



## **The Analysis of the Government's Contribution to Economic Stability in Indonesia After the Pandemic COVID-19**

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### **Abstract**

*The Corona Virus disease 2019 (COVID-19) pandemic has had a impact on many aspects of life, no longer simplest fitness and humanity, however additionally international economic device. Indonesia's 2020 economic growth is beneath stress pretty robust, in particular inside the first semester of 2020, consistent with the impact of the financial slowdown the area because of COVID-19 and the coverage of massive-Scale Social regulations (PSBB) to mitigate the spread of COVID-19. therefore, it's far critical to synergize suggestions between authorities through diverse instantaneous and superb strengthening measures to overcome the effect COVID-19, able to inspire sluggish economic development in the semester II 2020 with maintained stability. The studies technique used is qualitative with a descriptive evaluation technique which goals to determine the contribution made via the authorities to stabilize the monetary machine in Indonesia since the COVID-19 pandemic. As for the results of the studies received, especially the hazard of the Indonesian financial system is predicted to enhance in 2021 driven by means of endured inter-authority coverage synergies and pass lower back to an growing trajectory in the medium term. This optimism for financial recuperation is supported thru numerous efforts to encourage the acceleration of structural transformation, namely the rupiah alternate rate stabilization policy, financial insurance stimulation, and loosening of macroprudential hints.*

**Keyword:** *Economic stability, COVID-19 pandemic, Indonesia.*

### **Background**

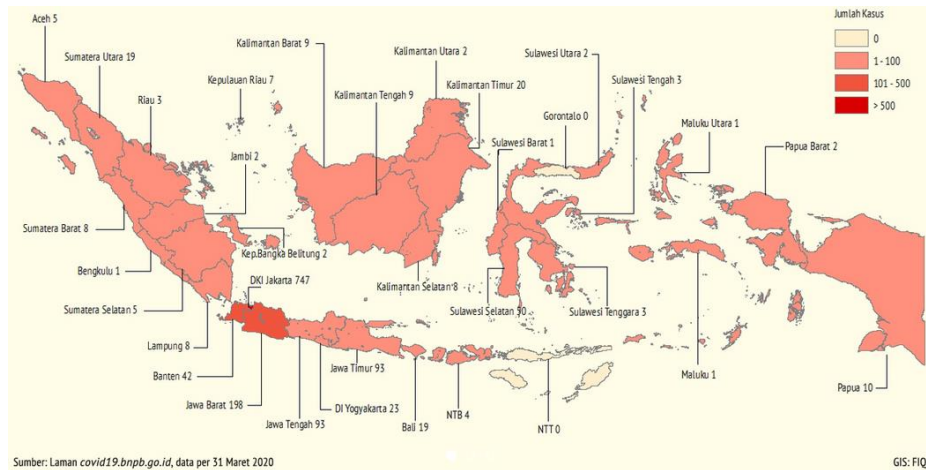
A singular coronavirus (SARS-CoV-2) that emerged from the chinese language town of Wuhan in December 2019 has verified its capability to produce explosive outbreaks in restricted and pass-border settings following styles of human mobility (Shim et al., 2020). This rising infectious ailment turned into diagnosed as a new sort of coronavirus with acute respiratory syndrome (Li et al., 2020). It changed into at the start referred to as the radical coronavirus (i.e., 2019-nCoV), however on February eleven, 2020, the arena fitness corporation (WHO) named it coronavirus sickness 19 (COVID-19). since it first seemed until the give up of June 2020, extra than ten million humans in extra than 200 international locations have shriveled COVID-19, and 503,862 of them have died (Angelia & Permana, 2021).

Pan forthe sake of COVID-19 is a worldwide and systemic human catastrophe on a scale that has not been seen for infectious sicknesses because the Spanish Flu of 1918. The speedy unfold of this pandemic has turned everyday existence the wrong way up faster and extra extensively in diverse regions of lifestyles (Murray, 2020). In a swiftly developing situation, nations are trying with varying levels of dedication and effectiveness to curb the development of the ailment. while the virus is a hazard to the right to lifestyles and fitness,



the human rights effect of the disaster goes beyond medical and public fitness problems. The health disaster itself and some of nation measures to contain it especially isolation and quarantine led the arena into an monetary recession (Bohoslavsky, 2020).

