Excise and Import Duties (BM) revenues, grew to 23.60% (yoy), sourced from total Excise revenues with growth of 36.50% (yoy). Meanwhile, in terms of the realization of cumulative Export Duty revenues, there will be negative growth of 32.56% (yoy). This was caused by the decline in import volume, resulting in a contraction in revenue growth from the international trade tax sector, this caused a decline in commodity prices, and there was also a slowdown in raw goods export activities as a result of the spread of the Covid19 virus.

The role of fiscal policy in stabilizing the economic sector in a country is inseparable from monetary policy. Cazacu (2015:12). Nainggolan on the site www.djkn.kemenkeu.go.id, stated that a comprehensive policy in the fiscal sector

Mankiw (2013:315) states that the focus and objectives of monetary and fiscal policy are different. Transmitting different variables in the economy at each shock from the implementation of monetary and fiscal policy. If the government hopes for growth in the economic sector, there are several policies that the government can implement, for example by increasing the level of government spending. It is hoped that this increase in government spending will encourage an increase in aggregate demand, which will cause an increase in the price of goods. And this will cause inflation due to an increase in demand that exceeds the amount of supply.

In facing this inflationary pressure, the monetary policy that BI will take is to increase the benchmark interest rate. This can cause the fiscal deficit to become even bigger, especially when the government is required to pay interest on its debt. Because the focus of monetary policy is different from fiscal policy, these two policies are two related policies. This is as stated by Cacazu (2015: 12) who emphasized that the role of fiscal policy in stabilizing a country's economy is inseparable from monetary policy.

Keynes' theory has become the basis of this policy philosophy which emerged as a reaction to the great depression that occurred in the American economic system in the 1930s. Keynes' criticism of classical economists who argued that the economy would always be at full employment. However, the free market system put forward by Keynes will not automatically make adjustments to full employment conditions, because government intervention is required in the form of government policy, namely fiscal and monetary policy. This is because each additional state spending not only reallocates resources from the private sector to the government, but is accompanied by a multiplier effect on this spending. (Mankiw, 2013:303)

The theory of the fiscal multiplier number presented by Keynes is based on the idea that fiscal expansion can cause a multiplier effect on aggregate demand, namely the ability of aggregate supply to respond to an increase in aggregate demand, so that price increases will not occur. (Abimanyu, 2005)

METHOD

Methodology as presented by Bogdan and Taylor is the process, principles and procedures that we use to observe problems and find solutions. The theoretical perspective in research also influences the methodology, namely a framework for the author's thinking or interpretation in understanding the data and its relationship with other events.

Meanwhile, qualitative is the collection of qualitative data, namely data obtained without using certain measuring instruments. It is also natural, namely what it is, not engineered. (Nasution 2003: 18). Bog and Taylor (Moleong, 2010: 3) state that qualitative is a research procedure that produces words, both spoken and written, from the person or actor we are observing."

So it can be concluded that research with a qualitative approach means the nature of the data collected is qualitative, because it does not use certain measuring instruments, the field situation is "natural" or reasonable, so descriptive research results are obtained.

This research uses a content analysis method, which is a way to obtain explanations from text in the form of symbols. This method can be used in all forms of communication, both print and electronic mass media. As technology advances, communication can be done using a general inquirer program. The idea of making content analysis a method emerged from Bernard Berelson in 1959 who devoted more attention to this analytical method. (Rakhmat, 1999) Meanwhile, the literature review method is a theory that is appropriate to the problem being researched. Namely, there is a study of the concepts used based on existing references, especially from articles in scientific works. Literature review II is intended to summarize the concepts that are used as the basis for thinking in research. (Sujarweni, 2014)

RESULTS AND DISCUSSION

The Covid-19 pandemic has become an epidemic that has spread to 199 countries in the world. All countries are quick to take quick steps to slow down the spread of Covid-19 because it will have an impact on all aspects of life, not only in the health sector which is in decline but also in the social and economic sectors of society which are getting worse.

