

# Impact of Covid-19 On Indonesia's Economy

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## ABSTRACT

This study aims to determine the impact of Covid-19 on the current Indonesian economy and this type of research is a type of data analysis research library, data reduction, data display and verification / conclusion the results of this study indicate the impact of Covid-19 on the Indonesian economy today with various the impact on the economy due to the Covid-19 pandemic that occurred at this time it is necessary to know the impacts that occur namely the difficulty in finding employment, hard to meet the needs of daily life and also do not have income to meet the needs for a day and many troubles were received from all sectors of the economy in all sectors and also felt the effects of Covid-19.

**Keywords:** Covid-19, Covid-19 Impact, Indonesian Economy

## 1. INTRODUCTION

The World Health Organization (WHO) explains that Coronaviruses (Cov) is a virus that infects the respiratory system. This viral infection is called COVID-19. Corona virus causes common cold to more severe illnesses such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). Corona virus is zoonotic which means it is transmitted between animals and humans. According to the Indonesian Ministry of Health, the development of the COVID-19 case in Wuhan began on December 30, 2019, when the Wuhan Municipal Health Committee issued a statement "urgent notice on the treatment of pneumonia of unknown cause". The spread of the Corona virus is very fast even across countries. To date, there are 188 countries that have confirmed being affected by the Corona virus. The spread of the Corona virus that has spread to various parts of the world has an impact on the Indonesian economy, both in terms of trade, investment and tourism.

Tax revenue from the trade sector has also decreased, even though trade has the second largest contribution to tax revenue. Based on data from the Central Statistics Agency (BPS), oil and gas and non-oil and gas exports have decreased because China is the largest importer of crude oil. In addition, the spread of the Corona virus has also resulted in a decrease in production in China, even though China is the center of world goods production. Indonesia is also very dependent on raw materials from China, especially plastic raw materials, textile raw materials, electronic parts, computers and furniture. The Corona virus also has an impact on investment because people will be more careful when buying goods or investing. Corona virus also affects market projections. Investors can delay investment due to unclear supply chain or due to changing market assumptions. . In 2019, the realization of direct investment from China ranks second after

Singapore. There is investment in Sulawesi of around US \$ 5 billion which is still in process however was delayed because employees from China were prevented from coming to Indonesia.

Indonesia is one of the countries that has imposed a ban on travel abroad to reduce the spread of the Corona virus. This prohibition caused a number of airlines to cancel their flights and several airlines were forced to continue operating even though the majority of their aircraft seats were empty to fulfill passenger rights. Many consumers are delaying booking their vacation tickets because of the increasingly widespread spread of the Corona virus. This situation causes the government to act by providing policies to overcome the problem. The Corona virus also has a huge impact on the tourism sector. Data from the Central Statistics Agency (BPS) shows that tourists from China reached 2.07 million people in 2019, which covered 12.8 percent of the total foreign tourists throughout 2019. The spread of the Corona virus causes tourists visiting Indonesia to decrease.

Tourism supporting sectors such as hotels, restaurants and retail entrepreneurs will also be affected by the Corona virus. Hotel occupancy has decreased by 40 percent which has an impact on the continuity of the hotel business. The lack of tourists also has an impact on restaurants or restaurants, where most of the consumers are tourists. The weakening of tourism also has an impact on the retail industry. The areas where the retail sector is most affected are Manado, Bali, Riau Islands, Bangka Belitung, Medan and Jakarta. The spread of the Corona virus also has an impact on the investment, trade, sector, micro, small and medium enterprises (MSMEs) and also because tourists who come to a destination will usually buy souvenirs. If there are fewer tourists visiting, the MSME turnover will also decrease. Based on data from Bank Indonesia, in 2016 the MSME sector dominated business units in Indonesia and many types of micro-businesses absorb labor. On the other hand, the Corona virus not only has a negative impact, but can also have a positive impact on the Indonesian economy. One of them was delayed because employees from China were prevented from coming to Indonesia.

