

## **Government's Strategy in Maintaining Economic Resilience during the Covid-19 Pandemic**

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Article History: Received on 20 January 2023, Revised on 30 April 2023,  
Published on 11 July 2023

**Abstract:** The threat of recession stalks the world's economies, including Indonesia. It has also been warned by the world's economists of the coming storm of global recession. This is evidenced by the slowdown in global economic growth, namely the United States, China and the European Union. This threat is a non-military threat, so it is necessary to determine a strategy to deal with it so that the Indonesian economy can survive. This paper aims to examine the Indonesian government's strategy in anticipating the economic impact of Covid-19 through fiscal and monetary policies. This research uses literature study with a descriptive approach. The conclusion that can be drawn is that the government needs to continue to evaluate and adjust policies according to developing conditions.

**Keywords:** Covid-19, Economic Resilience, Policy, Strategy

### **A. Introduction**

In early 2020, the Covid-19 pandemic started to spread globally and caused many countries to take lockdown measures and other restrictions to stop the spread. These actions affected many sectors of the economy, especially the tourism, transport and retail sectors. Many businesses have been forced to temporarily stop operations or even permanently close, causing the unemployment rate to soar. In addition, many people are worried and don't shop as usual, reducing market demand.

On a global scale, the Covid-19 pandemic has also affected supply chains and international trade. Many countries reduced their exports and imports due to health concerns and restrictions on the movement of people and goods. These impacts had a negative impact on world economic growth and triggered a global recession. Many countries and international organizations such as the World Bank and International Monetary Fund (IMF) are taking action to help the global economy recover and protect the people affected.

In Indonesia, the government is seeking various ways to deal with the economic impact of the Covid-19 pandemic, one of which is through fiscal policy and monetary

policy. There were many policies made during the co-19 pandemic while still paying attention to economic conditions and the spread of co-19. In addition, the government has also implemented policies so that the spread of Covid-19 does not spread by complying with health protocols (washing hands, wearing masks, and maintaining distance) and Large-Scale Social Restrictions (PSBB). Several companies have taken Work from Home (WFH) policies to mass layoffs. A number of projects or jobs have been delayed as a result of this restriction.

Because many companies are unable to operate, this has an impact on economic growth. In 2020, right in the second quarter, Indonesia's economic growth experienced a contraction of 5.32% and successively in the third quarter, a contraction of 3.49%. This decline in economic growth can lead to a recession and an increase in the number of unemployed.

The recession is one of the non-military threats that the government must address in order to determine a strategy to deal with it. This non-military threat places ministries and agencies as the main elements as well as other elements of national power and regional governments through manifestations in accordance with their respective roles, duties and functions.

Based on this explanation, this research was conducted which aims to provide an explanation and description of government policies and strategies during the Covid-19 pandemic to maintain economic growth in Indonesia (Saputro et al., 2020).

Strategy can be interpreted as the science and art of determining ends, formulating ways, and determining the facilities and infrastructure used to achieve goals (Parasasti et al., 2021). The essence of strategy is as a process for making decisions on the main elements of a strategy, including ends (how to act, course of action, concept, method), and Means (strengths, resources, potential). According to the United States National Bureaus of Economic Research (NBER), a recession is a significant reduction in economic activity spread across the largest economy over several months, usually reflected in Real GDP, Real income, Employment, Industrial Production, and Wholesale-Retail Sales.

A recession in macroeconomics, a recession or what is often called a slump, is a decline in Gross Domestic Product or GDP when economic growth has a negative value for more than two quarters, or in one year. This recession can also result in a simultaneous decline in all economic activities, for example employment, investment, and company profits. A recession will also be associated with declining prices or deflation, or it could be the other way around. By drastically increasing prices or inflation, in a process called stagflation.

An economic recession will also last for a long time, which is called an economic depression. This drastic reduction in the economic level is often caused by a severe depression or hyperinflation, which is also called bankruptcy.

Fiscal policy is a decision that has been made government regarding income and expenditure of state money (Syamsi, 1983). Indonesia's fiscal policy can be seen from the State Revenue and Expenditure Budget (APBN) every year. State revenue consists of domestic revenue and grants. State expenditure is the cost of goods and services issued by the government and financing used for government administration activities and development activities (Sadono, 2013). State spending consists of three main components, namely spending on goods and services, spending on personnel and transfer payments (Boediono, 1998).

