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Government Policy Strategies in Sustaining Economic Growth in the Covid-19 Pandemic Era

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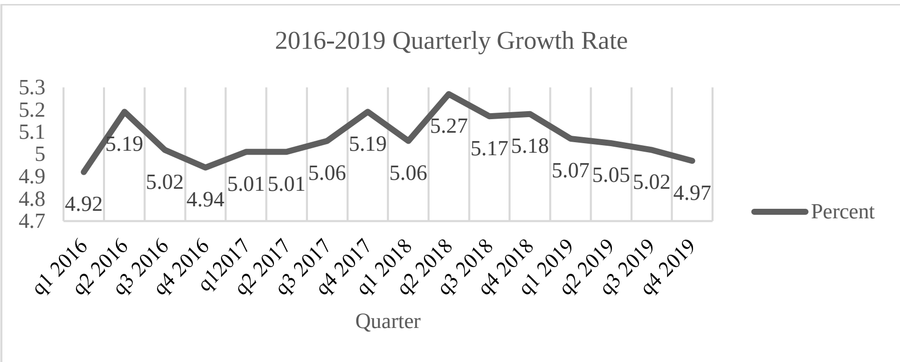
ABSTRACT

This paper aims to see the government's strategy to maintain economic growth in the era of the Covid-19 pandemic. The method used in this research is a qualitative descriptive analysis method with the type of literature study of various publications from BPS, Bank Indonesia, and previous empirical literature that will be used as a grand theory in this study. The analytical method used is descriptive statistics. Furthermore, to ease the burden on business actors, both micro, medium, and large, OJK has rescheduled the repayment of debt installments and interest subsidies. These policies will only work effectively if a mix of policies or policy coordination is carried out. Besides, community support is urgently needed, such as implementing health protocols to suppress the development of the Covid-19 virus so that normal life can be re-created. These policies will only work effectively if a mix of policies or policy coordination is carried out. Also, community support is urgently needed, such as implementing health protocols to suppress the development of the Covid-19 virus so that normal life can be re-created. These policies will only work effectively if a mix of policies or policy coordination is carried out. Besides, community support is urgently needed, such as implementing health protocols to suppress the development of the Covid-19 virus so that normal life can be re-created.

1. INTRODUCTION

Economic growth is very important and necessary because, without growth, there is no increase in welfare, employment opportunities, productivity, and income distribution. Economic growth is a process of continuous changes in the economic conditions towards a period that is considered better because it obeys. Economic growth is a process of increasing the economy's production capacity comprehensively and continuously or continuously over time, resulting in a higher national income level.



Source: Databoks.co.id (2020)