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Bank Indonesia will monitor global and domestic economic developments in order to keep inflation and external stability under control and to strengthen the momentum of economic growth. This was motivated by the very rapid development of technology that changed the global economic order towards a digital economy and finance. However, public participation in the economy, especially the youth, women and MSMEs, is deemed not optimal, so it requires efforts to open access to them in economic activities through the use of technology. As well as agreeing to implement and strengthen monitoring of global risks, especially those originating from Covid-19, as well as to increase awareness of various potential risks and agree to implement effective policies in terms of both monetary, fiscal and structural. Bank Indonesia is trying to maintain the Indonesian economy, in the midst of a shaken global economy. After the covid problem caused the Indonesian economy to decline to 5% or will be approaching lower. And also the stock price index experienced a significant decline and also BUMN companies suffered losses this year. And also the Minister of Finance has not been able to convey certain assumptions of Economic Growth this year , If the duration of Covid-19 can be more than 3 months, then economic growth can reach the range of 2.5%.

I mean taking this title because I saw the situation now being experienced by the Indonesian people because of the Covid-19 so that the Indonesian economy has significantly decreased by 5 percent, so also in all sectors, namely health, trade and investment as well as tourism and MSMEs as well as small and medium enterprises as well as retail / marketing industry including all activities that involve selling goods directly to consumers . increase economic growth in Indonesia. Even President Joko Widodo issued economic policy packages, some of which are related to the industrial sector to drive the Indonesian economy by empowering micro-businesses and increasing industrial competitiveness.<sup>2</sup>

The existence of an industry on a large or small scale industry will have a social, economic and cultural impact on the community around the industry.<sup>3</sup> The economic impact that arises after the existence of industrial enterprises is the increase in community income and the opening of job opportunities. Although the existence of industry is deemed important for improving the economy, industrial development in Indonesia is not necessarily free without limits. The Indonesian Constitution has provided limitations related to the national economy as stated in Article 33 paragraph (4) of the 1945 Constitution of the Republic of Indonesia which states that, "The national economy is organized based on economic democracy with the principles of togetherness, efficiency with justice, sustainability, environmental insight, independence, and with maintain the balance of progress and national economic unity." The article emphasizes that the economy, in this case the existence of industrial businesses, must be environmentally sound. Industry is required to be able to process industrial business waste so as not to pollute the environment.

One of the government's efforts to direct certain activities and to prevent harm to the environment is by issuing permits.<sup>6</sup> Every person or business entity wishing to build an industrial business must have a permit, including a license regarding industrial business license. The instrument for industrial business licensing is the result of the actualization of the objectives of the industrial business licensing legislation that if it is permitted then there is a guarantee from the licensing authority to create social welfare and if it is not permitted then the industrial business is deemed incapable of realizing social welfare.

The COVID-19 pandemic currently occurring inevitably affects various sectors. At the global economic level, the COVID-19 pandemic has a very significant impact on the domestic economy of the nation-state and the existence of MSMEs. The Organization for Economic Cooperation and Development (OECD) report states that this pandemic has implications for the threat of a major economic crisis marked by the cessation of production activities in many countries, falling levels of public consumption, loss of consumer confidence, falling stock markets which ultimately leads to uncertainty.<sup>1</sup> If this continues, the OECD predicts a decline in output levels of between a fifth and a quarter in many countries, with consumer spending potentially falling by about a third.<sup>2</sup> This prediction also threatens Indonesia's national economy.

The study made by the Ministry of Finance shows that the COVID-19 pandemic has negative implications for the domestic economy, such as a decrease in public consumption and

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<sup>1</sup> "SME Policy Responses," OECD 2020, diakses 23 April 2020, [https://read.oecd-ilibrary.org/view/?ref=119\\_119680-di6h3qgi4x&title=Covid-19\\_SME\\_Policy\\_Responses](https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses).