Figure 1. Initial Distribution of the Number of Covid-19 Cases by Province in Indonesia



Source: Page covid19.bnppb.go.id, data as of 31 March 2020

The primary case of COVID-19 infection in Indonesia became recorded in March 2020 (Haryanto, 2021), and we can see in the photo above that the most instances of COVID-19 unfold as of March 31, 2020 have been found in DKI Jakarta Province, particularly 747 instances. meanwhile, the bottom cases of COVID-19 spread in Indonesia are in NTT and Gorontalo Provinces, where there were no cases of COVID-19 spread. To lower the spread of the virus, mobility restrictions were imposed throughout Indonesia. The capital Jakarta, but also different densely populated provinces at the islands of Java and Bali have imposed partial curfews and borders with different international locations had been closed until in addition training (Senkyr, 2021). recognizing the importance of physical distancing as a key method for preventing transmission, public fitness officials have advocated fantastic measures to combat the spread of COVID-19, colleges, fields, sports and cultural halls, and other accumulating locations had been quickly closed (Amon, 2020). This closure lasted for weeks and even months to reduce the spread of the COVID-19 virus (Starr, 2020).

The provincial government is running with the Ministry of Villages and deprived regions to increase the coverage and advantages of unconditional coins transfers during the pandemic. however, humans's views at the kingdom of the financial system declined dramatically within the first 9 months of 2020. In may, 65% of Indonesians pronounced deteriorating monetary situations compared to 2019, even as this ratio become 21% in February. similarly, in October 2020, a brand new law came into force ensuing in decreased labor rights together with minimum salary, blessings, severance pay, and so on (Sevindik et al., 2021).

The COVID-19 pandemic has triggered a excessive global crisis, which has essentially had a devastating impact on the world financial system as an entire, on the economies of all nations, on all industries and spheres of monetary activity without exception (Romanova & Ponomareva, 2021). The C OVID-19 pandemic has had numerous affects (Arianti & Taufiqurrohman, 2020). The most seen and tangible effect of the pandemic is on the Sustainable development dreams, respectable work and economic growth, because of the



cessation of economic pastime, lower earning, less operating time, and unemployment for sure jobs (Dekker, 2022).

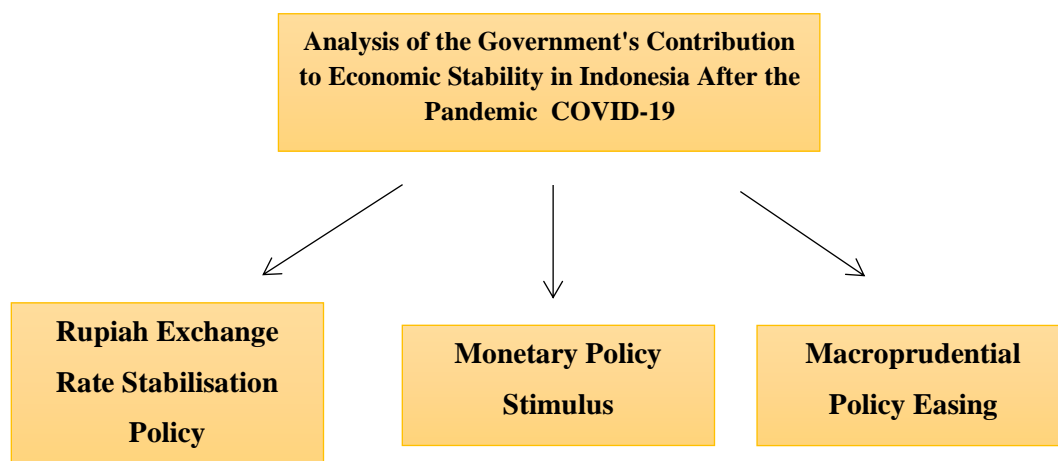
Indonesia's financial system become doing pretty properly earlier than the pandemic, persevering with to grow at around five percentage consistent with twelve months for a while and with precise potentialities to hold doing so. however its dependence on overseas capital inflows has long been a weak issue. Indonesia became one of the hardest hit through the usage of the big exodus of foreign capital from growing markets at the same time as COVID-19 have grow to be a worldwide pandemic in March this 12 months. extra than US\$10 billion modified into withdrawn from the Indonesian capital market and the rupiah had plummeted with the aid of almost 20 percentage. The market stabilized in also can, in particular as the usa Federal Reserve launched large emergency liquidity measures. but, the risk of new capital outflows stays, playing a fear lodged inside the reminiscence of the financial disaster of the late Nineteen Nineties (Rajah & Stephen, 2020).

