

## **Covid-19: The Global Pandemic and its Impact on the Indonesia Economy**

Rif'atul Fitriyah<sup>1</sup>, Ikbar Luqyana<sup>2</sup>

<sup>1,2</sup>Accounting Study Program/ Faculty of Economics and Business, Airlangga University, Indonesia

\* email: <sup>1</sup>[rifatul.fitriyah-2019@feb.unair.ac.id](mailto:rifatul.fitriyah-2019@feb.unair.ac.id), <sup>2</sup>[ikbar.luqyana-2019@feb.unair.ac.id](mailto:ikbar.luqyana-2019@feb.unair.ac.id)

*Article Info: Submitted: 01/06/2021, Revised: 10/06/2021 Published: 03/09/2021*

### **Abstract**

2019-nCoV is officially referred to as SARS-CoV-2 and is a major cause of a disease called Covid-19. Indonesia announced the first victims of this epidemic of 2 people on 2 March 2020 then. Until March 29, 2020, the number of victims continues to grow reaching 1,285 people. This pandemic occurs at a global level, causing the industrial world to decline and it seems that some industrial organizations cannot survive as a result of this pandemic. The objective of this study is to analyze the impact of the Covid-19 outbreak which impacted on economic shocks in Indonesia. The economic shocks represented in this study are a decrease in people's purchasing power and turnover of business actors to a decrease in tax performance as a source of state revenue. The analytical method used in this research is to use a variety of policies decided by policy makers as an effort to save Indonesia from a prolonged economic crisis. The results showed that the Indonesian economy experienced a decline, ranging from the taxation sector to the stock market. The decline was the worst compared to the crisis that occurred in 1998 and the lowest in Asia.

**Keywords:** Covid-19; global pandemic and Indonesian Economy.

### **Abstrak**

2019-nCoV secara resmi disebut sebagai SARS-CoV-2 dan merupakan penyebab utama penyakit yang bernama Covid-19. Indonesia mengumumkan korban pertama penderita epidemi ini sebanyak 2 orang pada 2 Maret 2020 lalu. Hingga 29 Maret 2020, jumlah korban terus bertambah mencapai angka 1.285 orang. Pandemi ini terjadi di tingkat global, menyebabkan dunia industri mengalami kemerosotan dan tampaknya beberapa organisasi industri tidak dapat bertahan akibat pandemi ini. Penelitian ini bertujuan untuk menganalisis dampak wabah Covid-19 yang berimbas pada guncangan perekonomian di Indonesia. Guncangan ekonomi yang diwakili dalam penelitian ini adalah penurunan daya beli masyarakat dan omset para pelaku usaha hingga penurunan performa pajak sebagai sumber penerimaan Negara. Metode analisis yang digunakan dalam penelitian ini adalah dengan menggunakan berbagai macam kebijakan yang diputuskan oleh para pembuat kebijakan sebagai upaya untuk menyelamatkan Indonesia dari krisis ekonomi berkepanjangan. Hasil analisis menunjukkan bahwa perekonomian Indonesia mengalami penurunan, mulai dari sektor perpajakan hingga pasar saham. Penurunan tersebut merupakan yang paling buruk dibandingkan dengan krisis yang terjadi pada tahun 1998 dan yang terendah di Asia.

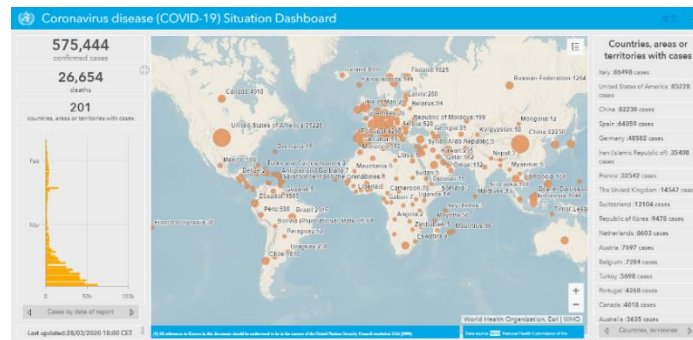
**Kata kunci:** Covid-19; pandemi global dan ekonomi Indonesia

## **INTRODUCTION**

An unprecedented outbreak of pneumonia from an unknown etiology in Wuhan City, Hubei Province in China emerged in December 2019 (Chakraborty & Maity, 2020). The illness tied to the new coronavirus was originally called novel coronavirus-infected pneumonia (NCIP) (Zhu et al., 2020). The World Health Organization renamed it COVID-19, which is short for coronavirus disease 2019 (Wang et al., 2020). Covid-19 is caused by a betacoronavirus named SARS-CoV-2 which affects the lower respiratory tract and manifests as pneumonia in humans. Efforts to detain and quarantine have been carried out strictly in various countries, but the incidence of Covid-19 continues to increase with 90,870 cases tested positive and more than 3,000 deaths occur worldwide. The number of cases of Covid-19 is classified as the largest in the world when compared to the related outbreaks that have happened before, such as Ebola, Zika and SARS. Ebola occurred in 2014 and occurred in 28,646 cases with a total of 11,323 deaths in the global environment. The zika outbreak occurred in 2015 and occurred in 83,760 cases with 9 fatalities in the global environment. Finally, the SARS outbreak occurred in 2003 and was returned in 8096 cases with 774 fatalities (Kapuriri & Ross, 2020). Nowadays, the majority of patients infected with SARS-CoV-2 have experienced mild symptoms such as dry cough, sore throat and fever. Some of them experience symptoms that develop such as various fatal complications including organ dysfunction, pneumonia and acute respiratory distress syndrome.