Figure 1. 2016-2019 Quarterly Growth Rate

Figure 1 shows that the economic growth rate in 2016 and 2017 was in the range of 5.03-5.07%. In 2018 economic growth was 5.17%. This figure is said to have missed the figure targeted by the State Budget. Indonesia's continued economic growth in 2018 was due to domestic investment and private consumption (household consumption and consumption of nonprofit organizations serving households), government consumption, and total fixed capital formation. In 2019, the Indonesian economy experienced global uncertainty, which impacted economic and commodity growth. There is global uncertainty due to the Covid-19 pandemic, which impacts health, economic and social aspects (bps.go.id, 2020). The Covid-19 pandemic affects not only the health sector but also creates economic problems. BPS has recorded that the economic growth rate in the first quarter (January-March) 2020 only grew 2.97%. This figure is slowing down from 4.97% in the fourth quarter of 2019. In the first quarter of 2019, growth was far below the achievement of 5.07%, and in the second quarter of 2020, Indonesia's economic growth rate was minus 5.32%. This figure is inversely proportional to the second quarter of 2019 at 5.05% (Tobing, 2019). Based on BPS data, economic growth in the second quarter of 2020 contracted -5.32% compared to the first quarter of the year; the contraction rate was -4.19%. Meanwhile, the cumulative growth in the first quarter of 2019 was -1.26%. The decline in economic growth rate was due to the Covid-19 virus and its massive form of spread (CNBC Indonesia, 2020). The increase in Covid-19 cases in Indonesia, which peaked in March 2020, prompted the government to launch a policy to respond to the existing situation by ratifying the PSBB (Large-Scale Social Restrictions) following Government Regulation Number 21 of 2020. Implementing the PSBB is to reduce all activities outside the home, which is expected to break the chain of spreading the virus. With the PSBB, all activities usually carried out offline have turned into Work From Home (WFH). This condition affects production activities that are directly related to business activities and other business activities that are not directly related. From the data from Kadin (2020), when viewed from the amount of income, around 82% of business actors are experiencing heavy pressure due to the Coronavirus pandemic, which impacts decreasing income. Only a small percentage of certain businesses are not affected or even increase, even though the percentage is small. 48.8% of MSMEs had to temporarily close because their income had fallen, while 37.9% of their sales had fallen by more than 30%. From the Nasution study (2020), it is revealed that the impact of the Covid-19 pandemic has caused low investor sentiment towards the market, which in turn has led to a negative trend. Strategic fiscal and monetary measures are needed to provide economic stimulus. As the Covid-19 pandemic case develops, the market fluctuates in a negative direction. Not only that, The slowdown in the global economy, especially Indonesia's export activities to China, also has a significant impact on the Indonesian economy. By looking at these problems, the authors are interested in further researching: a) The development of economic growth during the Covid-19 period; b) Development of fiscal policy to stimulate economic growth; c) The development of monetary policy to create stability in economic growth; d) The Government's strategy to maintain economic growth in the Covid-19 era. c) The development of monetary policy to create stability in economic growth; d) The Government's strategy to maintain economic growth in the Covid-19 era. c) The development of monetary policy to create stability in economic growth; d) The Government's strategy to maintain economic growth in the Covid-19 era.

2. LITERATURE REVIEW

Macroeconomic policy is a form of policy taken by the government of a country that aims to stabilize the economy and create positive economic growth (Yunisvita, 2013). There are four objectives to be achieved from macroeconomic policies, namely: a) creating resilient economic growth in the long term, b) creating price stability; c) creating a full level of employment without inflation and d) Creating a balanced balance of payments (Case and Fair, 2007). The ideal economic growth is: (a) continuous, (b) accompanied by the creation of jobs, (c) does not damage the environment, (d) is higher than the population growth rate, (e) is accompanied by a fair distribution of income, (f) equitable sectoral contribution, (g) does not leave the agricultural sector, (h) the increase is real, (i) the largest contributor to GDP is domestic citizens, not foreigners (Yunisvita, 2013). Covid-19 has had a very significant impact on the economy in the aggregate. Therefore, efforts to stabilize the economy in a normal position require good macro policy coordination, fiscal policy, and monetary policy. Fiscal policy is a system aimed at regulating the country's economy through the Government Budget by referring to the central government, such as regulating a country's financial expenditure and income to create strong economic resilience (Case and Fair, 2007). Fiscal policy has two policy instruments, namely expansionary fiscal policy and contractive fiscal policy. Both of them have different roles in regulating expenditures and revenues, which impact the money supply. The expansive fiscal policy acts as a stimulus provider for government spending, aiming to increase development and balance it by increasing the money supply. This increase in government spending greatly affects macroeconomic stability so that it is less dependent on foreign aid.

Meanwhile, the contractionary fiscal policy reduces economic activity by reducing government spending (Case and Fair, 2007). Various factors influence economic activity in a country, one of which is monetary policy. Monetary policy is part of macroeconomic policy to control interest rates in controlling the inflation rate and maintaining economic stability (Aimon and Syofyan, 2014). Monetary policy in Indonesia rests with the Central Bank or Bank Indonesia, which has the authority to regulate how this policy will work and affect credit, interest rates, and the rupiah exchange rate in the banking system and then affect the real sector through the political discount, reserve policy mandatory minimum, selective credit, and open market. Monetary policy is a policy taken by the government, central bank, and monetary authorities which is a policy that aims to achieve internal balance (high economic growth, price stability, equitable development) and external balance (balance of payments balance) and the achievement of macroeconomic goals, namely maintaining economic stability that can be measured by employment opportunities, price stability and a balanced international balance of payments by regulating the money supply and interest rates (Yunisvita, 2013). In influencing the money supply, the monetary authority can use both expansionary and contractive monetary policies (Case and Fair, 2007). In maintaining stable economic growth in the Covid-19 era, monetary policy alone is insufficient to encourage economic growth. Monetary policy needs to be supported by fiscal policy to achieve optimal results. Macroeconomic fundamentals cannot be achieved simultaneously. Often achieving stable prices must be paid for with low economic growth. Therefore there needs to be coordination of monetary and fiscal policies or a policy mix.