Monetary policy is the policy of the central bank or Bank Indonesia in order to maintain macroeconomic stability (Budiyanti, 2014). Monetary policy instruments are grouped into two, namely regulations set by the central bank including the ratio of asset liquidity, required reserve; and market monetary operations. Keynes proposed that the supply and demand for money determine interest rates. Bank Indonesia can influence the money supply where by lowering interest rates, it is believed that investment will increase (Saputro et al., 2021).

## **B. Methods**

In this study, the authors used a descriptive qualitative research method using secondary data in the form of library data or literature. The data analysis used is qualitative data analysis, namely the data obtained and then analyzed its contents to support the problem being studied, the data used is related to the problem under study. The data collection technique used in this research is library research, which collects theoretical and conceptual data from the internet in the form of journal articles, e-books, as well as data from other relevant ministries (Sugiyono, 2019).

## **C. Results and Discussion**

### **Fiscal Policy Strategy in Maintaining Economic Resilience**

The COVID-19 pandemic has had a broad impact on various sectors, including the economic sector. Fiscal policy is one of the government's efforts to deal with the impact of the COVID-19 pandemic on the economic sector. The government stipulates Perppu No. 1 of 2020 concerning State Financial Policies and Financial System Stability for Handling the Covid-19 Pandemic and/or in the Context of Dealing with Threats that Endanger the National Economy and/or Financial System Stability. In addition to widening the budget for handling Covid-19, the government issued Presidential Instruction No. 4 of 2020 concerning Refocusing Activities, Budget Reallocation and

Procurement of Goods and Services in the Context of Accelerating Handling of Corona Virus Disease 2019 (Covid-19).

### **Social Policy in Handling Covid-19**

In order to control the spread of Covid-19, the Government of Indonesia does not implement a “lockdown” like several other countries in the world with various considerations, namely social and economic considerations for the Indonesian people, differences in conditions in each region and limited capacity of the health system. Although not implementing a “lockdown”, Indonesia has also set activity restrictions. The terms of the restrictions imposed by Indonesia have changed several times. In the early days of the Covid-19 pandemic, Indonesia established Large-Scale Social Restrictions (PSBB) according to Government Regulation No. 21 of 2020 concerning PSBB in the framework of the Acceleration of Handling Covid-19; then changed to Enforcement of Community Activity Restrictions (PPKM Java-Bali) Level 3, Level 2 and Level 1 of Corona Virus Disease 2019 in the Java and Bali Region which were first implemented during the Christmas and New Year 2021 holidays; after that a new policy was established called micro-scale PPKM in order to reduce Covid-19 cases by differentiating zones according to the environment until the Minister of Home Affairs Instruction No. 14 of 2021 was issued concerning Extension of Micro-Based PPKM and Optimizing Covid-19 Handling Posts at the Village and Sub-district Levels to Control the Spread Covid-19.

During the Eid Al-Fitr holiday in 2021, the Government established the term Emergency PPKM and finally returned to using the term PPKM levels 3-4. after that a new policy was established called micro-scale PPKM in order to reduce Covid-19 cases by differentiating zones according to the environment until the Minister of Home Affairs Instruction No. 14 of 2021 was issued concerning Extension of Micro-Based PPKM and Optimizing Covid-19 Handling Posts at the Village and Sub-district Levels to Control the Spread Covid-19; During the Eid Al-Fitr holiday in 2021, the Government established the term Emergency PPKM and finally returned to using the term PPKM levels 3-4. after that a new policy was established called micro-scale PPKM in order to reduce Covid-19 cases by differentiating zones according to the environment until the Minister of Home Affairs Instruction No. 14 of 2021 was issued concerning Extension of Micro-Based PPKM and Optimizing Covid-19 Handling Posts at the Village and Sub-district Levels to Control the Spread Covid-19; During the Eid Al-Fitr holiday in 2021, the Government established the term Emergency PPKM and finally returned to using the term PPKM levels 3-4.