January 30, 2020, WHO declared the China Covid-19 outbreak as an international public health emergency with high risks for countries with vulnerable health system. March 3, 2020, there were 90,870 confirmed Covid-19 cases, 80,304 of which were cases that occurred in China (Lau et al., 2021). Figure 1 shows the WHO site on March 28, 2020 there were 202 countries infected with Covid-19 with the number of confirmed cases of 575,444 cases and 26,654 cases confirmed dead. The country with the highest cases was Italy with 86,498 cases, followed by the United States with 85,228 cases and China with 82,230 cases. The fewest number of Covid-19 cases in one country is 1 case, the countries with the least number of cases are Libya, Papua New Guinea, Saint Vincent and the Grenadines and Timor Leste.

## Coronavirus Disease (Covid-19) Situation Dashboard



**Figure 1 Coronavirus Disease (Covid-19) Situation Dashboard**

Source: WHO, World Health Organization

Figure 1 shows that Indonesia is in 38th position with 1,046 confirmed cases. Indonesia announced the first case of this pandemic on March 2, 2020 with the discovery of 2 people infected with Covid-19. This number continues to increase until it reaches 1,285 cases on March 29, 2020. The number has increased up to 500 times from the first time the case was found. A total of 1,285 cases consisted of 1,107 were still being treated, 114 deaths and 64 were reported cured. Since this case emerged in Indonesia, the Government has issued various policies to reduce the spread of the number of victims of this pandemic (Setiati & Azwar, 2020). One of the intensive efforts made by the Government is social distancing and physical distancing. These efforts are in accordance with WHO recommendations and provide limits on all forms of social activity and physical contact in the community. Learning from home, working from home and worshipping from home are part of this policy.

Learning from home, working from home and worshipping from home allow the emergence of paradoxes in the form of a decline in economic activity. The Examples are small traders who do not get any income at all, businesses lose money, and export-import activities are decreased. Some companies also impose unpaid levels (UL) up to termination of employment (layoffs) on a large scale because in the labor market, the interaction between employer users and employees in the form of layoff decisions is seen as a condition that needs attention in economic growth. According to micro-level multiple stochastic imputations coherent with the evolution of the employment rate, income losses

related to job terminations will be partially offset by the highly fragmented income support safety nets available. The Covid-19 increasingly infects the Indonesian economy and has consequences for economic damage that were never imagined by economic policy makers. The economic impact caused by this pandemic initially only eroded the external side of the Indonesian economy through the increase in a number of imported commodities from China. But in reality, the exchange rate of the rupiah weakened sharply, while the stock market was also inflamed as the Composite Stock Price Index (CSPI) was corrected very deeply. Economic growth is also expected to slow down drastically, eroded by the spread of the impact of Covid-19 in various economic sectors.

Infectious disease outbreaks can easily cross borders to threaten economic and regional stability, as has been demonstrated by the HIV, H1N1, H5N1 and SARS epidemics and pandemics (Verikios et al., 2016). In studies on SARS in Beijing, China and food and mouth disease in the countryside of England, researchers concluded that businesses in outbreak areas were deeply impacted by a drop in demand, even if nationwide, long-term economic impacts were relatively minor (Page et al., 2017). Macciocchi et al (2016) reported that companies sponsoring the 2016 Olympic Games experienced negative stock returns following early announcements from international organizations about Zika, but these negative shocks did not persist following subsequent advisories.

What are the economic challenges in Indonesia as an effect of Covid-19? How is the economic projection so far related to Covid-19 and what efforts have been prepared by the government and financial and monetary authorities in Indonesia to reduce the economic impact caused by Covid-19? The aim of this research is to provide an analysis of the impact caused by the Covid-19 pandemic from an economic perspective ranging from a decrease in people's purchasing power and business turnover, a reduction in business operations activities until mass layoffs as part of the implementation of social distancing and physical distancing. IHSG as part of the capital market also touched its lowest point during the last eight years until the rupiah exchange rate broke the Rp. 17 thousand. Taxes as a source of state revenue are also estimated to weaken this year to a performance decline of 6.86% compared to last year as a result of Covid-19. The analysis carried out later is expected to be able to provide an overview and understanding for policy makers in this country regarding the economic conditions in Indonesia as an effect

of Covid-19. The results of this study are expected to provide benefits for policy makers, especially in the economic field to be able to prevent Indonesia from a prolonged economic crisis.

In June 2016, the first cases of Zika were reported in the US in the Wynwood neighborhood of Miami, Florida. Page et al (2017) present the results of a survey of Wynwood businesses about their perceptions of their financial well-being and the government and media's responses to the Zika outbreak. Business reported downturns in revenues, profits and customer traffic following the prices. All business reported dissatisfaction with the government's response to the outbreak. Sands et al (2016) argue that one reason why economists fail to include economic vulnerability to infectious disease threats in their assessments is the absence of readily available and digestible input data to inform such analysis.