Conceptually, the coordination of the monetary-fiscal policy mix can be carried out through several scenarios, namely: 1) expansionary monetary policy and expansionary fiscal policy; 2) contractionary monetary policy and expansionary fiscal policy; 3) expansionary monetary policy and contractionary fiscal policy; 4) contractionary monetary and fiscal policies (Mankiw, 2014). If the monetary-fiscal policy mix is well-coordinated, the policy mix scenario 1) is the most effective policy scenario applied for counter-cyclical macroeconomic policy to promote economic growth and maintain a relatively low and stable inflation rate. Therefore, in determining the State budget's fiscal policy, the determination of the inflation target is important as one of the macroeconomic assumptions. Bank Indonesia's monetary policy instruments support the inflation target set in the state budget. This means that in an economic situation experiencing a prolonged economic recession, the monetary-fiscal policy mix must be equally expansive and very precisely and well-coordinated to encourage economic activity with moderate and flexible influence on interest rate movements (Warjiyo and Solikin, 2017). The movement of interest rates (interest rates) is very flexible by a developing economy's conditions. If the interest rate is too high, the tendency to invest will be weak, especially in the real sector (industrial and trade sectors). Conversely, if the interest rate is too low, people will delay saving their money in banks, and the tendency to invest will increase. Meanwhile, the monetary-fiscal policy mix that is equally contractive is very beneficial for reducing the expansion of excessive economic activity (over-heating economy). Usually, the monetary policy scenario — contractionary fiscal) aims to reduce the inflation rate, which tends to continue to increase. Whereas scenario 2) and scenario 3) are two scenarios that cancel or weaken each other, and the results of these two policies depend on the strength of each of these policies on the economy as a whole (Warjiyo and Solikin, 2017). Theoretically, there are 4 (four) options for the mix of monetary and fiscal policies, namely: (i) loose fiscal policy and loose monetary policy; (ii) loose fiscal policy and tight monetary policy; (iii) Tight fiscal policy and loose monetary policy; and (iv) Tight fiscal policy and tight monetary policy. Each authority has two policy options, namely: a tight policy or a loose policy. When both of them jointly choose austerity policies, the inflation rate tends to below, and the number of jobs is also low (high unemployment). Meanwhile, when the two policy authorities decide to make loose policies jointly, the inflation rate tends to be high, and the unemployment rate tends to below. Meanwhile, suppose one policy authority makes a tightening policy, while the other authorities make an easing policy or vice versa. In that case, the unemployment and inflation rates tend to be at a moderate level (Goeltom, 2012). From several studies by Simorangkir (2007), it is identified that the coordination of monetary policy and fiscal policy provides less social loss to the economy than if it is not coordinated. Monetary and fiscal policies need each other with good coordination to not produce ends that are contrary to their initial objectives, with good coordination will certainly support economic growth and maintain price stability. Setiawan (2018), fiscal policy in Indonesia has not been able to quickly stimulate output in the short term and instead puts pressure on rising inflation and nominal interest rates. Monetary and fiscal policies need each other with good coordination to not produce ends that are contrary to their initial objectives, with good coordination will certainly support economic growth and maintain price stability. Setiawan (2018), fiscal policy in Indonesia has not been able to quickly stimulate output in the short term and instead puts pressure on rising inflation and nominal interest rates. Monetary and fiscal policies need each other with good coordination to not produce ends that are contrary to their initial objectives, with good coordination will certainly support economic growth and maintain price stability. Setiawan (2018), fiscal policy in Indonesia has not been able to quickly stimulate output in the short term and instead puts pressure on rising inflation and nominal interest rates.