<sup>2</sup> OECD, "SME Policy Responses."

purchasing power, a decline in company performance, threats to the banking and financial sectors, and the existence of MSMEs.<sup>3</sup>

In the aspect of public consumption and purchasing power, this pandemic has caused a large number of workers to decrease or even lose their income so that it affects the level of consumption and purchasing power of the community, especially those in the category of informal workers and daily workers. Most people are very careful about managing their financial expenses because of the uncertainty about when this pandemic will end. This has led to a decline in people's purchasing power for consumer goods and put pressure on the producer and seller sides. In the corporate aspect, this pandemic has disrupted the performance of companies, especially those engaged in the trade, transportation and tourism sectors. The social distancing policy which was later changed to physical distancing and working from or at home had an impact on the decline in company performance which was then followed by layoffs. There are even some companies that went bankrupt and finally chose to close their businesses. In the banking and financial aspects, this pandemic has raised fears of debt or credit repayment problems which in turn have an impact on the sustainability of bank performance. Many creditors those who have asked for loosening of the limit and amount of debt and credit installment payments to the bank. Not to mention that entrepreneurs have to pay attention to fluctuations in the rupiah exchange rate which will disrupt the production process, especially for companies that depend on imported raw materials. In addition, this pandemic has threatened to run away from foreign investment from Indonesia which of course threatens the government's strategic projects. In the aspect of MSMEs, the existence of this pandemic has caused a decline in performance on the demand side (consumption and purchasing power of the public) which ultimately has an impact on the supply side, namely termination of employment and the threat of default on credit payments. In this pandemic situation, according to KemenkopUKM there are around 37,000 MSMEs who report that they are very seriously affected by this pandemic, marked by: around 56 percent reported a decrease in sales, 22 percent reported problems in the aspect of financing, 15 percent reported problems with the distribution of goods, and 4 percent reported difficulty obtaining raw materials.<sup>4</sup> Based on the description above, the author is encouraged to do further research on "THE IMPACT OF COVID – 19 TO THE ECONOMY OF INDONESIA "

<sup>3</sup> Yusuf Imam Santoso, "Menghitung dampak Covid- 19 terhadap dunia usaha hingga UMKM," Kontan.co.id, diakses 22 April 2020, <https://nasional.kontan.co.id/news/menghitung- dampak-covid-19- terhadap-dunia-usaha-hingga- umkm?page=all>.

<sup>4</sup> Riska Rahman, "37,000 SMEs hit by COVID-19 crisis as government prepares aid," *The Jakarta Post*, 16 April 2020, <https://www.thejakartapost.com/news/2020/04/16/37-000-smes-hit-by-covid-19-crisis-as-government- prepares-aid.html>.

## 2. Research Methods

This study aims to determine the impact of Covid-19 on Indonesia's current economy. In this paper, researchers use library research, namely in the process of data collection, they do not need to go into the field directly but take various sources of reference that support this research. This research is a qualitative research type. Data collection techniques are listening and recording important information in data analysis by means of data reduction, data display and conclusions in order to get a conclusive description about literature studies to be developed in this study and to validate the data using triangulation of data sources.

## 2. DISCUSSION

The World Health Organization (WHO) explains that Coronaviruses (Cov) is a virus that infects the respiratory system. This viral infection is called COVID-19. Coronavirus causes common cold to more severe illnesses such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). This virus spreads quickly and has spread to several countries, including Indonesia. A person can catch COVID-19 in various ways, namely:

1. Accidentally inhaling saliva from sneezing or coughing from a person with COVID-19
2. Holding the mouth or nose without washing hands first after touching an object that has been splashed with the saliva of a person with COVID-19
3. Close contact with people with COVID-19, for example touching or shaking