In Indonesia, COVID 19 has brought on the change stability to experience a deficit of 344.7 million USD as of April 2020. in spite of the deficit, Indonesia's average trade stability in January-April 2020 remained in surplus at 2.25 billion USD. referring to the assertion of the pinnacle of the verbal exchange department of bank Indonesia, Onny Widjanarko, this discern was motivated by way of a slowdown in world demand and disruptions inside the worldwide supply chain. He also stated that the change balance deficit in April 2020 was additionally motivated by using the deficit inside the non-oil and fuel trade stability (Nabilla, 2021).

COVID-19 has severely damaged global fairness and debt markets, particularly in rising markets with unstable assets. The effect on emerging markets has been exacerbated via falling commodity fees and foreign money depreciation. Turmoil in monetary markets, along side the negative results of financial lockdowns, has brought on monetary and monetary authorities in maximum nations to enact monetary stimulus packages and other liquidity-boosting measures to maintain economic stability (Shipalana & O'riordan, 2020).

## **THEORETICAL FRAMEWORK**

Economic stability is an economic condition that runs according to expectations, is under control and is sustainable. The government needs to stabilize the country's economy so that people can live in prosperity and prosperity. In stabilizing the economy, several policies were taken, namely the Rupiah Exchange Rate Stabilization Policy, Monetary Policy Stimulus, and Macprudential Policy Ease. The following is a theoretical framework:





## **METHOD**

The research method used is a qualitative studies approach. Qualitative research is a wide set of complex interpretation practices (Cosgrove, 2018), having an inductive nature by using which researchers commonly explore which means and insight in precise situations. The inductive technique has a tendency to begin from the bottom, that is, the gathering of records and statistics at the floor. those records are then hunted for similarities, both patterns and principles, to be drawn into a conclusion (Nabilla, 2021).

This study makes use of a descriptive evaluation approach. Descriptive evaluation is an evaluation that describes or describes the gathered facts with out intending to make normally established conclusions or generalizations. It goals to convert a set of uncooked facts into a form this is less difficult to recognize, in addition to in the shape of extra concise statistics (Ashari et al., 2017). The layout of this take a look at makes use of data series based on literature research (Bowie et al., 2021), as well as using any secondary statistics that has been to be had to date (Rawal et al., 2020)(Rawal et al., 2020).

## **RESULT**

The state of the world, that's being hit with the aid of the COVID-19 pandemic, has prompted turmoil in health and humanitarian issues, which then creeps into economic issues. The government's instantaneous response to lessen the spread of COVID-19 thru PSBB is inevitable to reduce economic overall performance. regulations to address the unfold of COVID-19 have reduced human mobility and goods and services sports. intake, funding, transportation, tourism, production, and the self belief of economic actors declined drastically, which in turn made monetary boom fall sharply. A weak financial system is a common problem due to the fact if no longer addressed straight away, it dangers disrupting economic balance and monetary gadget stability, and restraining efforts to boost up into a developed united states.

International trade shifts, technological traits, and the COVID-19 pandemic, all provide opportunities for Southeast Asia to develop its virtual economy and accelerate financial restoration (Tailor, 2020). therefore, suitable regulations are wished by means of the government in order that the Indonesian economic system stays stable at some stage in the COVID-19 pandemic. There are numerous regulations carried out through the government to stabilize the Indonesian economy, including the following rupiah exchange rate stabilisation policy, monetary policy stimulus, and macroprudential policy easing.