Government stipulates various social protection policies in maintaining economic resilience with the aim of reducing the rate of increase in poverty, reducing social and economic inequalities, increasing people’s welfare, and encouraging public consumption. In an unstable economic situation during the Covid-19 pandemic, social

protection policy strategies can help reduce the negative impact on people who are vulnerable to difficult economic conditions. Some of the social policies set by the government, namely the Family Hope Program (PKH), basic food programs, basic food cash assistance programs, Jabodetabek social assistance, non-Jabodetabek social assistance, pre-employment card programs, village fund BLT programs and others. The government allocates a very large budget to support social protection policies.

**Table 1. Social Protection Policy**

<b>Social Protection Program</b>	<b>2020</b>	<b>2021</b>	<b>November 2022</b>
PKH and PKH Rice Assistance	41,940	31,890	28,710
Staple Food and Basic Food Cash Assistance	43,890	66,150	45,120
Greater Jakarta Social Assistance	7,090	-	-
Non-Jabodetabek Social Assistance	32,600	-	-
Pre Work	18,250	21,200	20,000
Electricity Subsidy	11,450	9,490	-
Village Fund BLT	23,740	28,800	28,800
BLT Cooking Oil	-	-	9,490
Salary/Wage Subsidy Assistance	29,480	8,800	-
BSU Honorary Teachers of the Ministry of Education and Culture & Ministry of Religion	4,070	-	-
Fishermen's PKLW Assistance	-	-	8530
Ministry of Education and Culture & Ministry of Religion Internet Quota Subsidies	4,060	8530	-
JKP dues	-	1,550	-
PPKM groceries	-	7,080	-
Anticipate education and others	-	3,140	-
Other Perlinmas	-	-	17,460
<b>Total</b>	<b>216,570</b>	<b>186,630</b>	<b>158,110</b>

Source: Ministry of Finance (data processed \*in billions)

### **Family Hope Program (PKH) and PKH Rice Assistance**

The Hope Family Program is a government program that provides conditional social assistance with a purpose to help the poor and vulnerable in Indonesia to reduce poverty and improve family welfare. Through the PKH program, the government hopes that poor and vulnerable people can have better access to education, health and other public facilities, as well as increase their ability to be economically independent. The number of benefits received is IDR 3 million per year for pregnant women, IDR 3 million per year for early childhood, IDR 900,000 for elementary students, IDR 1.5 million per year for junior high school students, IDR 2 million per year for high school students, IDR 2.4 million per year. million per year for the disabled group, and IDR

2.4 million per year for the elderly. While the amount of PKH rice assistance is 15 kg/month.

### **Staple Food Program and Basic Food Cash Assistance**

The *Sembako* Program and the *Sembako* Cash Assistance are two social assistance programs launched by the Indonesian government to help people in need. The assistance index for the Staple Food Card is IDR 200,000.00/month for 12 months/year while the Non-PKH Basic Food Cash Assistance is IDR 500,000.00 with one distribution.

### **Pre-Employment Card Program**

The government launched the Pre-Employment Card Program, which is a training and skills development program for the community in order to improve work skills and competencies so that it is easier to get a job or create business opportunities. This program subsidizes training costs and provides incentives for participants who have completed training with details of a training fee of IDR 1,000,000.00; incentives of IDR 600,000.00/month for 4 months and survey incentives of IDR 50,000.00 for 3 times.

### **Electricity Subsidy Program**

During the Covid-19 pandemic, the Government also established an electricity subsidy program. Electricity subsidies are provided for 450 VA household customers by eliminating electricity costs and 900 VA household customers with a 50% reduction in electricity costs. This program aims to help reduce the burden of electricity costs for low-income communities.

### **Village Fund BLT Program**

BLT *Dana Desa* is a cash social assistance program through village funds to help village communities affected by the Covid-19 pandemic. The amount of BLT *Dana Desa* is different every year where the BLT *Dana Desa* for 2020 from April to June is Rp. 600,000.00/month while in July to December it is Rp. 300,000.00/month; Village Fund BLT for 2021 of IDR 300,000/month for 12 months according to PMK No 222 of 2020 concerning Management of Village Funds for the 2021 Fiscal Year; and BLT *Dana Desa* in 2022 of IDR 300,000/month for 12 months according to PMK No 190 of 2021.

