How Dangerous the Indonesian Recession Due to COVID-19 Pandemic: Review Policy and Strategy to Recovery

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Abstract

This paper aimed to examine the severity of the recession experienced by Indonesia during the COVID-19 outbreak that has hit Indonesia, which has been going on for almost a year. For the discussion to be more focused, this study focuses on the government's policy and strategy efforts that have been implemented to overcome this crisis. To achieve the target of this study, we first collected preliminary reading material by reviewing articles about recession due to pandemics to obtain sufficient information related to the study plan. After the opening section is over, we next provide an overview of how we can convey an understanding of the recession and the reasons behind it. We then proceed to the middle of the study to conclude what findings are relevant. Before completing the results, we confirm that the findings of this study are valid and reliable. Finally, the findings can be summarized as follows: Recession has hit the national economy so that the government has adopted a policy of allocating fresh funds as a stimulus to the most affected residents. Another strategy from the government is to work with outside parties on systems to anticipate Covid-19 and face the risk of a domestic recession.

Keywords
COVID-19; Indonesian recession; pandemic; recovery strategy; review policy;

Introduction

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Materials and Methods

This section provides an overview of how we can convey an understanding of the recession and the reasons behind it. We then proceed to the middle of the study to conclude what findings are relevant. Before completing the results, we confirm that the findings of this study are valid and reliable. Finally, the findings can be summarized as follows: Recession has hit the national economy so that the government has adopted a policy of allocating fresh funds as a stimulus to the most affected residents. Another strategy from the government is to work with outside parties on systems to anticipate Covid-19 and face the risk of a domestic recession.

Results and Discussions

This section provides an overview of how we can convey an understanding of the recession and the reasons behind it. We then proceed to the middle of the study to conclude what findings are relevant. Before completing the results, we confirm that the findings of this study are valid and reliable. Finally, the findings can be summarized as follows: Recession has hit the national economy so that the government has adopted a policy of allocating fresh funds as a stimulus to the most affected residents. Another strategy from the government is to work with outside parties on systems to anticipate Covid-19 and face the risk of a domestic recession.

Conclusion

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1 Introduction

The appearance of the Coronavirus or COVID-19 pandemic, which has currently entered a year, continues to threaten all human life activities, as well as world economic activities, together with disrupting the Indonesian economy’s development and property. The most recent unharness from the Ministry of Economy shows that this disruption to the economic process tends to still decline by quite five-hitter within the second quarter. Likewise, experts’ predictions are constant, wherever the Indonesian economy can expertise a decline within the next quarter if the pandemic subscription does not show progress. At the same time, if the handling of a plague does not show good hope, then the Indonesian economy can have the constant potential within the fourth quarter, specifically a decline from -2.9% to -1%. For the economic system to get over this recession, specialists recommend that land desires numerous recovery methods, together with numerous parties, each economic aid, and donor agencies.

Government policies secured by the medics on the effectiveness of health protocols throughout the first emergence of COVID-19 with imprisonment and social distancing is an efficient approach to slow the unfold of the pandemic virus. However, if this policy lasts long run, it will disrupt economic development wherever public quality is restricted, and ultimately the wheels of the economy and business are going to be discontinuous. On the opposite hand, if the failure to join forces with alternative parties because the party providing support and help can cut back the government’s ability to manage the decline in coronavirus cases within the future. As a consequence, the impact of the economic worsening is going to be worse, particularly the domestic economy. So that it does not happen, it’s necessary to organize from currently on along between the government, the public, business folks, medical, particularly with the involvement of outsiders United Nations agency is evidenced capable of overcoming the pandemic (Valdés-Florido et al., 2020; Darlenski & Tsankov, 2020; Sudartini et al., 2020). The collective recommendation of medical and economic officers united to market cooperation across experience and practitioners that support from several domestic and transnational parties to slow and handle the unfold also, on restoring the impact of COVID-19, particularly economic recovery, is the main selection for Indonesia’s strategic policy that continues to be in associate degree unsustainable state of development. So as for this to be enforced, the Indonesian government has to contemplate innovative solutions to optimize all existing potential, together with formation regional and international cooperation. To open the door for numerous desires, resources together with health technology, and human resource capability to contend with this pandemic and economic disruption. So that land will contend with COVID-19 and, at the constant time, get over the economic recession.