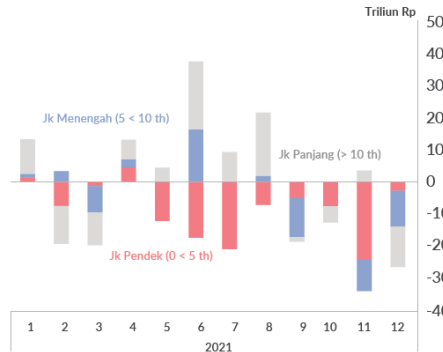
## **DISCUSSION**

### **Rupiah Exchange Rate Stabilisation Policy**

Exchange price stabilisation policy thru triple intervention, both within the spot market, home non-deliverable beforehand (DNDF) market, and SBN purchases from the secondary marketplace is likewise supported via in depth communique to investors and domestic and foreign places market contributors. it could be seen that the Rupiah, which on fifteenth April 2021 reached Rp14,610, maintains to reveal a strengthening style to Rp14,253 as of December 31, 2021.

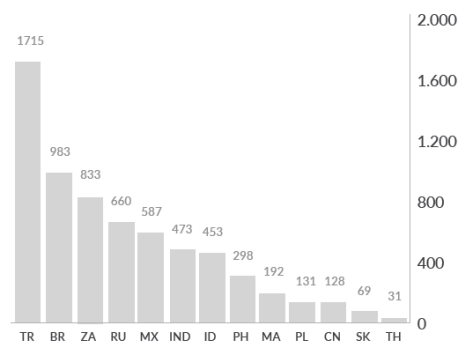


Graph 1. Flow of Foreign Investment to SBN Graph



Source: Indonesian Economic Report 2021

Graph 2. Yield Spread of SBN to UST



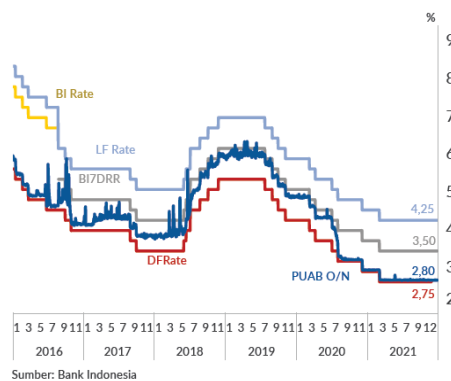
Source: Indonesian Economic Report 2021

Maintained investor self assurance and notion have endorsed overseas portfolio inflows to Indonesia, although internet all through 2021 it still recorded outflows (determine 1). forex reserves additionally improved to USD144.9 billion in December 2021, higher than USD135.9 billion on the cease of 2020. shifting ahead, rupiah exchange price will continue to be exceedingly stable, supported through controlled inflation in the target hall, a low current account deficit, maintained returns on domestic economic assets and a stable threat top class (Chart 2).

### Monetary Policy Stimulus

A low monetary coverage price and financial policy easing by means of financial institution Indonesia have induced decrease hobby charges within the banking enterprise and maintained financial marketplace stability. due to the fact that 2020 bank Indonesia has lowered the economic policy charge 6 (six) instances so that the BI7DRR charge could be 3.50%.

Graph 3. O/N PUAB Interest Rates



Source : Bank Indonesia

The reduction inside the BI7DRR interest rate and liquidity easing by using bank Indonesia were followed by way of decrease hobby prices in numerous markets. within the markets, the in a single day interbank fee and 1-month deposit rate have fallen 26bps and 131bps respectively when you consider that December 2020 to two.seventy eight% and a couple of.96% in December 2021 (parent three). further, the yield on 10-12 months SBN





additionally fell through 200bps from a excessive of 8.38% on the end of March 2020 to six.38% at the cease of December 2021. inside the credit score marketplace, the banking industry continues to decrease high lending prices (PLR), observed by way of lower interest rates on new loans.

