

Direction of Fiscal Policy in Supporting Indonesia's Economic Growth during the Covid-19 Pandemic

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ABSTRACT

A flexible fiscal policy is one of the policies carried out by the government during the COVID-19 pandemic, which is allocated to the state budget (APBN) to support economic growth. This study uses library research by taking various reference sources and collaborating with qualitative research methods using literature in the form of journal articles, publication data, documents and official websites. Data analysis was carried out by reducing, classifying, interpreting and drawing conclusions. The direction of fiscal policy that utilizes tax revenues is obtained through: income tax (PPh), export PPh, import value added tax (PPN), and Luxury Goods Sales Tax (PPnBM). With a flexible fiscal policy, the government can minimize the contraction of economic growth through the provision of stimulus, including the distribution of direct cash assistance, the family of hope program, subsidies for subsidies to the community as MSME capital, maintaining the stability of people's purchasing power as well as investment and other social funds. Therefore, this study aims to determine the direction of fiscal policy in supporting the Indonesian economy in the midst of the Covid-19 pandemic.

Keywords: Fiscal Policy; Economic Growth; Covid-19 Pandemic.

INTRODUCTION

The Covid-19 pandemic is a deadly virus that has shaken the world, thus disrupting community activities in various sectors, including: the economic sector, the education sector, the tourism sector, the health sector, the political sector and various other sectors (Dhawan, 2020; Prawoto, Priyo Purnomo, et al., 2020; Prawoto, Purnomo, et al., 2020). To break the chain of spread of COVID-19, governments in various countries have issued lockdown policies to policies for limited gatherings to the public with the aim of reducing people infected with the Covid-19 virus. In Indonesia itself, government policies with the pandemic have an impact on economic conditions, such as declining economic growth, inflation, increasing poverty rates and increasing unemployment due to layoffs and difficulty finding work (Dong, 2015; Rogan & Mors, 2017; Torkkeli et al., 2019).

During the Covid-19 pandemic which resulted in a slower economic system, fiscal policy (in this case taxes) served as a source of revenue for the government to continue development (Akib et al., 2015; Budi et al., 2015; Cahaya et al., 2019; Papalapu et al.,

2016). So that taxes have an important role in the economy of a country and the economic growth of a country. Thus, taxes have several functions for the country's economic growth (Sukardji in Nurlina & Zurjani, 2019). The functions of fiscal policy include: the budget function which finances the needs and expenditures of a country, the stability function to stabilize the economic condition of a country so that inflation does not occur, then the regulating function used to regulate economic growth so that economic growth goes well. BPS (Central Statistics Agency) noted that Indonesia's economic growth in Quarter III-2021 grew by 3.51 percent compared to Quarter III-2020 (www.bps.go.id).

Fiscal Policy is a policy made by the government to direct the country's economy through government expenditures and revenues (in the form of taxes). The main instruments of fiscal policy are government spending (G) and taxes (T) which are marked by Changes in the level and composition of taxes and government spending that can affect economic growth variables including: economic activity, aggregate demand, patterns of distribution of resources and income distribution. The government that directs fiscal policy with the intention of influencing the course of the country's economy towards the direction of fiscal policy which the government tries to direct the course of the economy towards a better state. the government can influence the level of national income, can also affect the level of national investment, and can affect distribution activities with the direction of fiscal policy (Capasso et al., 2021; Fadzil & Nyoto, 2011; World Bank, 2014).

The main purpose of issuing fiscal policy is to determine the direction, goals, targets, and priorities of national development as well as the country's economic growth. The objectives of the issuance of fiscal policy include: achieving national economic stability, spurring economic growth, encouraging the rate of investment, opening up extensive job opportunities, realizing social justice, as a form of income distribution and equity, reducing unemployment, maintaining price stability of goods and services so that avoid inflation. (Mirani et al., 2021)

Therefore, good fiscal policy management provides a positive signal for the market and maintains macroeconomic stability in Indonesia as well as supports the country's economic growth in the midst of the Covid-19 pandemic.

METHOD

This research was conducted using a literature review research method in collaboration with a qualitative approach (Creswell & Clark, 2017; Fetzters et al., 2013). Data were obtained through literature study, by reading and reviewing several documents, journal articles, publication data from the ministry of finance and from official websites that issue information relevant to the research. Meanwhile, data analysis was carried out by reducing, classifying, interpreting, and drawing conclusions from an article (Silalahi & Ginting, 2020).