A recession cannot be avoided if the national economic process continues to be negative for many consecutive quarters since the pandemic hit Indonesia’s economy. Consistent with several economic studies and business economic process, this national recession’s impact is on shopper transactions, and job losses, followed by a decrease in the endeavor as a result of residents have an issue with financial gain issues. Another study jointly declared that if the recession continuing, the land would be tough to recover as a result it might need to take longer than once the pandemic hit the economy. Compared to the slump at the top of the New Order era in 1998. It took land 5 years before having the ability to get over its recession. Another study jointly declared that within the second quarter of land, it had been believed that the economic system would contract by quite five.32%.

The government has revised the previous recession prediction; with the latest prediction for 2020, the recession will continue between -1.7% to -0.6%. On many occasions, the government continues to give confidence that the recession will not continue. It means that production activities are decreasing, or negative, which is likely to continue in the third quarter to the fourth quarter, close to 0%, which indicates an increase in economic activity or positive. For other options, perhaps the government will use the Indonesian State Budget Law program results for 2021. With predictions ranging from 4.5% to 5.5% with an estimate of 5.0%. The government’s prediction has a point if it submits to many studies. For example, Triggs et al. (2019); Purwanti (2020), study that the Organization for Economic Cooperation and Development (OECD) prediction next year, Indonesia’s economic growth is 5.3%, Asian Development Bank is 5.3%, and Bloomberg is 5.4 even IMF is 6.1%, together with the World Bank 4.8%. However, what happened was less than expectations if the
problem and the pattern of managing COVID-19 in the country showed a downward trend. It means that everything is very much determined in the COVID-19 case data, whether it decreases or increases, which will impact domestic economic and business activities, which will eventually turn into a major recession.

The authors observe various national news media that economic growth currently tends to be negative until the third quarter. This unusual growth was indicated by low activity in consumer purchasing power. This symptom is still the same as in the middle of the lockdown, where consumers are still shopping for groceries and other primary needs. Even some low-income families are still very dependent on government assistance, such as direct cash assistance and assistance from the Ministry of Social Affairs. As a result, economic activity runs in its place, money does not rotate, and only expenditure is very limited. The way out of this circle is the government will inevitably invest in subsidies and help consumers with domestic consumption to get people out of trouble or recession. This method is in line with Adeniran & Sidiq (2018), findings who understand how an economic recession occurs and provide advice to seek a way out through the recession case in Nigeria in the context of global socio-economic studies. So that later, the government this year can get out of a difficult recession where it can be seen that gross domestic product figure in the second quarter of 2020 have shrunk by 5.32%.

The recession scenario above turns out to be heavier than the government’s forecast often expressed by Bank Indonesia and speeches by cabinet ministries, especially the ministers who most understanding updates on financial developments due to COVID-19. For example, the estimated gross domestic product in the second quarter will fall -3.8%, through national media reports, which are slightly different from the forecast by Bank Indonesia, which estimates that the economic recession will fall to -4.8%. In this case, someone calculated the national economic recession in the second quarter of 2020 on a year-on-year basis by comparing it to the recession in the same quarter in 2019 that is contracted by 5.32% before the pandemic disrupted. Compared with the first quarter of 2020 or quarter on quarter, the result is the second quarter's national economic growth also contracted -4.19%. This recession reading the following study was done by Altig et al. (2020), who studied how economic development and recession in the uncertainty period before and after the pandemic.

Baldwin & Weder di Mauro (2020), assess the state of the economy in COVID-19 and related to several countries that will soon experience a severe economic recession if there is a contraction in their respective country's gross domestic product. It is clear that in the third quarter, Indonesia is likely to become one of the countries in the Southeast Asia region the hardest hit by the recession if growth conditions in the second quarter are to decline. This condition is relevant to Resosudarmo & Abdushofman (2018) findings, who questioned whether the country would experience a major recession if the 5 percent economic growth rate was considered still in a normal state, then a recession in Indonesia. Likewise, Cranfield (2020), attributing low consumer demand for necessities during the pandemic, suggests that a recession has become real ahead. The argument is that no consumer can hide behind their food needs and other primary needs other than because they can no longer afford it due to difficult financial conditions (Putra et al., 2020).