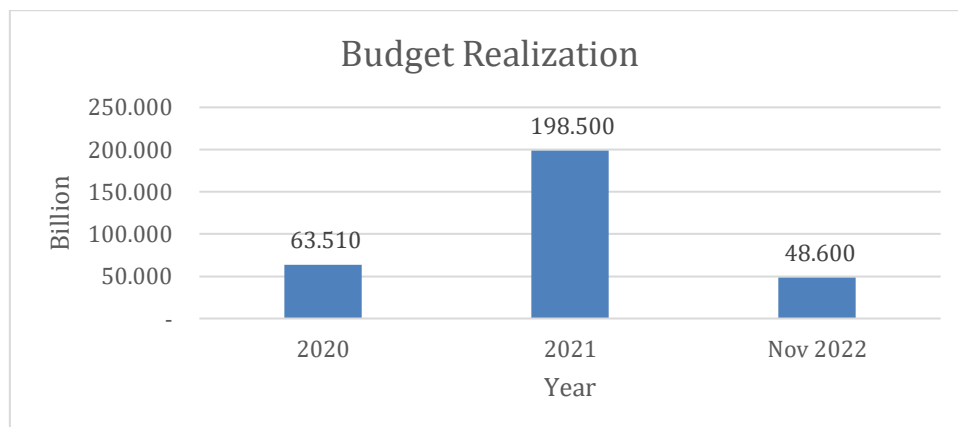
### **Wage/Salary Subsidy Assistance**

Wage/Salary Subsidy Assistance is a government program that provides wage/salary subsidies to workers affected by the Covid-19 pandemic. Wage subsidy assistance is given to honorary teaching staff at the Ministry of Education and Culture and the

Ministry of Religion as well as Indonesian workers or laborers and active BPJS Ketenagakerjaan participants with wages/salaries of under IDR 3.5 million per month. Salary/wages subsidy assistance of IDR 600,000.00/month for 4 months in 2020, IDR 500,000/month for 2 months in 2021 and given 1 time of IDR 600,000.00 in 2022.

### **Health Handling Policy in Facing Covid-19**

Health management is one of the main policies in dealing with Covid-19. The budget spent on health care is quite high. The budget is used for spending on handling Covid-19, vaccinations, incentives for health workers, death benefits, JKN contribution assistance, the Covid-19 Task Force, tax incentives in the health sector and APBD support in handling Covid-19. The greatest realization of health care in dealing with Covid-19 occurred in 2021 as shown in the following diagram:

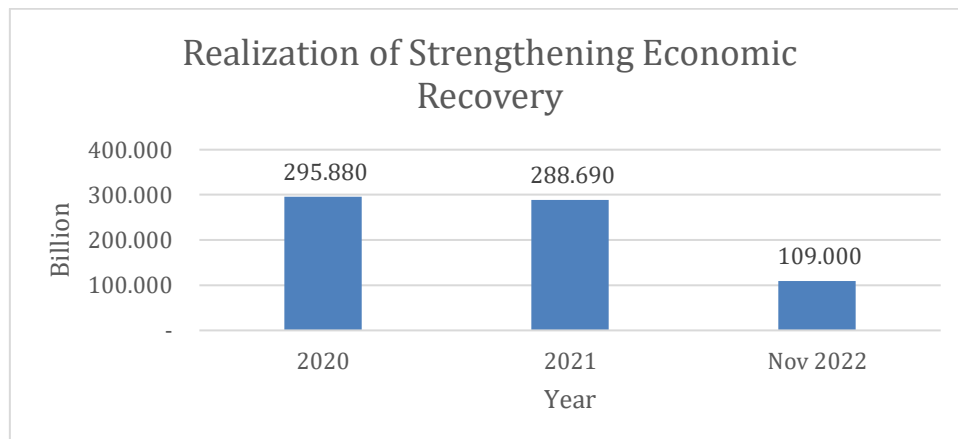


Source: Ministry of Finance (data processed)