3. METHODOLOGY

The method used in this research is the descriptive qualitative method. The descriptive method is a research method used to describe problems that occur in the present, and the aim is to describe everything that is happening as it should when the research was carried out. Qualitative research intends to understand the phenomena experienced by research subjects, such as behavior, perception, motivation, action, and others holistically. It utilizes descriptions in words and language in particular natural and natural contexts by utilizing various scientific methods (Sugiyono, 2008). The type of research used is a literature survey both in the form of data published by Bank Indonesia, Ministry of Finance, the Central Bureau of Statistics, and various empirical studies conducted by previous researchers. The data used are secondary. Secondary data comes from existing sources or previous studies and publications from trusted agencies such as Bank Indonesia, the Ministry of Finance, and the Central Bureau of Statistics. This research uses descriptive statistical analysis. Descriptive statistics are statistical analyses that provide a general description of each research variable's characteristics as seen from the average (mean), maximum, and minimum values (Sugiyono, 2008). Secondary data comes from existing sources or previous studies and publications from trusted agencies such as Bank Indonesia, the Ministry of Finance, and the Central Bureau of Statistics. This research uses descriptive statistical analysis. Descriptive statistics is a statistical analysis that provides a general description of the characteristics of each research variable as seen from the average (mean), maximum, and minimum values (Sugiyono, 2008). Secondary data comes from existing sources or previous studies and publications from trusted agencies such as Bank Indonesia, the Ministry of Finance, and the Central Bureau of Statistics. This research uses descriptive statistical analysis. Descriptive statistics is a statistical analysis that provides a general description of the characteristics of each research variable as seen from the average (mean), maximum, and minimum values (Sugiyono, 2008).

4. RESULT AND DISCUSSION

4.1 The Development of Indonesia's Economic Growth in the Covid-19 Era

By looking at the facts in the field, it is identified that handling the economy as the effect of the Covid-19 pandemic opens homework that can be done partially by each economic sector. It needs an integrated policy or a policy mix of fiscal, monetary and financial sectors simultaneously. From government publications until the end of July 2020, formal and informal workers affected by Covid-19 reached 3.5 million people. The poverty rate in March 2020 rose to 9.78 percent compared to March 2019 (9.41 percent). Covid-19 has the potential to increase the number of poor people between 3.02 and 5.71 million people. The increase in Covid-19 will further exacerbate economic growth, decrease government revenue and increase state spending and spending (Kompas.com, 2020). Furthermore, in BPS Quarter II 2020, Indonesia's economic growth experienced a contraction of -5.32% (YoY), lower than the achievement in the first quarter of 2020 -2.97% (YoY). The performance of government tax revenue has decreased. Until July 2020, tax revenue of minus 14.7% (YoY) decreased from IDR 705.6 trillion to IDR 601.8 trillion in the same period. Contraction in tax revenue due to lower economic growth performance, on the other hand, saw government spending spike, especially for the health sector, social protection, and incentives for the business world. The finance ministry noted that until July 2020, the state budget deficit reached IDR 330.2 trillion Rupiah or 2.1% of GDP. State income only recorded IDR 922.2 Trillion, while state expenditure increased to exceed IDR 1,252.4 trillion Rupiah in the National Economic Recovery Program (PEN) (Kompas.com, 2020). From the published data from BPS (2020), the business sectors that are badly affected by Covid-19 are the food, beverage, accommodation, transportation, and trade sectors. In the first quarter of 2020, the sector that experienced growth during the Covid-19 pandemic was the information communication sector, which amounted to 0.53%. The existence of WFH forces people to access jobs, education, and entertainment through information technology, increasing the sales volume of electricity and pulses in the household sector.