Health Impact of Covid-19

Covid-19 is a virus that can spread quickly, although it is not quite as deadly as the H2N1 and DHF viruses, but it can be dangerous for elderly patients and patients with a history of congenital diseases such as heart disease and diabetes as well as patients with a history of acute respiratory problems. As of early January 2021, the number of confirmed Covid-19 worldwide was 86.5 million people with 1.87 million deaths, according to the WHO report. The countries with the most infections worldwide are the United States, India, Brazil, Russia and the UK, France and Italy. Meanwhile, Indonesia is in the top 20 in the world for total positive cases of Covid-19 with a total of 780 thousand people. With the most cases occurring on the island of Java, covering the DKI Jakarta, East Java, Central Java and West Java areas. (Arnani, 2020)

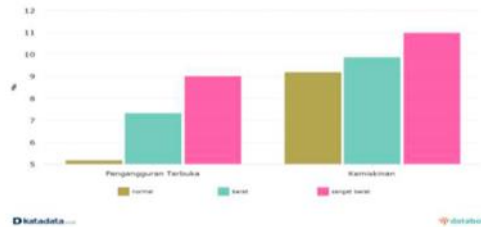
Social Impact of Covid-19

Efforts to break the chain of spread of Covid-19 are by maintaining social distance, this is aimed at controlling the spread of the virus over a certain distance. According to the Centers for Disease Control and Prevention (CDC) in the US, social distancing is avoiding gatherings and gatherings of people and maintaining a social distance of 2 meters. This includes policies for working, studying and worshipping from home. This social distancing has a very big influence on the social life of Indonesian people who are known to be very friendly (for example when celebrating weddings, traditional ceremonies or gatherings with extended family and colleagues, for example). Since the outbreak of the Covid-19 virus, of course this can no longer be done.

Economic Impact of Covid-19

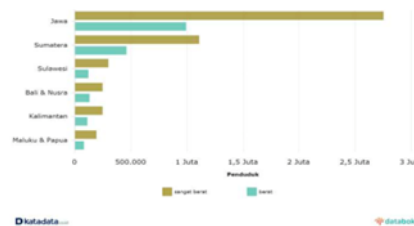
The Covid-19 pandemic has had the biggest impact on the economic sector. This can be seen in the government's projection that the Indonesian economy will grow -0.4-2.3% in 2020. However, in 2021, the Indonesian government remains optimistic that the economy is expected to increase by 4.5-5.5%. Various world financial institutions provide projections for Indonesia's economic growth for 2020 to 2023. Various studies estimate that COVID-19 will reduce Indonesia's economic growth rate to between 1 and 4 percent. (Suryahadi, 2020:11)

The Ministry of Finance through the Fiscal Policy Agency (BKF) also projects that the growth in unemployment and poor people will increase during the Covid-19 outbreak. The three increase projections that have been prepared by Febrio Nathan Kacaribu, as head of BKF, include basic (normal), heavy and very heavy calculations. namely the estimated basic level, projected open unemployment (TPT) at 5.18%, up to 9.02% and poverty at 9.18% to 10.98% in very heavy calculations.



Gambar 2. Proyeksi Pengangguran dan Kemiskinan Indonesia 2020
 Sumber : katadata.co.id

The Ministry of Finance's BKF made a number of projections of an increase in poverty rates in 2020, which occurred as a result of the current Covid-19 pandemic. The poverty rate on Java Island will increase very rapidly, it is estimated that the number of poor people on Java Island could increase to 2.75 million people. Sumatra, increased to 1.11 million, in Sulawesi an increase of 300 thousand people. Next is Bali as well as Nusa Tenggara and Kalimantan, 250 thousand people. Meanwhile, in Maluku and Papua it is predicted that there will be an increase of up to 190 thousand poor people.



Gambar 3. Peningkatan Penduduk Miskin Akibat Covid-19
 Sumber : katadata.co.id

COVID-19 also had an impact on changes in average per capita household expenditure between 2019 and 2020, estimated to fall -1.17 to -2.88 percent if growth in 2020 is projected at 4.2 and 3 percent, respectively. However, the decline will be much higher at -4.16, -5.44, and -5.72 percent when growth in 2020 is projected to be much slower at 2.1, 1.2, and 1 percent respectively. Suryahadi, et all (2020: 8).