Financial organization Indonesia has moreover continued economic stimulus within the form of Quantitative Easing (QE) coverage to the banking enterprise in massive quantities so that it will stimulate financing for the corporation region and guide the countrywide financial recuperation. In 2021, bank Indonesia has injected liquidity through quantitative easing to the banking enterprise totalling Rp147.eight trillion. With the ones tendencies, due to the reality 2020 quantitative easing insurance has reached IDR 874.4 trillion or round 5.three% of GDP, virtually one of the biggest liquidity injections in growing countries.

Despite the reality that the large liquidity in the banking enterprise has now not been capable of honestly stimulate monetary group lending because of prone call for for credit score from the company area, unfastened liquidity performs an crucial function in keeping wellknown economic system stability. similarly to liquidity injection to the banking business enterprise, bank Indonesia keeps to shop for SBN within the number one marketplace to fund the 2021 country rate range totalling Rp358.32 trillion, consisting of Rp67.87 trillion thru primary public sale and Rp75.forty six trillion through greenshoe alternatives (GSO) in accordance with the Joint Decree of the Minister of Finance and Governor of financial institution Indonesia issued on sixteenth April 2020 (KB I), and Rp215 trillion through non-public Placement (PP) mechanism according with the Joint Decree of the Minister of Finance and Governor of economic organization Indonesia issued on twenty 0.33 August 2021 (KB III).

### **Macroprudential Policy Easing**

The macroprudential coverage stance stays accommodative and synergized with the KSSK coverage to stimulate financing to the enterprise world and country wide monetary recovery. various macroprudential policy easing profits have been pursued. First, the LTV easing for assets loans and KKB down bills to zero% is powerful March 1, 2021. This policy is pursued in synergy with the government and very wellwhich have issued coverage packages to encourage the performance of the assets and automobile sectors – as sectors that have a fairly excessive linkage (to and fro linkage) to different economic sectors. 2nd, the e-book of an evaluation of prime lending fee transparency inside the banking industry when you consider that February 2021 to bolster transmission of economic and macroprudential coverage easing. 0.33, step by step reactivate the Macroprudential Intermediation Ratio (MIR) by way of raising the lower restriction of the RIM to 75% in may also 2021, eighty% in September 2021, and 84% in January 2022. Strengthening became also finished via incorporating bank-owned export money orders into the RIM calculation. The various rules are synergized with efforts to maintain adequate liquidity in the banking industry via a zero% Countercyclical Buffer (CCyB) and a 6% Macroprudential Liquidity Buffer (MLB) ratio, all of which may be reposed to financial institution Indonesia.

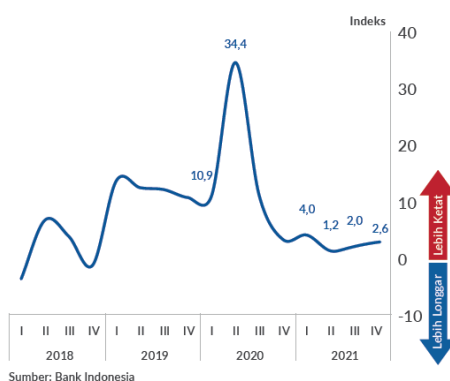
Bank Indonesia has additionally subtle the MSME loan Ratio policy to the Macroprudential Inclusive Financing Ratio (RPIM). The development of rules to encourage inclusivity is taken by using expanding the financing goal not simplest for MSMEs but additionally for MSME businesses and PBR (Low earnings people). similarly, financial institution Indonesia also affords flexibility in order that banks can take part in MSME and PBR financing in accordance with their expertise and business model via the enlargement of MSME and PBR financing mechanism alternatives.



In this regard, banks can make contributions to challenge inclusive financing greater optimally via 3 (3) modality schemes, especially (1) direct inclusive financing and deliver chains, (2) financing thru monetary establishments and issuer businesses, together with BPR / BPRS, fintech, PNM, and SMF, and (three) financing through the acquisition of securities related to inclusive financing, consisting of SBN Inclusive, MTN Inclusive, and EBA Inclusive. Going in advance, the increase of this indirect inclusive financing scheme is anticipated to reason innovation inside the banking business enterprise in addition to economic marketplace deepening. RPIM implementation is probably executed in stages, just so the target portion of MSMEs and different inclusion in banking loans of at least 30% (thirty percentage) can be achieved by the give up of June 2024.