Source: Databoks.co.id (2020)

Figure 2. Business Sectors Most Affected During the Covid-19 Pandemic

In the first quarter of 2020, Indonesian Central Bureau of Statistics (BPS) released data on the number of foreign tourists experiencing a drastic decrease of 34.9% compared to the previous year. Along with the prohibition on international flights that came into effect in February 2020. Also, the number of passengers on land and air transport decreased due to the implementation of the PSBB (Arnani, 2020). The impact of the spread of the Covid-19 virus has caused Indonesia's economic growth to slow down. According to BPS, the Indonesian economy slowed down by 2.97% (year on year) in the first quarter of 2020. Economic growth slowed down in line with weakening people's purchasing power and household consumption. Household consumption has a significant effect on economic growth. This is because household consumption can support around 50% of GDP. During 2020, the government has changed its economic growth projection. The government estimates that economic growth will be in the range of 0.4 to minus 2.3 percent. The worsening of Covid-19 forced the government to change its growth projection to a contraction of 1.7 to 0.6 percent. To restore economic contraction, the government provides a Budget in the form of a National Economic Recovery (PEN) program of 695.2 trillion Rupiah, which will be allocated to several sectors such as MSMEs, electricity, internet, and banking with the hope of restoring the level of public consumption (CNN Indonesia, 2020). The government predicts that economic growth recovery will begin in 2021 when the economy begins to grow positively. The worsening of Covid-19 forced the government to change its growth projection to a contraction of 1.7 to 0.6 percent. To restore economic contraction, the government provides a Budget in the form of a National Economic Recovery (PEN) program of 695.2 Trillion Rupiah, which will be allocated to several sectors such as MSMEs, electricity, internet, and banking in the hope that it can restore the level of public consumption (CNN Indonesia, 2020). The government predicts that economic growth recovery will begin in 2021 when the economy begins to grow positively. The worsening of

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4.2 Developments in Fiscal Policy in Encouraging Economic Growth

To restore the economy, the government issued some stimuli, both from fiscal and monetary policies. The following is the recapitulation of fiscal stimulus volume 1 in 2020.

Table 1. Recapitulation of Fiscal Stimulus Volume I - February 25, 2020

Policy	Information
Added Benefits of Basic Food Cards	Additional benefits of IDR 50,000 / KPM from IDR 150,000 / KPM to IDR 200,000 / KPM to 15.2 million KPM starting from March 2020 for six months. KPM = Beneficiary Family
Additional Subsidies for Housing Interest	Additional distribution of new KPR units of ± 175,000 units (including KPR ASN, TNI, and POLRI) Implemented by Commercial Banks that have collaborated with the Ministry of Public Works and Housing starting April 2020
Incentives to Bring in International Tourists	– Incentives for Airlines and Travel Agents IDR 98.5 Billion; – Incentives for Joint Promotion IDR 103 billion; – Incentives for Visit Indonesia Tourism Officer (VITO) IDR 298.5 billion in 17 countries IDR 25 billion; – An incentive for Familiarization Trip and Influencer IDR 72 Billion
Incentives for Domestic Tourists	– There are 10 Destinations (Lake Toba, Yogyakarta, Malang, Manado, Bali, Mandalika, Labuan Bajo, Bangka Belitung, Batam and Bintan) that are given incentives by the government; – Transportation incentives
TKDD support for the tourism sector	– The tourism grant program for 43 Districts / Cities that have not utilized the physical DAK for tourism amounting to IDR147.7 billion; – Decreased hotel tax and restaurant tax rates in 10 tourism destination areas to 0% for six months
Acceleration of Pre-Employment Card Program	– Starting in March 2020 – Training for 2 million people
Acceleration (Front Loading) and Optimization of State Expenditures	– Accelerated disbursement of capital expenditures – Acceleration of disbursement of social assistance spending – Accelerated distribution of village funds
Total	**IDR 10,2 T**

Source: Ministry of Finance of the Republic of Indonesia (2021) (processed)

Based on Table 1 in volume 1, it is noted that the fiscal stimulus in volume I is IDR 10.2 Trillion. While the Fiscal Stimulus Recapitulation Volume II is as follows.

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Table 2. Recapitulation of Fiscal Stimulus Volume II - March 13, 2020

Policy	Information	Total value (Rp)
Article 21 Income Tax Relaxation	[1] Government borne (DTP) 100% of the income of the workers with an amount of up to IDR 200 million [2] Industrial sector and manufacturing industry [3] For six months from April - September 2020	IDR 8,60 T
Article 22 Import Income Tax Relaxation 30% reduction in Income Tax Article 25	[1] In 19 certain sectors, Taxpayers (WP), Ease of Import for Export Purposes (KITE), and WP KITE for Small and Medium Industries (IKM)	IDR 8.15 T IDR 4.20 T
Accelerated VAT refunds	[1] For six months from April - September 2020	IDR 1.97 T
Total Stimulus		**IDR 22.9 T**

Source: Ministry of Finance (2021) (processed)

Based on Table 2 in volume 1, it is noted that the fiscal stimulus in volume II is IDR 22.9 Trillion. Meanwhile, the Fiscal Stimulus Recapitulation Volume III was recorded at IDR 405.1 Q. For more details, see Table 3.