Tabel 2. Hasil Estimasi rata-rata pengeluaran pendapatan per kapita Rumah Tangga Tahun 2020

Growth 2019	Growth 2020 (Scenario)	Change 2019-2020	Coefficient of correlation	Change in Average PCE
5.02%	4.20%	-0.82%	1.424	-1.17%
5.02%	3.00%	-2.02%	1.424	-2.88%
5.02%	2.10%	-2.92%	1.424	-4.16%
5.02%	1.20%	-3.82%	1.424	-5.44%
5.02%	1.00%	-4.02%	1.424	-5.72%

Sumber : Suryahadi, et all (2020)

Herlambang via the site <https://www.ayosemarang.com>, conveyed that there are three regulations that the Government has issued to deal with the economic and social impacts of the Covid-19 pandemic. The three regulations include: first, Perppu no. 1 of 2020 concerning financial policy and PP no. 21 of 2020 and Presidential Decree no. 11 of 2020 concerning regulations on Large-Scale Restrictions and health emergencies during the Covid-19 pandemic.

Economists are still wary of the worst possible losses that will occur due to increasing unemployment caused by the government's lockdown policy, because people do not leave the house to carry out production and distribution activities. (Partington & Wearden, 2020). The lesson we can take from the Chinese government's success and swiftness in taking direct action in handling Covid-19, namely that as a leading policy maker, the government should not be hampered by a lack of funds. Such as the provision of intensive care units and hospital capacity must also be expanded; construction of temporary hospitals; and health support equipment such as respirators and masks should be mass produced and made available to people who need them. On the other hand, health institutions should be given the resources and funds needed to disinfect public spaces. The most urgent thing to do during the current Covid-19 pandemic is to maintain and improve the quality of environmental cleanliness. It is also necessary to identify every existing case, because this is an effort that can save many lives. (Sikki, 2020:13).

Implementation of Indonesian Fiscal Policy

Implementation of Fiscal policy in Indonesia is based on PERPU Number. 1 of 2020 concerning Policy and Stability of the State Financial Sector which has been in effect since 31 March 2020, among others:

1. Determining the State Budget deficit limit above 3% of GDP in the period of handling COVID-19 until the 2022 fiscal year and the deficit will return to a maximum of 3% in 2023
2. There are adjustments to tax rates, among other things:
 - a. Corporate income tax was 22% in 2020 and 2021, to 20% in 2022
 - b. Corporate Income Tax is Open to the Public with the criteria that the number of shares paid up can be traded at least 40% with certain conditions, with a tax rate of 3% lower than income tax in point 2a
3. Ease of implementing taxes, namely:
 - a. The tax relief application policy will be extended to 6 months
 - b. The tax refund period is up to 1 year
 - c. The due date for claims for tax refunds, tax objections, reductions or elimination of tax sanctions is extended by 6 months.
4. Exemption from customs and excise duties on imported goods related to the development of domestic industry.

The Indonesian government's commitment is to continue to maintain fiscal continuity in 2020. The APBN deficit as of April 2020 was IDR 74.47 trillion, this is equivalent to 0.44% of GDP. Meanwhile, financing until April 2020 amounted to IDR 221.84 trillion, this increased by 53.58% (yoy), which came from debt financing.

Negative financial market sentiment occurred at the beginning of March due to the uncertain situation resulting from the Covid-19 pandemic. However, the money market situation is considered to have started to stabilize since April, although volatility still needs to be monitored. The government has also issued SUN in global bonds in the same month. This was done as a financing strategy for the 2020 APBN in order to support costs incurred due to the Covid-19 pandemic.