Understanding the extent of the recession will be repeated if Indonesia experiences negative and negative gross domestic product growth for two consecutive quarters in the next quarter. Then the recession has happened. However, if the fall is very deep with its size from year to year, it could be considered a severe recession. So this data reinforces the occurrence of a recession because the drop is quite significant. After all, it is not easy to return to positive in the next third quarter. So, Indonesia is pocketing the growth of the first-quarter gross domestic product at 2.97%. With a prediction of a downward trend in the third quarter, it will read -1.7%. Be more emphatic; if the Indonesian economy enters a severe recession, jobs will be very scarce in the future. That is an easy indication of the recession scenario.

To understand how the recession and depression due to COVID-19 produce excessive anxiety as many citizens lose regular income or collapse their businesses and livelihoods is so essential in today's learning. Many regions or countries must survive, but often the country or society is in a challenging situation and position and has high anxiety to think about and live a future that is always overshadowed by fear. Then this fear will, in turn, make it difficult for consumers or the community because they have to be prepared to live with minus costs and business activities that have to suppress investment, which ultimately results in further economic lag from the state and society who are better prepared to cope with the impact of recession due to pandemic disruption. The next thing that most originates when the country falls into a recession is the stock market condition, which shows a fluctuating trend from a sudden high to a low from before the COVID-19 pandemic: review policy and strategy to recovery. International Journal of Social Sciences and Humanities, 4(3), 121-129. https://doi.org/10.29332/ijssh.v4n3.470
issue until the middle of the year entering a new normal in Indonesia. The stock market has a very easy to understand that it owned as quickly as other institutions do. A government committed to fixing a recession that is almost endless to issue policies to ensure recession does not repeat itself like the 1998 collapse of the New Order. The government is trying its good thing that the current financial system does not longer threaten. However, the current reality of the financial condition is in stark contrast when tens of millions of Indonesians have to receive direct subsidies such as direct cash payment (BLT) and social ministry assistance due to unemployment, millions of others do not even know what to do when Indonesia caught a national recession.

2 Materials and Methods

This review’s main objective was to find out how bad the recession of the Indonesian economy is after the COVID-19 pandemic hit the economies of impacted countries, including Indonesia, which is now almost a year old. We wanted to focus this study on national policies and strategies that have been put in place to recover this very massive recession. To achieve the objectives of this study, we have carried out initial reading by citing many related articles to obtain information and data that are directly related to the topic of discussion. After writing the introduction, we then provide an overview of how we understand recessions and their causes. Then we continued with the central part of our study to conclude the findings of this study. Next, we review the findings and ensure that validity and reliability elements are achieved. We believe our study method is correct as directed by Flick (2013), where he has turned his book into a guidebook for the study of qualitative analysis of SAGE, industrial activities for the journal, and other publications.

3 Results and Discussions

Recession solution

The government’s efforts to overcome the recession for the first time were through the Ministry of Finance policies. For example, the government must maximize direct assistance to induce the budget from post-national economic recovery (REN). This time, the program received a very large disbursement of IDR 695.20 trillion, which was slow distribution to the people most affected by COVID-19. Due to the nature of the stimulus budget, the government must ensure that it reaches implementation targets. It also reaps the dynamics of the field. The government must also convey the message behind the funding assistance, namely the message of understanding from the stimulus funds so that the community still has to survive, not to be enjoyed. Stimulation funds for reasons of the Covid-19 pandemic, all parties must understand the meaning of aid funds while trying to escape recession, return to old normal.

How long to recover the recession

Indonesia has experienced a severe economic crisis, namely the monetary crisis in 1998. At that time, the government took more than five years to get out of the crisis. If guided by the experience of the recession, the country could face an economic emergency during the fall of the New Order, then the development period to fully recover from the recession impact of COVID-19 is probably more than one period of governance. Therefore, the recovery guidelines are of relevance to a study by Olivia et al. (2020), where Indonesia has experience in dealing with crises and recessions in 1998, the government will apply this method in handling the COVID-19 recession. So the study of Indonesian economic studies regarding knowledge of these two significant events is significant and helpful because the impact of the COVID-19 pandemic is similar to the 1998 crisis. Indonesia got to experience a massive economic crisis was the 1997-1998 monetary crisis.

Due to the monetary crisis in 1998, only a few sectors did want the government to handle it easily. However, this time the crisis and recession were due to COVID-19, where all sectors were affected. Even so, the government seems to have anticipated a pandemic-induced recession with various policies, a large budget allocation for treatment and care for victims of COVID-19, and a large allocation of funds for the recovery program affected by spontaneous and simultaneous financial assistance. It understands the government’s
brave attitude to issue regulations for loosening the State Revenue and Expenditure Budget deficit, which risks the deficit being above 3% for three years. It has to be appreciated as a way for the government to recover from a recession that no one does know when will end.