**Figure 1. Budget Realization**

### **Economic Recovery Strengthening Policy**

In addition to launching policies in the health and social sectors, the government has also implemented several policies to strengthen economic recovery in handling Covid-19. The budget spent on strengthening the economic recovery is quite high. The budget is used for work-intensive programs, infrastructure and connectivity programs, tourism and creative economy programs, food security programs, ICT programs, industrial area programs, MSME support (KUR subsidies and IJP), tax incentives and APBD support for economic recovery. The biggest realization of strengthening economic recovery in handling Covid-19 occurred in 2020 as shown in the following diagram:

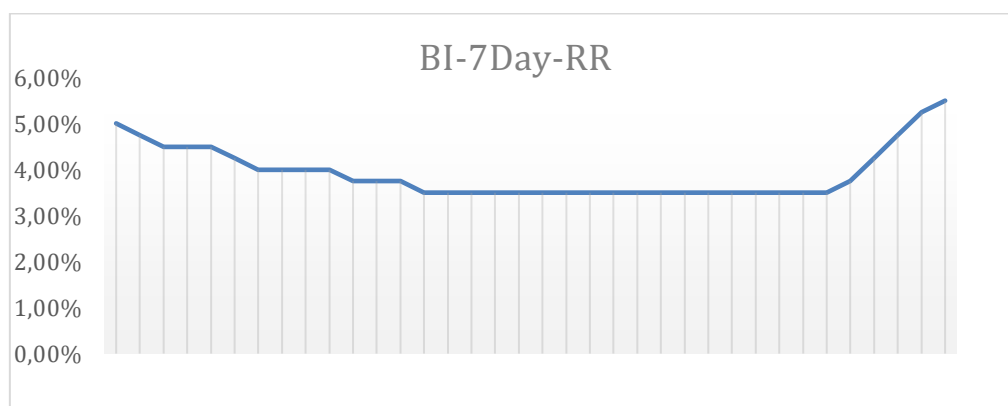


**Figure 2. Realization of Strengthening Economic Recovery**

### Monetary Policy Strategy in Maintaining Economic Resilience

#### BI-7 Day Reverse Repo Rate (BI7DRR) Policy

Bank Indonesia as the central bank carries out monetary operations in order to maintain economic stability, with one of its instruments, namely the reference interest rate, namely the BI-7 Day Reverse Repo Rate (BI7DRR). During the Covid-19 pandemic, Bank Indonesia lowered its benchmark interest rate by 3.5% for 17 months starting February 18 2021 to July 21 2022. After economic conditions stabilized, then Bank Indonesia raised interest rates again. The following is the development of interest rates set by Bank Indonesia for the last two years:



Data: Bank Indonesia (processed)

**Figure 3. Development Interest Rate By Bank Indonesia**

The government has several objectives to achieve through lowering the reference interest rate or the BI-7 Day Reverse Repo Rate (BI7DRR), namely encourage credit and investment and support economic recovery during the pandemic.

### **Minimum Statutory Reserves Policy (GWM)**

In dealing with the Covid-19 pandemic, Bank Indonesia reduced Indonesia's Statutory Reserves (GWM) as an effort to support national economic recovery from the impact of COVID-19. This is stated in PADG (Governor Council Member Regulation) Number 22/10/PADG/2020 regarding the Fifth Amendment to PADG Number 20/10/PADG/2018 concerning Statutory Reserves in Rupiah and Foreign Currency for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units. This regulation lowered the Minimum Statutory Reserves (GWM) in Rupiah for Conventional Commercial Banks (BUK) by 200 bps to 3.5% from previously 5.5%; and Sharia Commercial Banks (BUS) and Sharia Business Units (UUS) by 50 bps to 3.5% from the previous 4.0%. With the implementation of this policy, it is expected to achieve the objectives of increasing banking liquidity, encouraging bank credit, alleviating bank burdens, maintaining financial system stability and providing incentives for banks to channel funds.

Basically, a subcontracting partnership is a type of partnership that must be approved by the relevant officials. This is the impact of the work that wins in the tender for the provider selection, which is included in the category of contractors who meet the requirements, while the subcontractors who are billed as the work of the construction service provider are service providers. Because it does not meet the qualifications. This allows KDP to understand who the third party is as a construction subcontractor, at least meets the requirements and standards of construction providers, and avoids government losses in construction. needed.