In Indonesia, the spread of this virus began on March 2, 2020, allegedly starting from an Indonesian citizen who made direct contact with a foreign national from Japan. This has been announced by Mr. President Jokowi. Over time, the spread of covid-19 has increased significantly. This can be seen from the following data. Currently there are 7,775 people infected with Covid-19 in Indonesia and 960 people who have died and 647 people who died, this teaches us to be careful in maintaining cleanliness and also obeying government regulations so that this pandemic ends quickly from our country Indonesia. And when we see that the largest spread of Covid-19 is on the island of Java, here we can see that there is a lack of public awareness in responding to the pandemic or covid-19 that has occurred so that many people who still don't use masks still gather around the crowd not doing social distancing so there is a need for joint awareness. in order to support the government in preventing or stopping the spread of covid-19 to become more and more, but let's fight together so that it ends soon so that our lives can run as usual again. Lately, Covid has become a major concern of the Indonesian nation because of the problems it continues to cause. There are many losses caused by Covid-19 which have an impact on the Indonesian economy. The economic development of a country is basically aimed at achieving the prosperity of the people through high economic growth and equitable income distribution. This is in contrast to



the situation in Indonesia in 1997/1998 where the crisis which was originally the exchange rate then developed into a banking crisis, which spread to social and political crises that had major consequences for the Indonesian nation. The high rate of inflation at that time caused a decrease in people's purchasing power, especially for low-income groups. affects the interest rate, and the consumption function, so the quantity of money gives rise to a change in overall demand. This is done by curbing the budget, regulating the banking sector, and restoring the market economy so that the economy will be stable, a free market economic system makes people free to do their best for themselves where the foreign exchange system is too free without strict supervision, allowing the flow of capital to flow. free entry and exit. This is one of the causes of the prolonged crisis. In addition, the cause of the crisis is the weakness of the banking system in Indonesia. Regarding this, there are several important things seen from the Indonesian economy in the first 1997-2000, a group that said that the crisis was caused by external factors, namely the rapid change in money market sentiment which caused financial panic. The group said that the crisis arose because of structural weaknesses in the national economy, in the financial and banking systems. (Djiwandono, 2001) named the first group as internationalists, while the second group as fundamentalists. Apart from that, a third group of new fundamentalists was also identified, namely those who saw the arrangement and structural problems in the financial sector as the cause of the crisis.

In the case of Indonesia, it is a combination of two elements that occur simultaneously, where the external element is in the form of financial panic and the weakness of the national economy both in the banking and real sectors. These two factors influence each other where when external turmoil occurs, a weak national economy is very susceptible to negative impacts resulting in turmoil. what happened in a short time turned into the current economic crisis that is being felt by our country. One example is a trader who used to sell in crowded places such as markets became unable to sell, because currently the market is being closed to reduce the spread of the corona virus. As a result, the traders do not have a steady income because people have to keep fulfilling their daily needs with the existence of Covid-19, people find it difficult to fulfill their daily needs. adhered to by Indonesia. Covid-19 has had a negative impact on the economy of people in Indonesia.

The economic system is a system used by a country to allocate its resources to both individuals and organizations in that country. But since the existence of this pandemic, the country has had an economic crisis which is estimated to be weaker from previous years, even according to the Minister of Finance that economic growth can be depressed to a level of 2.5% to 0%, this can happen when a good prevention strategy is not implemented. and it is right to overcome this, and now the country has added intensive health workers by 20% and the number of health sectors by 6.1 trillion and also at this time and also this is a concern for the global economy at this time

including asean countries because The Minister of Finance said that in a meeting with the Governor of the Bank and the Ministers of Finance in ASEAN to discuss coping strategies to maintain the stability of the global economy which is currently being threatened because Covid-19, including the national economy, has also experienced the impact of Covid-19.

19 at this time and in the meeting, it was conveyed how the global economy responded to this Covid because it became a special concern at this time. During the meeting, he also explained how to look for vitamins or drugs to prevent Covid-19, but currently there is no cure for Covid-19. And now for us to know together that the things that we will handle at this time are using which priority scale is important according to what the president said that the main focus is health but also other sectors are also considered and are not left behind because they support each other and that is what is being done Indonesia is the first Asian country capable of issuing Global Bonds (debt securities) since the existence of Covid-19 and aims to maintain safe financing and increase foreign exchange reserves for Indonesian banks This shows that there is still confidence in the Global Financial Market in managing prudent APBN policies and sound macro policies. state and to safeguard the country in facing various tough challenges such as the one currently occurring, namely the threat of Covid-19. the impact experienced by the current economic sector is :