**Budget support**

This unexpected outbreak of COVID-19 has put more national budgets at risk in many affected countries. In Indonesia itself, due to soaring spending to overcome and anticipate the impact of the outbreak, the government predicts the budget deficit will continue to soar beyond the 4% deficit that is usually invested in every budget start. On the other hand, the government issued a presidential regulation confirming that the 2020 budget deficit is forecast to be IDR 1.03 quadrillion or around 6.34% of gross domestic product. It means that the fiscal deficit is more than twice the standard budget limit. On the other hand, the country’s income has also dropped significantly due to the reducing production and trade in responding to the pandemic.

They were citing many experts suggesting that the solution to overcoming the recession as a negative impact of Covid-19 lies in the government’s perspective. Experts said the government was asked to no longer solve the economic recession with a separate policy specifically for the cabinet for the economy and the ministry of health related to the pandemic’s impact. For example, through its cabinet, the government cannot prioritize health as more important than the economy because both of them impact each other. To end a recession, we must take a perspective that is not much different among policymakers. The times when it is also necessary to be assertive in issuing policies that are out of the ordinary, given that the COVID-19 pandemic has hit the supply and demand sides, which has financial implications.

Until mid-2020, the government has received financial support from other countries of around US $ 1.8 billion (Rp.26.3 trillion) to solve the recession caused by COVID-19. For example, aid from Japan has announced a disbursement of funds worth 50 billion yen (Rp. 6.9 trillion), supporting the government’s efforts to overcome the impact of the public health pandemic and back up the economic recession. This type of assistance has an interest rate of 0.01% in a 15-year tenon. However, such debt assistance with foreign governments has a significant risk opportunity. For this reason, the government has to be super careful in obtaining foreign loans, even for small amounts.

**Non-funding assistance**

Economic recovery is not only done with a financial approach. The involvement of technical assistance in various ways from related stakeholders has also helped the government dealing with the recession, in this case, domestic assistance and foreign technical assistance. Indonesia has many cooperative relationships with many foreign parties, and interests that positively impact economic recovery need to consider. The government can finally learn from other countries’ experiences during the technical process that will apply in Indonesia. Several countries have implemented recovery programs and evaluated the success of overcoming COVID-19. Evaluation of such methods and experiences will be a valuable reference for Indonesia to increase the technical capacity of economic recovery in a timely and targeted manner.

An example of how the Australian Government has shared its experiences with several countries in Asia, issuing a new standard policy to start operating activities and reviving its economy, is essential. On many occasions, Australian parliamentarians explained how their policies were to restore the economy affected by Covid-19. For example, Australia’s policy of having two disbursements of internal funds for the central and state levels so that funds distribution can be faster and more targeted. The Australian Government shares its approach to designing fiscal policies to start business activities after the lockdown. Since COVID-19 hit Indonesia in early 2020, the Australian Government has actively responded with three steps of economic assistance packages worth A $ 260 billion (Rp. 2,783 trillion) or 13.3% of the country’s gross domestic product.

The first package is prepared to support business investment and stimulate the economy in Indonesia. The second package of household assistance packages and preparatory steps to ensure a sustainable loan flow. The third package is towards programs aimed at supporting businesses and reducing layoffs. The three steps taken by Australia are the same as the allocation of the National Economic Recovery. As mentioned above, the budget is IDR. 677.2 trillion, which added for health impacted by COVID, social protection for workforce,

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incentives for small, medium enterprises, corporate finance, and the Ministry of Central Institutions and Local Government. It is not a single country that knows precisely the formula to overcome the effects of COVID-19. However, sharing and experiencing successful stories with other countries is very important for new knowledge of Indonesia, so that Indonesia takes steps and policies to improve the economic recession through various assistance.

Economic diplomacy

The result of recovering from an economic recession affected by various crises needs the government to prioritize the interest of recovering the national economy utilizing foreign economic diplomacy, especially with friendly countries with close state relations in various fields of economy, finance, investment, and other resource development. Those countries that have the advantage of contributing and are willing to share experiences in restoring the national economy in various ways, including cooperation in diplomacy to increase each country’s economic capacity, are so important. The COVID-19 outbreak has increased human awareness in many countries; they are now getting much benefit from certain countries as a strategic trade partner to help overcome the crisis, significantly when import and export problems are not stable.