Verikios et al (2016) show that the global macroeconomic effects of an influenza pandemic may be significant but are also likely to be short-lived. The largest economic impacts of an influenza pandemics are driven by reduced international tourism, due to risk-modifying measures by households and travel restrictions imposed by health authorities and lost workdays, due to illness or formal social distancing measures designed to contain the virus. Macciocchi et al (2016) identified four relevant media shocks and performed two analysis using data from the Datastream database to find whether the market indices of the three major LCR countries and the major companies that are sponsoring the 2016 Olympic and Paralympic Games, report negative returns the day after each shock.

## **METHOD**

This research uses a qualitative method which is a research procedure that produces descriptive data with the type of research used is content analysis. Content analysis is a model used to examine data documentation in the form of text, images, symbols and so on. Content analysis examines a text objectively to get a picture of something discussed as it is, without any intervention from the author. Content analysis also eliminates certain biases, bias and trends from researchers. Content analysis is focused on the content of a text and is not a result of the subjectivity of the researcher (Eriyanto, 2015).

The authors analyze the economic challenges, economic projections and government efforts in Indonesia in relation to the impact caused by Covid-19 through various policies decided by policy makers such as the President of the Republic of Indonesia (RI), the Minister of Finance, Otoritas Jasa Keuangan (OJK) and Bank Indonesia (BI) in response to the impact of Covid-19 on the economy in Indonesia and as an effort to save Indonesia from a prolonged economic crisis. The analysis was carried out in depth to obtain a picture of the actual condition of the Indonesian economy and its efforts to resolve it under the spread of Covid-19.

## RESULT AND DISCUSSION

Covid-19 is known to have first spread in Wuhan, China at the end of 2019 (Wu et al., 2020). Since then, the virus has continued to spread rapidly throughout the world, including Indonesia. WHO has also announced Covid-19 as a global pandemic. This is a health problem that threatens many countries. Because of its rapid spread, it is undeniable that Covid-19 also has an impact on the global economy. Global economic growth is predicted to slow down. A number of world institutions, including the International Monetary Fund (IMF) have revised the projected world economic growth for 2020, since the Covid-19 blow. Previously, in January 2020, the IMF projected that global economic growth would strengthen from 2.9% in 2019 to 3.3% in 2020.

**Table 1 The Impact of Covid-19 on the Indonesian Workforce and Economy**

<b>Scenario</b>	<b>Number of Victims</b>	<b>PDB Correction (%)</b>
4	647	1,3
5	1.616	2,8
6	2.909	4,7
7	647	1,3

Source: OECD, Organization for Cooperation and Economic Development

This makes the Indonesian economy clearly affected as well. Economic growth and national trade performance are predicted to be sluggish as a result of the decline in economic growth and global trade. The revised rate of global economic growth

projections reported by the IMF is the same condition as in the period 2008-2009. During this period, the world was faced with a global financial crisis that began in the United States. The moderate scenario of the government projects that the Indonesian economy can still grow by 4% and the worst scenario is that the Indonesian economy can fall into a growth of 2.5% or even 0%. The worst case scenario can occur when Covid-19 occurs over a long period of time and results in regional quarantine (lockdown).

The economic challenges that must also be faced by Indonesia in relation to Covid-19 are the decline in consumer purchasing power and turnover of businesspeople, weakening of the IHSG and the exchange rate of the rupiah against the dollar and the exemption of tax obligations as a source of state revenue. These things can have an impact on the Indonesian economy with the following explanation:

### **Big Wave of Work Termination (Layoffs)**

The President of Indonesia applies social and physical distribution in accordance with WHO's recommendations as an effort to increase public awareness of the spread of Covid-19. However, social distancing has a direct effect on the Indonesian economy. Social distancing has an impact on people in the informal sector who depend on daily income. The daily income received, of course, will become smaller with this policy. Some businesses have begun cutting work hours within one week. This is still being done so that operational activities do not really stop and business operators can still provide a decent wage for their employees.

This condition also forced business actors to be desperate to "lay off" their employees on the grounds of not being able to provide salaries to their employees. The company did not make layoffs and will call back its employees later when conditions return to normal. The biggest threat from social and physical distancing policies in the form of large-scale layoffs may be possible because many jobs cannot be done from home, such as production activities that depend on machines at the production site. Layoffs can also occur due to lack of purchases from consumers and limited exports to certain countries, so that it can hamper exports and reduce the income of business actors, even losses for business actors.

Layoffs can also hinder operations due to the scarcity of raw materials for production imported from abroad. Declining income, reduced salaries, employees laid off until massive layoffs can reduce Gross Domestic Product (GDP) and hamper Indonesia's economic growth.

The implementation of social distancing policy causes shocks to production activities as seen from factory closures in most parts of Indonesia. Layoffs cannot be prevented and this results in a decrease in people's purchasing power which results in decreased consumption of goods. Social distancing practices from the point of view of consumers also cause the freedom of consumption of goods to decrease and have implications for the reduced demand for goods. This leads the companies not getting maximum income and tend to lose money. The company reduced its production costs and a wave of layoffs occurred again.