In practice, the providers of contracted goods/services are allowed to outsource part of their work to third parties by way of subcontracting. Sub-contracts providing part of the work to third parties are usually carried out with the consent of the employer, but the agreement in question is a KDP partnership or as a party to a contract concluded by a sub-contractor. Not a form of involvement. Suppliers of goods/services subcontractors.

### **Policy on Macroprudential Intermediation Ratio (RIM) and Macroprudential Liquidity Buffer (PLM)**

Bank Indonesia also stipulates regulations regarding the reduction of the Macroprudential Intermediation Ratio (RIM) and the Macroprudential Liquidity Buffer (PLM). This is stated in PADG Number 22/11/PADG/2020 concerning Amendment to PADG Number 21/22/PADG/2019 Concerning Macroprudential Intermediation Ratio (RIM) and Macroprudential Liquidity Buffer (PLM) for Conventional Commercial Banks, Sharia Commercial Banks, and Sharia Business Units. The regulation stipulates the Macroprudential Liquidity Buffer Ratio (PLM) to be 6% of DPK for Conventional Commercial Banks and 4.5% of DPK for Islamic

Commercial Banks; and set the Lower Disincentive and Upper Disincentive Parameters used in fulfilling RIM Current Accounts and RIM Sharia Current Accounts to be zero for a period of one year from 1 May 2020 to 30 April 2021.

### **Government Debt Purchase Policy**

Bank Indonesia purchased government bonds or what are known as Government Securities (SBN) in order to help fund the handling of the Covid-19 pandemic. Bank Indonesia purchased SBN of IDR 215,000,000,000,000.00 in 2021 and increased to IDR 244,000,000,000,000.00 in 2022. This policy aims to assist the government in dealing with the impact of Covid-19, reduce the burden on the APBN, BI instruments in conduct monetary operations which maintain the rupiah exchange rate and inflation.

### **Comparison of GDP on Activity Restriction Policies in Several Countries during the Covid-19 Pandemic**

During the Covid-19 Pandemic, countries used various methods to prevent the Covid-19 virus from spreading quickly. One of the policies taken by several countries is Lockdown which is a policy of limiting or even stopping all social and economic activities of a particular country or region in order to control the spread of the Covid-19 virus. However, this policy has a negative effect, namely the inhibition of economic activity in the community (Duha and Saputro, 2022). Some examples of countries that imposed lockdowns during the Covid-19 pandemic were India, the Philippines, Malaysia, the Netherlands, Argentina, Belgium, El Salvador, France, Spain and Italy. However, there are several countries that have not adopted a lockdown policy, such as Indonesia and South Korea, taking into account the conditions & income of the people, geographical conditions, and health system capacity.

### **D. Conclusion**

The Covid-19 pandemic has had a significant impact on the global economy, including Indonesia. The Indonesian government has taken various fiscal policies, monetary policies and PPKM policies to maintain economic stability and encourage national economic recovery amidst the uncertain pandemic situation. In limiting the spread of Covid-19, the Government of Indonesia adopted a policy of not implementing a lockdown but rather PPKM with various considerations, namely the condition & income of the community, geographical conditions, and the capability of the health system. Some of the fiscal policies taken by the Indonesian government include social protection policies in the form of the family hope program (PKH), basic food programs, basic food cash assistance programs, Jabodetabek social assistance, non-Jabodetabek social assistance, pre-employment card programs, village fund BLT programs; policies for handling health and policies for strengthening economic recovery.

In addition, the monetary policy implemented by Bank Indonesia, among others BI-7 Day Reverse Repo Rate (BI7DRR) Policy, Statutory Reserves Policy (GWM), Policy on Macroprudential Intermediation Ratio (RIM) and Macroprudential Liquidity Buffer (PLM) and Government Bond Purchase Policy in maintaining national economic stability. In maintaining the resilience of the national economy, the government needs to continue to evaluate and adjust policies in accordance with developing conditions. Thus, it is hoped that Indonesia can emerge from the Covid-19 pandemic crisis and achieve sustainable economic growth.

### **E. Acknowledgement**

We would like to express our acknowledgement to rector and colleagues in Universitas Pertahanan who helped us in this article.

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