A low insurance fee and accommodative financial and macroprudential policy easing performed with the useful resource of economic institution Indonesia can help monetary gadget stability. Liquidity conditions within the banking employer have been free in December 2021, as meditated by way of the usage of a excessive ratio of liquid property to deposits of 35.12% and deposit increase of 12.21% (yoy). Liquidity within the financial system multiplied, as meditated thru slender (M1) and extensive (M2) coins supply, which grew with the aid of manner of 17.nine% (yoy) and thirteen.9% (yoy), respectively. The growth of the cash supply is specifically supported by way of fiscal increase and developing financial institution loans.

Graph 4. Standard Lending Index



Source: Bank Indonesia

The recuperation within the banking industry turned into driven by means of improvements in both the demand and deliver aspects of credit score. credit score call for stepped forward, especially from the enterprise and intake sectors in step with increasing public interest. at the supply side, financial institution lending standards have loosened consistent with decrease risk belief, further to loose liquidity and decrease hobby fees on new loans (Chart 4). All credit use corporations have grown undoubtedly, specifically intake credit and running Capital credit. higher credit score growth turned into recorded in home ownership Loans (KPR), particularly nine.13% (yoy) in December 2021 in line with the included KSSK coverage to stimulate the assets zone.

Further, MSME mortgage growth expanded in December 2021, indicating in addition development inside the enterprise international in the MSME quarter. shifting ahead, in step with the restoration of the countrywide economy after the COVID-19 pandemic, growing public mobility and monetary activity, accelerating the realization of the country budget and local price range by using the authorities, a unfastened economic and macroprudential policy



mix, along with extra than sufficient liquidity inside the banking industry, as well as progress in credit score restructuring by way of the banking industry, bank Indonesia expects financial institution lending and capital market financing to step by step growth ahead.

Bank Indonesia will hold to boost up price device digitalisation to stimulate countrywide digital financial and economic integration. As an implementation of BSPI 2025, in 2021 rate device digitalization is emphasized on three (three) crucial priorities and achievements, specifically regulatory reform, retail price system infrastructure, and charge tool standardization (decide 3.1). inside the component of regulatory reform, coverage transformation is pursued to consolidate the national price gadget enterprise located via ease and simplification of licensing approaches

## CONCLUSION

Based totally at the research that has been executed, several conclusions had been determined, particularly:

1. In stabilizing the financial system in Indonesia after the COVID-19 pandemic, that is a global pandemic, the Indonesian authorities has taken numerous moves, namely taking rupiah alternate price stabilization guidelines, financial policy stimulation, and macroprudential policy easing.
2. In the implementation of exchange price stabilization coverage thru triple intervention, both within the spot market, the home Non-Deliverable forward (DNDF) marketplace, in addition to the acquisition of SBN from the secondary marketplace, it is also supported by using extensive conversation to buyers and home and foreign marketplace gamers to strengthen the rupiah. it can be seen that the Rupiah, which reached Rp14,610 on 15th April 2021, keeps to expose a strengthening trend to Rp14,253 as of December 31, 2021.
3. In terms of monetary coverage stimulation, low economic policy quotes and economic coverage easing by bank Indonesia have brought about decrease interest charges inside the banking enterprise and maintained economic marketplace stability. since 2020 financial institution Indonesia has diminished the monetary coverage price 6 (six) times in order that the BI7DRR charge could be 3.50%.
4. Inside the implementation of macroprudential coverage easing, it is considered that it has succeeded in assisting monetary gadget balance. Liquidity conditions within the banking organisation had been unfastened in December 2021, as pondered by a excessive ratio of liquid belongings to deposits of 35.12% and deposit growth of 12.21% (yoy). Liquidity in the monetary machine accelerated, as contemplated via slender (M1) and wide (M2) money deliver, which grew with the aid of 17.9% (yoy) and thirteen.9% (yoy), respectively. The growth of the cash deliver is especially supported through financial increase and growing bank loans.

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