A wave of layoffs began to hit Indonesia as a result of the Covid-19 pandemic. Data from the Ministry of Manpower, more than 1.5 million people have lost their jobs as a result of Covid-19. 10.6% of them or around 160 thousand people have lost their jobs due to layoffs, while another 89.4% have been fired. Waves of layoffs have been reported in various regions in Indonesia, from Java to Kalimantan. Based on data from the Department of Manpower and Transmigration (Disnakertrans) of West Java, as many as 14,053 workers were laid off and 5,047 were fired. The reason is that the company is already experiencing financial distress. In East Java, as many as 16,086 workers were laid off and 1,923 workers were fired. The amount is based on data up to April 7, 2020. The number also comes from 29 companies located in Regencies or Cities, such as Gresik, Blitar, Banyuwangi, Jombang, Lamongan, Ngawi and Kota Baru. In Central Java, 191 companies with 148,791 workers were affected by Covid-19 until 6 April 2020. Of these, 24 thousand workers were laid off. In the Capital City, 139,288 workers from 157,472 companies were laid off without receiving wages. In Bali, 400 workers were laid off and 17 thousand were laid off. In Jambi, 749 workers were laid off.

Waves of layoffs also whack workers in Kalimantan. Central Kalimantan for example, as many as 848 workers were laid off. In East Kalimantan, 4,109 workers from 70 companies were laid off, while 323 workers in 33 companies used layoffs as of 7 April 2020. The government has facilitated special assistance to support workers' finances



through pre-employment cards. The benefit is Rp. 3.55 million per month for each person. However, it is now being launched for 5.6 million people, focusing on formal and informal workers, as well as micro and small businesses affected by the Covid-19 pandemic. In West Java, the Regional Government established a special assistance program, an external assistance program through a pre-employment program program from the central government. The West Java Government provides assistance Rp. 500 thousand per month.

### **Capital Market and Dollar Exchange Rate**

The Ministry of Finance revealed the impact of the Covid-19 virus pandemic on the Indonesian capital market. All capital market sectors in Indonesia experienced a decline, without exception. The Minister of Finance also mentioned that the exchange rate of the rupiah against the US dollar (US \$) has declined since the beginning of 2020, although lately the rupiah has strengthened again, even though the US dollar (US \$) itself is also experiencing a strengthening. The IHSG closed down 1.3% at 3,937 on March 24, 2020. Throughout the week, the IHSG has touched its lowest level in the past eight years. IHSG had fallen at 3,000 levels, namely on June 24, 2012 at 3,955.58. Some policies issued by OJK to overcome this situation, including trading halt or freezing for 30 minutes if the IHSG fell by 5%. Halt trading was first carried out throughout the history of the Indonesian capital market took place. OJK also appealed to PT. Bursa Efek Indonesia, PT. Kliring Penjaminan Efek Indonesia and PT. Kustodian Sentral Efek Indonesia to cut operational time. This step is an adaptation of BI's policy which shortens BI Real Time Gross Settlement (BI-RTGS) operating hours. The IHSG is increasingly under pressure along with the 'wait and see' action taken by investors.

### Rupiah Exchange Rate to Dollar



**Figure 2 Rupiah Exchange Rate to Dollar**

Source: JISDOR, Jakarta Interbank Spot Rate Reference Dollar Rate

Not only weaken the capital market, Covid-19 also dropped the exchange rate of IDR against USD. The exchange rate of IDR against the USD and other foreign currencies has become the main source of the recent market, regarding the Covid-19 outbreak. IDR became one of the currencies that experienced a fairly high attenuation. Since the Covid-19 outbreak hit Indonesia, the rupiah exchange rate has decreased quite deeply. If in December 2019 the IDR was still at the level of 13,400 per USD, now it has reached Rp. 16,500 per USD. The global economic slowdown is bad news for IDR. In the beginning of 2020, the IDR showed its might and had become the best performing currency in the world. But in the end the selling price of the USD at five major banks broke through Rp. 17 thousand on March 23, 2020, while the Jakarta Interbank Spot Dollar Rate or JISDOR reference rate places IDR at Rp. 16,608 per US \$. Figure 2 shows how the IDR exchange rate against the USD weakened during the Covid-19 pandemic. The weakening of the IDR is the deepest in Asia. This figure is also the lowest since the crisis in July 1998. The following day, the IDR only strengthened by 0.45% to the level of 16,500 per USD as shown in Figure 2. This figure is a psychological number for the Indonesian economy. In June 1998, when Indonesia experienced a monetary crisis, the IDR also experienced a very deep weakening, even reaching the level of Rp. 16,650 per USD.

Yields on 10-year tenor bonds, increased from 7.06 at the end of December 2019 to 7.94 on April 15, 2020 (meaning that bond yields have increased by 0.88%). For 10

years, the USD bond yield has increased from 2.90 at the end of December 2019 to 3.37 on April 15, 2020 (meaning an increase of 0.47%). The Minister of Finance also acknowledged that pressure on the Indonesian capital market caused an outflow of Rp. 126.8 Trillion in March 2020. In February 2020, the outflow of foreign funds from the Indonesian financial market reached Rp. 33.7 trillion. In January 2020, the flow of foreign funds entering or inflow into the national money market was Rp. 15.2 Trillion, while for the 1st to 15th April 2020, the outflow has reached Rp. 11 trillion.