For example, when the international community is needed for supplies of masks from Asia, this could be a good opportunity for Indonesia to promote alternative partners’ potential for the same product in fighting the COVID-19 outbreak. In particular, the national diplomatic objective is to take a cooperative role in increasing the world’s needs in the health sector as well as the crisis recovery program for each partner country so that the international community accepts Indonesia as a partner for trade diplomacy and other programs of high value and sustainability. Nabbs-Keller (2013), stated that Indonesia could express the ideas, organizational role, and leadership diplomacy through reforming Indonesia’s foreign ministry. It means Indonesia may consider all partner countries in Southeast Asia a strategic power among other Asian countries, stating that the foreign affairs’ ministry broadly partners Indonesia’s global relations in economic diplomacy.

Discussion

This section, we will discuss the results of research aimed at seeing how severe the economic recession that has hit Indonesia due to government policy efforts to slow the spread of COVID-19, in which we focus on efforts to find solutions to get out of the recession that has been almost a year old. Our first finding is to resolve this economic recession by allocating the government’s stimulus funds to help the most affected communities. Through this solution, Indrawati & Erliyana (2017), the government named it a national recovery assistance program with total funding of around IDR 695.20 trillion from the state budget. Regarding the government’s policy approach to restore the recession, the government’s decision is in line with many previous studies. Indrawati & Erliyana (2017), states that in economic recovery, the role of government is very decisive because the government is the party that has the authority in many ways, funds and power, and responsibility for the welfare of the community, free from COVID-19 and prosperous life.

Disbursement of large funds alone does not guarantee immediate results. For a recession to truly recover, hard work and a relatively long period are also imperative, especially since this recession is very different in characteristics and causes from the economic slowdown in 1998 when the New Order regime fell. Foroni et al. (2020), predict that recovery from a recession due to Covid-19 will be a lesson in financial difficulties where recovery work is not as easy as the cause of a recession. It means that it requires and a relatively long time until there are results. Recession recovery strategy does require new budget support to be upfront (Wu et al., 2020; Liao & Keng, 2013). This budget is a stimulus to support the community’s emergency needs to survive the impact of the recession. Botta et al. (2020), said that the recovery of crises and recession due to COVID-19
could be in the form of disbursing funds to the community so that the people’s economy can grow. These funds can come from debt or bonds.

Other policies and strategies are in the form of non-financial assistance. For example, the transfer of experience from countries that previously managed to restore the same recession (Akhtaruzzaman et al., 2020). The disbursement of fresh funds is essential. Still, another non-financial assistance during the COVID-19 crisis has also helped the country recover quickly from the recession, such as cooperation between countries. Deplomation of the economic sector is also a potential strategy for Indonesia to recover from the financial crisis. Gerard et al. (2020), state that the protection of social responsibility from developed countries against the recession crisis due to COVID-19 is an option for developing countries like Indonesia. Those are the findings of an understanding review of how severe economic damage is due to the response to COVID-19 because policies that address public health issues impact the decline of the national economy.

4 Conclusion

As discussed at the top, the purpose of this study is to review how severe the Indonesian recession is due to the COVID-19 pandemic. More specifically, this study reviews how the government’s policies and strategies to recover from this recession that has hit Indonesia for almost a year. The economic recovery effort is a process of transferring existing resources such as funds and other support through national policies so that people affected by business and investment go bankrupt due to challenging financial conditions, requiring the government to allocate existing resources to recover from the recession quickly.

As for what the government has done for this purpose, first is efforts to solve the recession, namely through the allocation of fresh funds as stimulus funds to citizens most affected by COVID-19. The second is the provision of stimulus funds following the estimated timeframe for the pandemic recovery period so that the recession will also recover. Third, financial support is the key to recovering from a recession. So the government must have the courage to take this figure, even though it is hazardous, what else is with the mainstay of loan funds from foreign countries and donor agencies. Fourth, assistance in the form of non-funds or transfer of experience and technicality from any party so that strategies and experiences for recovery can be shared between Indonesia and experienced foreign parties. Finally, economic diplomacy with various countries that are willing to cooperate during Indonesia during this recession.

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References
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