RESULTS AND DISCUSSION

Fiscal policy is sufficient to support people's economic growth during the Covid-19 pandemic, which comes from the State Revenue and Expenditure Budget in the form of taxes. Tax revenue in the first quarter of 2020 recorded a contraction or minus 2.5%. Some tax instruments that are minus after being used for handling Covid-19 are Corporate Income Tax and Import Taxes (PDRI) consisting of several types, namely Income Tax (PPh) article 22 imports, PPh article 22 exports, Import Value Added Tax (VAT). , and Sales Tax on Luxury Goods (PPnBM).

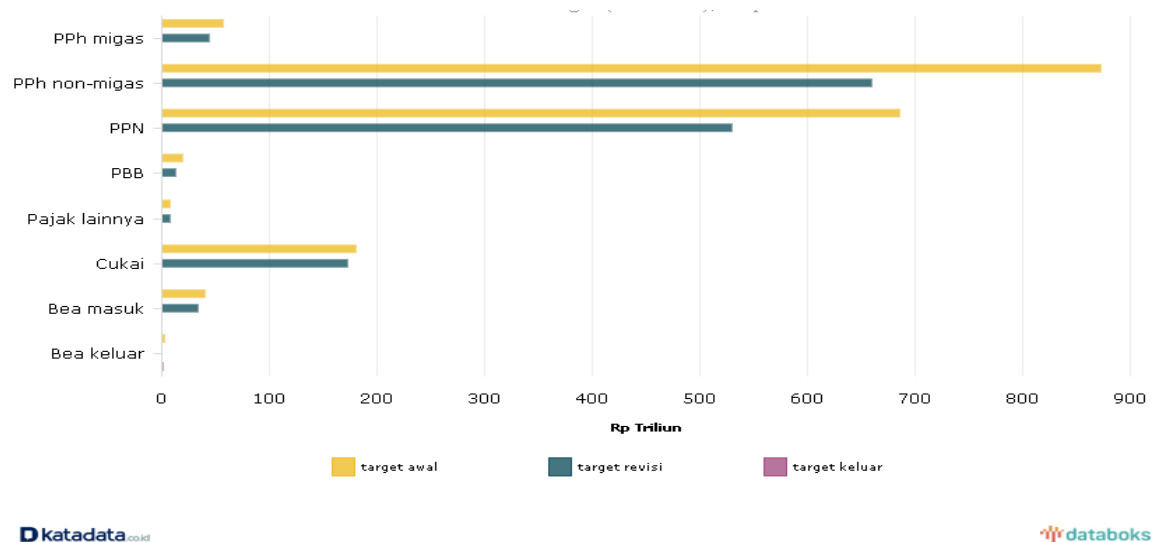


Figure 1. The impact of covid-19 on tax revenue in 2020

Therefore, through the state budget income tax, the government provides subsidies to the community with social assistance in the form of health fund assistance, social protection, sectoral local government, supporting MSMEs (Micro, Small and Medium Enterprises), providing business intensive and operating financing to restore economic growth. in the midst of the Covid-19 pandemic.