The global financial market is indeed far from stable since the Covid-19 outbreak was declared a global pandemic. The President of the United States, Donald Trump, immediately announced a stimulus package for the United States economy as a strategy to fight against Covid-19. Indonesia, in the end, also felt the stimulus policy made by Donald Trump. Bank Indonesia (BI) noted that the flow of foreign capital out of Indonesia by mid-March 2020 had reached Rp. 105.1 Trillion. Until March 24, 2020, foreign capital outflows reached Rp. 125.2 Trillion. The Governor of Bank Indonesia provides details of the outgoing funds consisting of foreign capital outflows from the National Securities Market (SBN) of Rp. 92.8 Trillion, the stock market of Rp. 8.3 Trillion and the remainder from corporate bonds. The outflow of foreign capital was not matched by the entry of investment into the domestic portfolio. If in February 2020, the incoming money was still up to 5.1 billion US \$, then until the middle of March, the foreign money that had come in was only 365 million US \$. There is an imbalance between demand and supply, which in turn makes the rupiah weaken to approach the psychological crisis of 1998.

### **State Revenue (Tax and Non-Tax)**

Tax revenue in 2020 is expected to weaken as a result of the Covid-19 pandemic. Based on the results of the state budget release, the realization of tax revenue as of January 31, 2020 was recorded at Rp. 80.22 Trillion or 4.88% of Rp. 1,624.57 Trillion. When compared with the previous year's period, the performance dropped by 6.86%. The Indonesian Minister of Finance plans to issue Tax Incentives for businesses to overcome the pressure caused by Covid-19 on the domestic economy. Realization of State Revenues sourced from Tax Revenues and Non-Tax State Revenues (PNBP) each reached Rp. 279.89 Trillion and Rp. 95.99 Trillion. Meanwhile, the realization of the grant in the same

period reached Rp. 0.08 Trillion. Tax and PNBP revenues grew by 0.43% and 37%, respectively.

Meanwhile, overall, the growth of the tax revenue component until the end of March 2020 still originated from tax revenue on household consumption, although tax revenue was also overshadowed by pressure due to the weakening trend of manufacturing industry and international trade activities, and weakening economic activity due to the spread of Covid -19. Furthermore, along with the existence of regulations related to work from home, as mentioned in the previous section, both for the government sector and the private sector, this will eventually lead to a slowdown in business activities at the end of May 2020 which has the potential to reduce domestic surrender which then can also suppress the receipt of Domestic Value Added Tax (PPN-DN) in April 2020. Not only stop there, the condition is also likely to continue to experience contraction in May 2020, bearing in mind that in April some parts of Indonesia have imposed Large-scale Social Restrictions (PSBB), especially in the affected areas. In addition to the implementation of work from home and large-scale social restrictions, the Government also provides tax facilities in the form of relaxation of PPh Pasal 29 (OP) payment and reporting of Personal Income Tax Return. This in the end of course has an impact on the not yet optimal realization of income PPh Pasal 29 (OP).

Furthermore, nominal Customs and Excise receipts, the most common are still supported by receipts from Customs and Import Duties. Judging from its growth, customs and excise receipts experienced growth reaching 23.60%. This growth, mainly from the excise revenue growth, which recorded a growth of 36.50%. On the other hand, the realization of export duty revenues, the cumulative growth is still negative, which is at -32.56%. The contraction in international trade tax growth occurred as a result of falling import volumes, falling commodity prices and slowing exports of raw goods as a result of the outbreak of Covid-19 in various countries.

The realization of PNBP until the first Quarter of 2020 experienced a positive growth of 36.80% compared to the same period in 2019 (Rp. 70.16 Trillion). In more detail, the achievement of the realization of the First Quarter, the main source came from the PNBP SDA Migas, which was recorded at Rp. 28.64 Trillion (22.5% of the 2020 State Budget) or experiencing a growth of 7.42%. Non-oil and gas PNBP revenue until the end

of March 2020 decreased by 22.41%. Meanwhile, the achievement of revenue from separated state assets, until March 2020 showed a growth of 907,314.82% compared to the same period in 2019. Likewise, the revenue of the Public Service Agency (BLU) until March 2020 recorded a positive growth of 37, 17% compared to the same period in 2019, from the initial Rp. 9.38 Trillion experienced growth to Rp. 12.87 Trillion.

### **Realization of Government Expenditures**

The Minister of Finance said that Central Government Expenditures Realization until March 2020 experienced a growth of 6.58% compared to the previous year. The realization of the State Expenditure includes the realization of the Central Government Expenditure and the Realization of Transfers to the Regions and Village Funds (TKDD). The increasing performance of the Central Government Expenditure's Realization was mainly influenced by the realization of the Capital Expenditure of Rp. 11.95 Trillion and Social Assistance in the amount of Rp. 47.17 Trillion. Realization of Capital Expenditures up to March 2020 increased by 32.06%, while the realization of social assistance grew by 27.61% when compared to the previous year as a form of effort made by the Government in implementing social safety net programs. The increase in the performance of spending realization reflects the Government's commitment to accelerate productive spending and improve services, including efforts to protect the poor and vulnerable.