1. For workers who were laid off and who were laid off, more than 1.5 million, ". Of this number, 90 percent were laid off and 10 percent were laid off. A total of 1.24 million people are formal workers and 265 thousand are informal workers.
2. Furthermore, the second impact, the PMI Manufacturing Indonesia contracted or fell to 45.3 in March 2020. In fact, from the last figure, namely August 2019, PMI Manufacturing was still at the number 49. The PMI Manufacturing shows the performance of the manufacturing industry, both in terms of production, new orders, and employment.
3. Third, imports in the first quarter of 2020 fell by 3.7 percent year-to-date (ytd).
4. Inflation / price increases in general and continuously in March 2020 reached 2.96 percent year-on-year (yoy). This inflation was contributed by the price of gold jewelery and several food commodities.
5. Fifth, 12,703 flights at 15 airports were canceled during January-March 2020. The details are 11,680 for domestic flights and 1,023 for international flights.
5. tourist arrivals fell to 6,800 per day, especially tourists from China.
6. Seventh, the figure of lost revenue in the air service sector reaches Rp. 207 billion. Around Rp. 4.8 of which was contributed from flights to and from China.
7. decreased occupancy / placement on 6 thousand hotels decreased by 50 percent. In addition, said Sri, Minister of Tourism and Creative Economy Wishnutama also estimated that the potential loss of tourism foreign exchange could reach half of last year.



#### 4. CONCLUSION

It can be concluded that the main objective of this analysis is to see the impact of Covid-19 on the Indonesian economy at this time which is more comprehensive from various alternative scenarios for handling the Covid-19 pandemic, in this case the minimal intervention scenario, the strong intervention scenario (e.g. through social restrictions on a scale large effective); and a strong intervention scenario coupled with fiscal stimulus. a combination of simple benefit cost analysis . The results of the analysis conclude that it is true that strong interventions to minimize the spread of the Covid-19 virus can reduce economic growth more severely than the minimal intervention scenario. However, this conclusion is based only on variables, namely economic growth, which, of course, is not the only important economic factor in economic analysis. Second, different conclusions are obtained in the long-term context, where long-term economic growth can be more depressed if the scenario is minimal intervention. It can be concluded that a loss the economics of the strong intervention strategy (much lower suppression than the minimal intervention scenario economic loss from mortality.

There are, of course, many imperfections in this analysis. The results are likely to be sensitive to the assumptions used. Further studies, or more formally, of course require sensitivity analysis of the assumptions and parameterization that has been carried out. However, in this article the author has tried to make assumptions as plausible as possible and also rely on credible references. Criticisms and suggestions for improvement of this analysis will be welcomed with open arms and appreciation.

Then, this analysis is also not intended to predict what will happen. There is too much uncertainty in this stage of the Covid-19 crisis and information is changing rapidly. However, hopefully this analysis can provide a more complete picture of how the economic aspects should be placed in choosing the best strategy in managing policies in the era of the Covid-19 crisis which is still ongoing. The current point of view of the Indonesian economy as well as economic growth, people's incomes, especially in the short term, are not the only determinants of welfare. Human life and health also have high economic value which, if not properly assessed, can cause greater economic losses in the long term when Covid-19 ends. Suggestions of course for the economy are very important as the implications of the suppression strategy can be partially dampened by fiscal stimulus. However, as discussed in this article, therefore we, together with the government, must best protect the economy from the impact of Covid-19. Indonesia can do this because it has a social protection system that is relatively advanced compared to other developing countries. Let's join hands together to maintain our economy, don't be selfish because Now cooperation is needed so that the problems experienced by our nation can be resolved properly and together comply with the

orders of the government so that Covid-19 can end in time because when we do not comply, the pandemic will continue due to a lack of awareness to comply with government regulations.

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