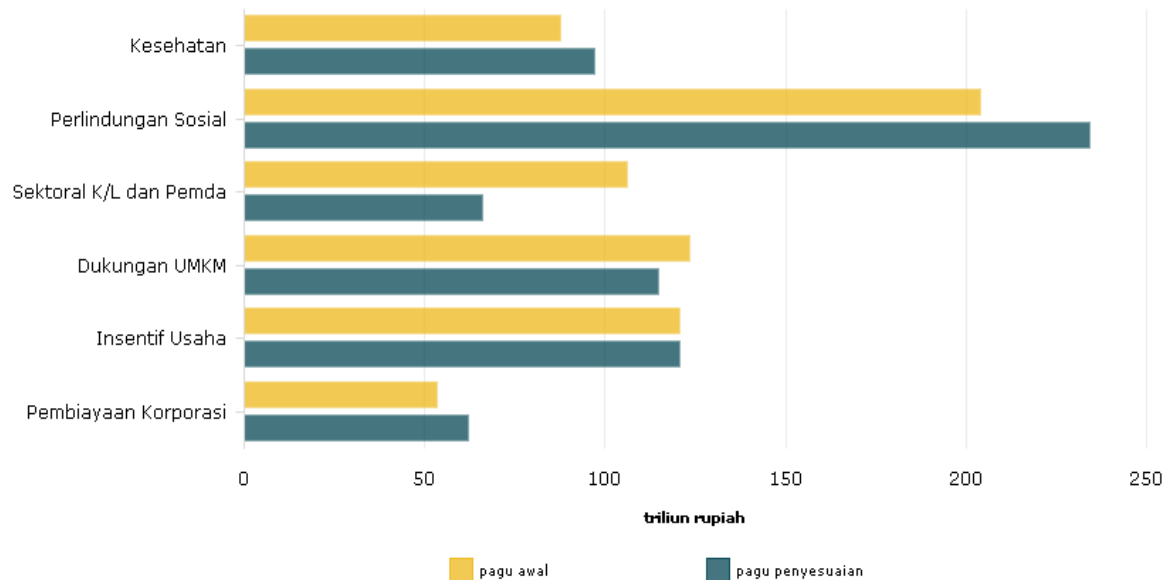


Figure 2 Reallocation of the budget ceiling for handling COVID-19 and national economic recovery

In addition, to support domestic business actors, there are several policies that are given to keep the economy running. The Central Statistics Agency (BPS) noted that there were a number of assistance needed by business actors in order to survive during the Covid-19 corona virus pandemic. For micro and small enterprises (UMK), the assistance they need the most is business capital. There are 69.02% of MSEs that need this business capital assistance. Meanwhile, large and medium enterprises (UMB) most need assistance in reducing electricity bills. There are 43.53% of UMBs who need this assistance to survive during the economic crisis of the COVID-19 pandemic. Assistance provided to small, medium and large medium enterprises, namely by providing business capital assistance, delaying tax payments, relaxing loan payments, facilitating loan application administration and reducing electricity bills.

The direction of fiscal policy that has been carried out by the government to support the country's economic growth includes: providing subsidies to the community in the form of:

Direct Cash Assistance Program (BLT)

The Ministry of Finance (Kemenkeu) has allocated a budget of IDR 28.8 trillion for village cash assistance (BLT) in 2021. This assistance is provided with a benefit of IDR 300 thousand per month during January-December 2021. Most of those who receive BLT are farmers and laborers. farmers, namely 9.2 million families. The proportion is

54.17% of the total village BLT beneficiary families (KPM). A total of 872,743 families work as traders and micro, small and medium enterprises (MSMEs). There are also 585,524 fishing families and fishing workers who will receive village BLT. Then, 418,231 families of factory workers will also receive village BLT. A total of 36,403 teachers' families will also receive the assistance. The remaining 5,863,426 families come from other professions. Meanwhile, the absorption of the village BLT budget until June 2021 has only reached Rp 6.11 trillion. This amount is only 21.1% of the village BLT budget that has been allocated. The distribution of BLT is an effective social protection instrument to maintain the purchasing power of people affected by the Covid-19 coronavirus pandemic.

Family Hope Program (PKH),

One of the government's strategies to deal with the Covid-19 pandemic is by providing assistance in the Family Hope Program (PKH). Each component of PKH assistance will increase by 25%. The policy is effective from April 2020 and will be provided for nine months. The number of beneficiaries has also increased from 9.2 million to 10 million beneficiary families (KPM).

From some of the above assistance in the form of the Non-Cash Food Assistance Program, the Smart Indonesia Program, the Pre-Employment Card Program, the National Health Insurance Assistance Program for the Provision of Quota Subsidies to Indonesian students and other social assistance. Indonesia's economic growth will increase even during the covid-19 pandemic