Realization of TKDD until March 2020 reached Rp. 174.50 Trillion, which includes Transfers to Regions (TKD) of Rp. 167.30 Trillion and Village Funds Rp. 7.20 Trillion. The realization of TKDD up to March 2020 was lower around Rp. 16.82 Trillion or 8.79% compared to the same period in 2019. In general, this was mainly due to the non-optimal distribution of TKDD funds until the First Quarter of 2020 due to the fulfillment of TKDD distribution requirements by the Regional Government. The realization of TKDD up to March 2020 was lower Rp. 13.94 Trillion or around 7.69% compared to the realization of TKD in the same period in 2019. The low realization of TKD was mainly due to several reasons, such as:

1. Realization of Profit Sharing Funds (DBH) only around 38.39% compared to the same period in the previous year;

2. The realization of the General Allocation Fund (DAU) is only around 6.10% compared to the same period in the previous year.

This is mainly due to DAU disbursement based on performance, so that disbursement can only be done after the Minister of Finance (Directorate General of Financial Consideration) receives employee expenditure reports from the region as mandated by the Minister of Finance Regulation (PMK No. 139 of 2019) concerning Fund Management Results, General Allocation Fund and Special Autonomy Fund.

Meanwhile, the realization of the Village Fund distribution, up to March 2020, is Rp. 7.20 Trillion. Specifically, the performance of the distribution of TKDD up to March 2020 was also influenced by other factors, such as the impact of the outbreak of the Covid-19 pandemic in the Capital City and various regions in Indonesia, thus contributing to the implementation of the distribution of TKDD in the regions, because the Central Government and Regional Governments are still focused on handling the effects of the Covid-19. Basically, the TKDD deduction is used for Covid-19 handling in a coordinated manner in the Central Government, among others for the procurement of Personal Protective Equipment (PPE), payment of incentives and compensation for the death of medical personnel, various types of social assistance and incentives for Small Medium Enterprises (SME). Thus, the deduction money basically also returned to the people in the area. In addition, a Joint Decree of the Minister of Finance and the Minister of Home Affairs has also been issued which regulates adjustments to the Regional Budget. This is mainly so that regions make savings in all aspects (employee expenditure, goods and service expenditure as well as capital expenditure). And reallocate it to focus on spending on handling of Covid-19 as well as social assistance and incentives to overcome economic impacts in the regions. In the implementation of this social assistance, coordination must be carried out between the Central and Regional Governments so that overlapping does not occur in achieving its targets.

### **Indonesia's Economy under the Fall of Covid-19**

The increasing number of countries affected by Covid-19 throughout the world, such as America, Spain and Italy has made the world economic situation worse. Some institutions, such as the International Monetary Fund (IMF) predict the weakening of the

world economy. The International Monetary Fund (IMF) projects that the global economy will grow at minus 3%. The Minister of Finance (Minister of Finance) gave an explanation of Indonesia's financial conditions in March 2020 experiencing positive growth. Even so, this must still be balanced with the vigilance of the Government in dealing with the economic impact that might be caused by this pandemic in the following months, bearing in mind this outbreak had just spread in Indonesia in the 2nd week of March. The Minister of Finance also revealed that Indonesia's revenues and grants by the end of the First Quarter of 2020 had reached Rp. 375.95 Trillion. The achievements of the State until the end of the First Quarter grew by 7.75%. The amount is higher than the growth that occurred in February 2020 which actually was minus 0.5%. This shows the large amount of support coming from various sources of state revenue in an effort to strengthen the State Revenue and Expenditure Budget (APBN) amid economic pressure due to the Covid-19 pandemic.

In addition to the various economic challenges that must be faced by Indonesia, the spread of Covid-19 also made the Indonesian economic projections increasingly depressed. Economic growth has plummeted because household consumption, investment and government consumption have declined as explained in the previous section. If the government does not move quickly to overcome the spread of Covid-19, it is feared that this could bring Indonesia to a prolonged economic crisis. Indonesia has the potential to experience an economic crisis if economic actors in almost all sectors cannot conduct economic activities properly, all economic indicators experience negative developments. Other reasons that could encourage Indonesia to enter the economic crisis are because the Indonesian economy is not experiencing growth, but rather a sharp slowdown.

Indonesia's economic growth is estimated to only be 4.5-4.8% in 2020. This figure is much lower than during the 2008 crisis, at which time economic growth was still at 6%. The current situation is clearly far riskier than the crisis that occurred in 2008. Persistent outflow of capital occurred during the last six months, recorded foreign investors took a sell-off of Rp. 16 trillion. This caused IHSG to drop by 24% in the same period and caused the rupiah to weaken by 5.41% in the past six months as a result of foreign fund outflows. Indonesia is also increasingly vulnerable to exposure to global

financial market panic. According to the Asian Development Bank (ADB), 38.5% of Indonesian government debt securities are held by foreign investors. This number is higher than other Asian countries. This causes a high risk if there is a sell-off simultaneously.