Table 3. Recapitulation of Fiscal Stimulus Volume III - March 24, 2020

Policy	Program	Stimulus Value (Rp)
Health Incentives	[1] Fee assistance for tariff adjustment for Non-Wage Workers and Non-Workers following Presidential Decree 75 of 2019 [2] Incentives for central and regional medical personnel [3] Compensation for death for health workers [4] Shopping for health care for covid-19	1. 3.0T 2. 5,9T 3. 0.3T 4. 65.8T
Social Safety Net (IDR 110,0T)	[1] Additional social safety net – Additional PKH distribution for 10 million KPM – Additional basic needs for 4.8 million KPM – Additional Pre-Work Card – Discounts on electricity rates for 450 and 900 V users – Additional housing incentives for low-income families – Other Social Safety Network Programs [2] Reserves to fulfill basic needs and market/logistics operations [3] Adjustment of the Education budget for Handling Covid-19	1. 65.0T 2. 25.0T 3. 20.0T
Industry Support (IDR 70,1T)	[1] Other tax reserves / DTP – The government bears tax for PPh article 21 and VAT – DTP import duty [2] EXCHANGE stimulus	1. 64.0T 2. 6.1T
Support for the Business World (IDR 150.0T)	[1] Financing to support the national economic recovery program	1. 150.0T
Total Stimulus		**405.1T**

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Source: Bank Indonesia, (2021) (processed)

To maintain financial sector stability due to the Covid-19 pandemic, the government issued a Government Regulation in place of Law (PERPPU) number 01 of 2020 concerning State Financial Policy and Financial System Stability. This Perppu was issued on March 31, 2020, and this Perppu was ratified as Law Number 2 of 2020 after being agreed by the government and the DPR. This law came into force on March 18, 2020. Fiscal policies regulated in Law Number 2 of 2020 include (detikfinance.com, 2020):

[1] Tax Policy for State Revenue
The government adjusts the income tax rate for domestic entities and permanent establishments and provides tax stimulus for employees. The stimulus is government-borne employee income tax or PPh article 21 DTP. There is also an exemption from import income tax and a reduction in the installment of PPh article 25. Besides, the Ministry of Finance also provides value-added tax (VAT) incentives for those affected by Covid-19. The government also determines tax treatment in Electronic Trading (PMSE) activities. Provide an extension of time for the exercise of rights and fulfillment of tax obligations. It also provides customs facilities in handling emergencies, restoring, and handling the national economy.

[2] State Expenditure Policy and Financing Policy
The government sets a larger budget deficit limit, determines the sources of budget financing, adjusts the amount of expenditure, and allocates the budget for certain activities. The allocation of budget funds is divided into three stimuli:
a) The budget is for strengthening the domestic economy through accelerating state spending and encouraging labor-intensive spending policies. This stimulus is aimed at industrial sectors affected by Covid-19.
b) Budget to support people's purchasing power and encourage export-import convenience.
c) Budgets for public health, social protection, and financial system stability.

The fiscal policy and posture for the 2020 State Budget in response to the Covid-19 pandemic is the flexibility of the 2020 State Budget. In the 3rd stimulus, additional spending and financing are needed to deal with the impact of Covid-19 and prevent economic and financial crises. With the government spending funds for 1). Health IDR Seventy-five trillion as an intervention for handling Covid and subsidizing BPJS contributions, 2). Social Safety Net IDR One hundred ten trillion as additional social safety net IDR 65 trillion; Reserves to fulfill basic needs and market/logistics operations of IDR 25 trillion; Adjustment of the education budget for handling Covid-19 IDR 20 trillion, 3). Industry Support of IDR 70.1 Trillion as tax reserves / other DTP IDR 64 Trillion and KUR stimulus IDR 6.1 Trillion, 4).