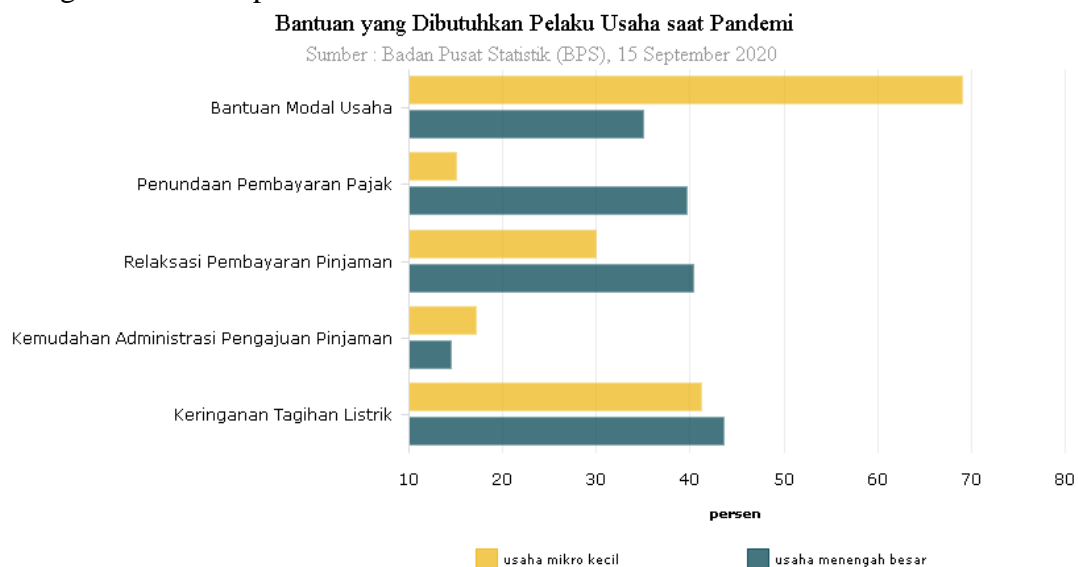


Figure 3. The help needed by business actors during the covid-19 pandemic

In supporting economic growth in the midst of the Covid-19 pandemic, the government has issued a policy that prioritizes the community's economy by providing subsidies to turn the wheels of the domestic economy. The aim is to provide subsidies in the community by utilizing fiscal policies originating from the State Revenue and Expenditure Budget, so that: 1) inflation and deflation rates are not prolonged, for example: at the beginning of the Covid-19 pandemic, sales of masks on the market began to experience very high demand. high so that mask sellers and producers increase the price of masks at prices that are not as usual, 2) reduce the unemployment rate, by implementing a lockdown policy, many workers have been laid off (Termination of Employment), so that many people find it difficult to find work in the midst of a pandemic. Covid-19, by providing business capital in the form of subsidies so that people can open MSMEs (Micro, Small and Medium Enterprises), 3) reduce poverty. (Heliany, 2021)

Thus, if the public and the government synergize in the direction of fiscal policy on Indonesia's economic growth, Indonesia's economic growth will increase which is indicated by data from the Asian Development Bank (ADB) which projects that Indonesia's economic growth will recover in a better direction after in 2020 experienced a decline due to the Covid-19 pandemic. ADB projects that the Indonesian economy could increase by 4.5% in 2021, up from last year's growth of -2.1%. Indonesia's economic growth is also predicted to accelerate to 5% next year.

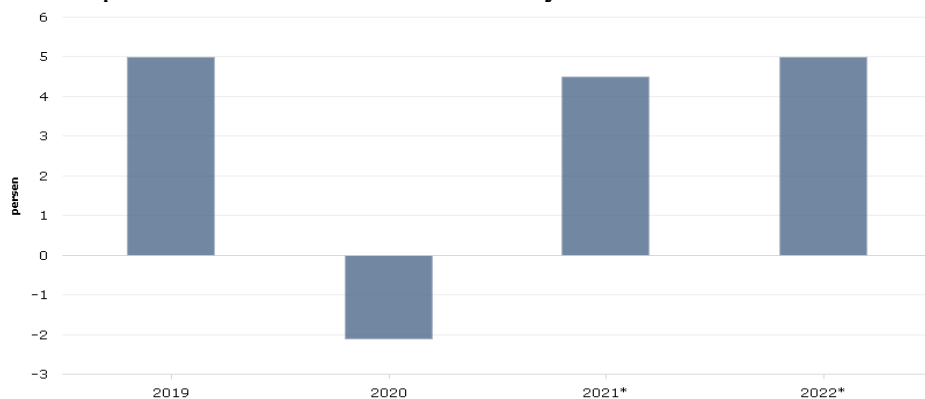


Figure 4. Indonesia's economic growth projection according to the Asean Development Bank/ADB (2019-2022)

According to ADB, Indonesia's economic recovery is driven by a fiscal policy direction with efforts to reopen the economic sector, to the distribution of aid that is going well during the Covid-19 pandemic.

CONCLUSION

In the face of the Covid-19 pandemic situation, to support economic growth, the government implements fiscal policy by utilizing the State Revenue and Expenditure Budget (APBN), so that the wheels of the economy continue to spin well with the provision of social assistance subsidies so that the community can avoid social inequality and the community remains productive even though are in the midst of the Covid-19 pandemic.

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