### **Strategy Made by the Government**

The government along with the financial and monetary authorities did not just stand by in the face of the Covid-19 pandemic. Various efforts by issuing policies and stimulus in the economic field have been carried out to save the Indonesian economy from a prolonged crisis. The government continues to work hard to anticipate this, overcome the people's purchasing power, reduce the risk of layoffs and maintain economic productivity. The President of the Republic of Indonesia instructs all Ministers, Governors and Mayors to cut spending plans that are not priority expenditures in the National Budget (APBN) and the Regional Budget (APBD). The central government and regional governments were also asked to reallocate their budgets to accelerate the alleviation of corona impacts, both in terms of health and economy. These steps are in accordance with Presidential Instruction (Inpres) No. 4 of 2020 concerning Refocussing of Activities, Budget Reallocation and Procurement of Goods and Services in the framework of accelerating the handling of Covid-19.

The central government and regional governments must ensure the availability of basic commodities, followed by ensuring the maintenance of the purchasing power of the people, especially the grassroots. The Cash Intensive Program is also being propagated and multiplied, with a note that it must be followed by compliance with the Covid-19 prevention protocol, which is to keep a safe distance from each other. The government also provided additional funds of Rp. 50,000 on a cheap basic food card holder for six months. The pre-employment card implementation is accelerated to anticipate workers who are laid off, workers lose their income and micro entrepreneurs who lose their markets and turnover. The PPh 21 tax obligation which has been paid by Taxpayers (WP) for employees in the processing industry will be deferred by the government. The budget allocation provided for the policy reaches Rp. 8.6 Trillion. OJK even provides credit relaxation under Rp. 10 Billion for Micro, Small and Medium Enterprises (MSMEs). The



relaxation was in the form of a decrease in interest rates and a one-year postponement of installments, both from banks and non-bank finance not to pursue debtors.

Bank Indonesia took a similar step by making further policies to maintain financial stability and mitigate Covid-19 risk. The steps taken by BI are to increase the intensity of the Triple Intervention to make the rupiah exchange rate move in accordance with its fundamentals and be able to follow the existing mechanism in the market. Therefore, the intervention strategy is prioritized by Bank Indonesia in the Domestic Non Delivery Forward (DNDF) market, spot market and Government Securities market (SBN) to minimize the increased risk of rupiah exchange rate volatility. BI also reduced the ratio of the Statutory Reserves for Foreign Exchange Conventional Commercial Banks from initially 8% to 4%. The reduction in the foreign currency reserve requirement ratio could increase foreign exchange liquidity in the banking world by around US \$ 3.2 billion and provide allowance on the forex market. BI lowered the rupiah reserve requirement by 50 basis points aimed at banks conducting export-import financing activities which in the implementation of their activities could coordinate with the government. The policy is expected to make export-import activities easier through cheaper financing. Types of underlying transactions for foreign investors to be able to provide alternatives for hedging housing ownership were also expanded. Finally, BI reiterates that global investors can use global and domestic custodian banks to carry out investment activities in Indonesia.

## **CONCLUSION**

The year of 2020 was a difficult time for the world economy due to the outbreak of the Covid-19 pandemic. Financial stimulus is needed so that the world economy can recover from the impact of the plague. Covid-19 has killed 21,000 people in the world and triggered socio-economic shocks. If this pandemic lasts a long time, the threat of resistance is in sight. Conditions experienced in many of these countries have hampered the global economic cycle. Projections of world economic growth must be cut by 2% due to this pandemic, far below the World Bank's forecast of 2.5% for this year.

Covid-19 that occurred in China caused Chinese trade to deteriorate. Included in world trade including Indonesia. Declining demand for raw materials from China such as coal and palm oil will divert the export sector in Indonesia which can cause a decline in

commodity prices and mining commodities. Tax revenues for the trade sector also receive a decrease for payments for the tax sector. Covid-19 also has an impact on investment because people will be more careful when buying goods as well as buying. Covid-19 also affects market projections. Investors can return investments due to supply chain mismatches or increase consideration of changing markets.

Indonesia took several steps in dealing with the impact of Covid-19 by reducing the BI 7-Day Reserve Repo Rate (BI7DRR) by 25 bps to 4.75%, the Deposit Facility interest rate by 25 bps to 4% and the Lending Facility rate by 25 bps to 5.5%. This policy was carried out to maintain the momentum of domestic economic growth amidst the prospects of global economic recovery in connection with the occurrence of Covid-19. Bank Indonesia will keep a close watch on global and domestic economic developments to keep inflation and external stability under control and strengthen the momentum of economic growth.

Government policies relating to anticipating the impact of Covid-19 transmission on the domestic economy should be appreciated. However, there are several economic policies that need to be strengthened, such as accelerating treatment and prevention of wider transmission, the government must implement policies at all costs such as procurement of medical devices supporting examinations, isolation rooms and Personal Protective Equipment (PPE), freeing up examination fees and other matters. preventive matters such as cheap mask distribution and so on. The consequence of the swelling of the budget deficit is in line with the revenue of the state budget which also fell sharply. But humanitarian calculations must be put forward compared to economic calculus which can still be overcome in line with the economic recovery of the community. The purchasing power of the people as a result of the slowing down of the economic cycle must be maintained, the government is required to be able to reduce the burden of costs that are directly under the government's control, including basic electricity, fuel and clean water tariffs. The reduction in electricity and fuel rates will certainly not overburden SOE and BUMD finances, given that the price of crude oil has fallen to around US \$ 20 per barrel is estimated to continue for a long time in line with the potential for a global recession.