Furthermore, the government also synergized with BI in SKB No. 190/KMK.08/2020 between the Minister of Finance and the Governor of BI, anticipating situations that could endanger Indonesia's financial stability due to the Covid-19 pandemic. In this SKB, BI can buy long-term and tradable SBN on the primary market. This was

carried out in 2 stages, namely in a series of SBSN and SUN auctions on 21 and 28 April 2020. Apart from that, the Government introduced National Economic Recovery (PEN) in PP number 23 of 2020, this is an effort to empower MSMEs

The difficult to predict Covid-19 pandemic has weakened Indonesia's economic system. However, the government continues to implement fiscal policies to maintain the stability of the Indonesian economy. The government's projection of the APBD deficit figure is widening to 6.27 percent of GDP. In order to meet the state's spending needs, especially with the priority of handling Covid-19 and in order to recover the economy due to the Covid-19 pandemic, the government needs to continue to prioritize the principles of prudence, accountability and transparency. (Puspasari, Rahayu, 2020)

Analysis of Fiscal Policy

Various studies have been carried out to analyze the fiscal policies carried out by the government currently. A study that has been carried out includes, among other things, tax flexibility as a fiscal policy instrument to face the crisis caused by the Covid 19 pandemic. Adiananta (2020) explains the success of the Indonesian nation as a country that has escaped the economic crisis with a fairly good and successful fiscal policy strategy. carry out regulatory reforms and a modern tax system. This experience is an important lesson for the Government in the context of policy making in order to anticipate the financial and monetary impact of the Covid-19 outbreak, concluding that: a) Tax is a fiscal policy instrument with the function of regulating and maintaining the stability of the country's economy due to contraction and relaxation economy, which is flexible in terms of sustainable state revenues; b) Fiscal policy that has succeeded in increasing investment competitiveness and as an effort to anticipate the weakening of the global economy as a result of the Covid-19 pandemic by optimizing the function of a balanced state budget allocation.

Another study was also conducted by Silalahi, et all (2020: 156) regarding government fiscal policy, which emphasized government policy from both sides, both in terms of revenue and expenditure. In order to achieve the state revenue target, this is done by revising the tax revenue target, reallocating revenue in the 2020 APBN and digitizing taxes. On the state expenditure side, the government will revise the budget in order to reduce the APBN deficit. The first three stages of budget stimulus carried out by the government in February amounted to IDR 8.5 trillion to strengthen the country's economy from the tourism sector, and IDR 22.5 trillion was budgeted in March. This fiscal and non-fiscal policy is aimed at encouraging the industrial sector as well as making export-import easier and disbursing funds of Rp. 405 trillion at the end of March as health policy funds.

By implementing fiscal policy on state income and expenditure to maintain economic growth and stability. On the revenue side, the government should pay more attention to revenue contributions, especially those obtained from VAT and PPh. The government must pay attention to the aspect of actual use of funds from the expenditure side, so that the funds are right on target and focus activities on priorities to prevent the spread of the Covid-19 outbreak. In order to reduce the budget deficit from various financing carried out by the government by revising/refocusing the APBN so that its use can be optimized during the outbreak of the Covid-19 outbreak. (Silalahi, et all. 2020:166)

Implementation of Indonesian Monetary Policy

In Law no. 23 of 1999 concerning Bank Indonesia (BI), namely regarding the function of BI in maintaining monetary stability and also maintaining financial stability and these two things are closely related and support efforts to stabilize the value of the rupiah. (Sabirin, 2020)

Bank Indonesia as the institution that determines state monetary policy, is stated in PERPU No. 1 of 2020, namely by giving Bank Indonesia the authority to: provide short-term liquidity loans to both systemic and non-systemic banks. Providing access to

channeling funds to the private sector through government debt repo through banking. Accept applications for special liquidity loans if systemic banks have previously received short-term liquidity loans but are still experiencing liquidity difficulties with BI.

In addition to the BI policy above, the Government will also regulate guarantee programs other than the deposit guarantee program by issuing government regulations to prevent a deeper financial system crisis. The Financial Services Authority (OJK) on its official website states that the OJK has responded to the current economic conditions in Indonesia, namely by issuing OJK Regulation no. 11/PJOK. 03/2020, regarding stimulus for the national economy as a counter cyclical policy from the impact of the spread of Covid-19.