4.3 Monetary Policy Developments in Encouraging Economic Growth

The discussion on the importance of coordination between monetary and fiscal policies has long been a topic of serious concern in both developed and developing countries. Some economists believe that the coordination of monetary policy and fiscal policy will positively impact macroeconomic stability. Other economists assess that these two policy institutions do not need to pay attention to other policy institutions' actions because the coordination of monetary and fiscal policy objectives has not been carried out optimally (Simorangkir, 2007). To make macroeconomic policies effective, the government implements a policy mix in synergies between macroeconomic policies and sectoral policies. It is hoped that the achievement of the policies will be much easier than the respective policies.

Table 5. Government Policy Mix

The stimulus or policy mix of Bank Indonesia	Strategy undertaken
[1] Interest rate reduction	– Interest rates will remain low until signs of increasing inflationary pressure appear
[2] BI is stabilizing and strengthening the rupiah exchange rate	– Increased policy intensity on the spot market, Domestic-Non-Deliverable-Forward (DNDF), and purchases of SBN from the secondary market – Strive to reduce the foreign currency reserve requirement
[3] BI expands instruments and transactions in the money market and foreign exchange market	– They provided more hedging instruments against rupiah exchange rate risk through DNDF transactions, increasing foreign exchange swap transactions, providing term repos for banking needs, strengthening monetary operations, and deepening the Islamic financial market through various instruments. Besides, BI also strengthened the foreign currency term deposit instrument to improve the management of foreign currency liquidity in the domestic market and encourage banks to reduce the Forex reserve requirement set by BI.

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The stimulus or policy mix of Bank Indonesia	Strategy undertaken
[4] Encouraging financing for the business world and national economic recovery	– We are conducting large amounts of liquidity injection (quantitative easing) into the money market and banking.
[5] Strengthening accommodative macroprudential policies to encourage banks to finance business and the economy	– Loosening of the Loan to Value Ratio (LTV) provisions, the Macroprudential Intermediation Ratio (RIM), and a reduction in the rupiah reserve requirement. Provision of liquidity for banks in restructuring credit for MSMEs and ultra-micro businesses that already have loans from financial institutions.
[6] Ease and smooth payment system both cash and non-cash to support various economic and financial transactions	– Circulating money hygienically – Encourage the public to use more non-cash transactions – Accelerate the implementation of digital economy and finance
[7] Supporting financial system stability	– Strengthen integrated banking supervision coordination between Bank Indonesia, OJK, and LPS.
[8] Accelerating digital transformation and synergy to strengthen the momentum of economic recovery	– They are strengthening payment system policies and accelerating the implementation of the 2025 Indonesian Payment System Blueprint.

Source: Bank Indonesia and Kompaspedia (2020) (processed)

Since December 2020, Bank Indonesia has decided to maintain the BI 7-day reverse repo rate (BI7DRR) at 3.75%, the deposit financing rate at 3.00%, and the loan financing interest rate at 4.50%. This decision is consistent with low inflation and efforts to maintain external stability and support economic recovery. By opening a productive and safe economic sector from Covid-19, Bank Indonesia has accelerated fiscal stimulus, directed banking credit from the supply and demand sides, continued monetary and macroprudential stimulus measures, strengthened policy synergies supported various further policies. Establish an optimistic attitude towards national economic recovery and accelerate economic and financial digitization (bi.go.id, 2020). A mix of monetary policy and fiscal policy is a strategy and an important role for the government in maintaining economic growth in the Covid-19 era. The interaction between fiscal policy and monetary policy is a discussion that can be carried out from various aspects. This interaction can be seen from the relationship between institutional and organizational strength. From a macroeconomic perspective, it can be seen that policy interactions can be seen from the relationship between institutional and organizational strength, which is said to be the most important. Government macro implementation, mixed economic policies. Central Bank and government cabinet. The interaction between fiscal policy and monetary policy can also be seen from the central bank and the government's financial relationship.