The government's efforts to maintain the purchasing power of the lower classes by providing Direct Cash Assistance (BLT) to people who have experienced a decline in income and layoffs, need to be supported by policies to ensure the smooth supply and distribution of goods, especially food. The distribution of BLT also needs to be followed by the accuracy and recipient of aid and improvement of mechanisms and institutions in its distribution so that the BLT funds are not misdirected and are received by all the people who are supposed to get them. OJK needs to enact policies that encourage financial institutions to reschedule and refinancing private sector debts, in addition to MSMEs, also for businesses that face market risk and high exchange rates. In addition, BI and OJK need to formulate strategic policies to address the high level of banking interest rates which is one of the burdens of economic actors, especially in the current economic slowdown. Finally, the government can open up opportunities to make new policy breakthroughs. On the fiscal side, the widening of the budget deficit option exceeds the limit set by the Law on State Finance is needed in the midst of the increasing need for state spending to provide incentives to the economy.

## REFERENCES

- Chakraborty, I., & Maity, P. (2020). COVID-19 outbreak: Migration, effects on society, global environment and prevention. *Science of the Total Environment*, 728, 138882. <https://doi.org/10.1016/j.scitotenv.2020.138882>
- Eriyanto. (2015). *Analisis isi: Pengantar metodologi untuk penelitian ilmu komunikasi dan ilmu-ilmu sosial lainnya*. Kencana Prenada Media Group.
- Kapiriri, L., & Ross, A. (2020). The Politics of Disease Epidemics: a Comparative Analysis of the SARS, Zika, and Ebola Outbreaks. *Global Social Welfare*, 7(1), 33–45. <https://doi.org/10.1007/s40609-018-0123-y>
- Lau, H., Khosrawipour, V., Kocbach, P., Mikolajczyk, A., Schubert, J., Bania, J., & Khosrawipour, T. (2021). The positive impact of lockdown in Wuhan on containing the COVID-19 outbreak in China. *Journal of Travel Medicine*, 27(3), 1–7. <https://doi.org/10.1093/JTM/TAAA037>
- Macciocchi, D., Lanini, S., Vairo, F., Zumla, A., Figueiredo, L. T. M., Lauria, F. N., Strada, G., Brouqui, P., Puro, V., Krishna, S., Kremsner, P., Scognamiglio, P., Köhler, C., Nicastrì, E., Di Caro, A., Cieri, R. M., Ioannidis, J. P. A., Kobinger, G., Burattini, M. N., & Ippolito, G. (2016). Short-term economic impact of the Zika virus outbreak. *New Microbiologica*, 39(4), 287–289.
- Page, T. F., William, M. L., Cassela, G., Adler, J. L., & Amick III, B. C. (2017). The impact of Zika on local businesses. *Disaster Prevention and Management: An International Journal*, 26(04), 452–457. <http://dx.doi.org/10.1108/EUM0000000005930>

- Sands, P., El Turabi, A., Saynisch, P. A., & Dzau, V. J. (2016). Assessment of economic vulnerability to infectious disease crises. *The Lancet*, 388(10058), 2443–2448. [https://doi.org/10.1016/S0140-6736\(16\)30594-3](https://doi.org/10.1016/S0140-6736(16)30594-3)
- Setiati, S., & Azwar, M. K. (2020). COVID-19 and Indonesia. *Acta Medica Indonesiana*, 51(1), 84–89.
- Verikios, G., Sullivan, M., Stojanovski, P., Giesecke, J., & Woo, G. (2016). Assessing Regional Risks From Pandemic Influenza: A Scenario Analysis. *World Economy*, 39(8), 1225–1255. <https://doi.org/10.1111/twec.12296>
- Wang, Y., Wang, Y., Chen, Y., & Qin, Q. (2020). Unique epidemiological and clinical features of the emerging 2019 novel coronavirus pneumonia (COVID-19) implicate special control measures. *Journal of Medical Virology*, 92(6), 568–576. <https://doi.org/10.1002/jmv.25748>
- Wu, J., Gamber, M., & Sun, W. (2020). Does Wuhan need to be in lockdown during the Chinese Lunar new year? *International Journal of Environmental Research and Public Health*, 17(3), 2019–2021. <https://doi.org/10.3390/ijerph17031002>
- Zhu, N., Zhang, D., Wang, W., Li, X., Yang, B., Song, J., Zhao, X., Huang, B., Shi, W., Lu, R., Niu, P., Zhan, F., Ma, X., Wang, D., Xu, W., Wu, G., Gao, G. F., & Tan, W. (2020). A Novel Coronavirus from Patients with Pneumonia in China, 2019. *New England Journal of Medicine*, 382(8), 727–733. <https://doi.org/10.1056/nejmoa2001017>