This policy applies to all conventional and sharia financial institutions and is valid until March 31 2021. The OJK policy includes: supporting the implementation of policies by banks that can stimulate the economic growth of debtors and MSMEs affected by the spread of COVID-19 and those experiencing difficulties in fulfilling obligations to the Bank, policies include: assessing credit quality, improving financing quality and regulating asset quality assessments. Distribution of other new credits by the Bank to debtors with special treatment in accordance with POJK. As well as carrying out periodic reporting by the Bank since the end of April 2020.

OJK also gave orders to financial service institutions to be able to carry out mergers, consolidations or conversions, exceptions to the obligations of several financial institutions to make disclosures in the capital market, provisions regarding provisions for information technology and finally regarding sanctions given to people who deliberately ignore or obstruct the authority of the OJK with a minimum sentence of 4 to 12 years in prison and a fine of IDR 10 to 300 billion. And for companies that commit violations, they will be punished with a minimum fine of 1 trillion.

Analysis of Monetary Policy

This research concludes that the low level of investor sentiment towards the market which can ultimately lead the market in a direction that tends to be negative is the impact of the COVID-19 pandemic which has an impact on economic fluctuations with negative movements. Several strategic steps in the fiscal and monetary fields are urgently needed and are expected to provide stimulation to the economy. A significant global economic slowdown occurred in the Indonesian economy, especially as a result of the decline in Indonesia's export activities to China. This is based on a sensitivity analysis which explains that Indonesia's economic growth has been greatly impacted by the current global economic slowdown. (Nasution, et al (2020: 212).

Modjo (2020:103) states that the consequences of maintaining the restrictive policy will also have the impact of continuing long economic suffering, which cannot be helped even by the various incentives and stimuli provided by the government. On the other hand, not implementing social distancing will also risk having a big impact on public health and will also increase the number of victims due to the Covid-19 virus. So that in the new normal phase in Indonesia, various government institutions, in this case Bappenas, have prepared a safe health protocol for the community in socio-economic activities during the pandemic, according to WHO criteria.

Developing an appropriate scale of treatment to reflect the needs and support of small communities, in this case the group of people most affected by Covid-19, in carrying out direct socio-economic treatment and intervention, it is necessary to strengthen the database. The roadmap prepared should consider regional aspects absolutely. Pay more attention to regional specificities due to the heterogeneity of influences arising from the Covid-19 outbreak, considering the different comparative advantages that various regions in Indonesia have.

Based on research conducted by the SMERU Research Institute (2020:11), Indonesia should prepare a social protection program that can help new poor people in addition to existing poor people. Apart from the large amount of resources needed to overcome this

problem, to ensure the effectiveness of the social protection program, Indonesia needs to learn again from experience in similar programs in previous crises as well as lessons from handling carried out in other countries.

CONCLUSION

In an effort to overcome the impact of the Covid-19 pandemic, the Government needs to implement various fiscal policies on state revenues and expenditures in order to maintain the growth and stability of the Indonesian economy. On the revenue side, the thing that the government needs to pay attention to is optimizing contributions from the government's revenue side, especially those that come from both VAT and PPh. This includes the tax system, dynamic fiscal policy strategies and updating the national tax system through regulatory reform and modern tax administration. On the expenditure side, the realization of the use of funds for handling Covid-19 so that they are right on target with the priority of preventing the Covid-19 pandemic must be given more attention by the government. The government needs to reduce the budget deficit by revising the budget compiled in the APBN so that its use is more optimal during the Covid-19 pandemic.

Developing appropriate handling priorities to reflect the needs and support of small communities most affected, as well as strengthening the database to address and be directly involved in the socio-economic sector, also by paying more attention to the comparative advantage of each region in Indonesia, with the heterogeneity of impacts that occur due to the Covid-19 pandemic. Apart from learning from the experience of the Indonesian people in experiencing the previous economic crisis, the Indonesian people should also review the economic policy steps of other countries.

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