4.4 Government Strategy in Sustaining Economic Growth

During this pandemic, the government focused on priority activities, namely preventing the spread of the Covid-19 virus because social and economic interests are not the same thing. The government is facing a pandemic that urgently needs hospitals, medical institutions, and medical staff in large numbers. After the pandemic has subsided, economic actors or community activities will slowly recover. In maintaining economic growth in the new normal era, the government implemented fiscal policies to maintain economic growth and economic stability. From the revenue side, the government must pay attention to the contribution of income from PPN and Corporate Income Tax, which have been the main government agencies. From the expenditure side, the government must pay attention to the use of funds to achieve goals appropriately and set priorities for activities to prevent the Covid-19 pandemic. The government reduces the government budget deficit. During a pandemic, spending in the APBN can be optimized, and the existing budget can be adjusted or revised for use during the pandemic. The government is running a series of strategies to save the Indonesian economy, focusing on accelerating the realization of the strategic plan for handling Covid-19 and the National Economic Recovery (PEN) and the realization of the budget from the plans of various ministries or institutions. The plans include regional PEN loans, other regional incentive funds (DID) for the PEN program, labor-intensive programs for community oil rehabilitation (PSR), digital village development, and digital MSMEs for the program to increase the allocation quota for the work card program, the People's Market spending campaign program and the labor-intensive program in the National Strategic Project Development (PSN). The government has budgeted a total cost of handling Covid-19 and National Economic Recovery (PEN) of IDR695.20 trillion, allocated for six sectors. The government took several steps to minimize the three sectors' impact (health, socio-economy, and the business world). In the health sector, for example, the government has provided equipment support for medical personnel, making emergency hospitals seek referral hospitals for Covid-19 patients (Wuryandani, 2020). According to data from the Coordinating Ministry for the economy, the realization of the PEN plan in the health sector has only reached IDR 6.3 trillion, approaching the upper limit of

IDR 87.55 trillion. This target was achieved to obtain central and regional health incentives of IDR 1.7 trillion, health worker mortality benefits of IDR 12.9 trillion, an allocation of the Covid-19 task force of IDR 3.2 trillion, and an incentive for health import taxes of IDR 1.4 trillion (Kontan. co. id, 2021). Besides, the government provides a social safety net for the social and economic activities of people whose income is affected by the pandemic. The goal is that people can maintain consumption during a pandemic. The economic problems caused by the Covid-19 pandemic can be seen from two different economic points of view, namely demand, and supply. From the demand side, the conditions for the Covid-19 pandemic will reduce the consumption sector, travel and transportation activities, and trade. Meanwhile, most likely, from the supply side, what happens is worker/labor productivity contractions, a decrease in investment and funding activities, and disruption of the global value chain (Wuryandani, 2020). By increasing community economic activity with strict health protocols and accelerating the government's realization of stimulus from the state budget, it is hoped that Indonesia's economic growth will experience recovery and survive Covid-19.

5. CONCLUSIONS

The successive world economic crises have weakened the world economy, including Indonesia. This condition is getting worse with the Covid-19 pandemic, which has lasted one year. The Covid-19 pandemic has also corrected economic growth in almost every country in the world. The PSBB policy's existence and social distancing have paralyzed various economic activities, both large, medium, and small. There are many layoffs and temporary layoffs of employees, which impacts the public's purchasing power. To keep the economy growing positively, the government issued several stimuli both in the form of direct cash assistance and various programs to alleviate the costs of business actors (such as rescheduling bank installments), exemption from paying taxes, electricity subsidies, pulse subsidies, and others. Fiscal, monetary, and financial stimulus policies will work effectively if carried out simultaneously and in a coordinated manner. The spread of the Covid-19 pandemic will be minimized if the community complies and implements health protocols recommended by the government. Economic activities are closely related to the development conditions of the Covid-19 virus. The government will revoke the PSBB and social distancing policies if the development of the virus's spread continues to show a decline, which is indicated by a change in the regional zone from red to blue. Therefore, to accelerate virus reduction, community support is needed to comply with health protocols jointly. No matter how good the government program is and how much budget is issued by the government, if it is not supported by community discipline in implementing health protocols, the Covid-19 pandemic will never end. The existence of a mix of monetary policy and fiscal policy is a strategy and an important role for the government in maintaining economic growth in the Covid-19 era.

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