

The Impact of COVID-19 on the Indonesian Economy

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Abstract:- The purpose of this study is to analyze the effects of the covid-19 pandemic attack on the Indonesian economy. This study used a descriptive qualitative method with a phenomenological approach. Where in this study an analysis was carried out based on some data and the results of interviews and reports from reliable sources. Based on this research, it can be seen that the Covid-19 pandemic in Indonesia has had a negative impact on the Indonesian economy, especially in several sectors that have the largest contribution to National GDP. Sectors that are badly affected in Indonesia include the transportation sector, the tourism sector, the trade sector and micro, small and medium enterprises, which resulted in the Indonesian economy experiencing a recession.

Keywords:- Covid-19; Pandemic; Sector; Economic.

I. INTRODUCTION

Due to the extreme shocks of the Covid-19 pandemic, the world is going through challenging times in early 2020. For now, additional changes surrounding the completion of this pandemic have not been expected in 2021. Starting from the end of 2019, the city of Wuhan, China, was affected by the corona virus. The coronavirus started to reach Indonesia in early 2020, around March. Before the World Health Organization (WHO) officially released a declaration that the coronavirus has become a worldwide pandemic. For now, the coronavirus is indeed a pandemic that has profoundly impacted the planet from different perspectives.

The Indonesian government started to react in early March 2020 with respect to the entry into Indonesia of the Covid-19 pandemic. Indonesia's original strategy was to wear masks to comply with health protocols. However, to deter the spread of the coronavirus in Indonesia, this strategy is not adequate. In order to react further to the prevention of coronavirus in Indonesia, the government has started to impose social limits, such as laws to preserve the distinction between the two and even to forbid events involving huge crowds. However, the number of transmissions of the coronavirus in Indonesia continues to increase. Before the government eventually took further steps, including the introduction of Large-Scale Social Controls (PSBB) in many areas vulnerable to coronavirus spread.

After the introduction of the PSBB, all social activities and protests have decreased significantly, especially in major cities where economic activities and activities were previously

busy and productive. The PSBB has also had an immense effect on the transport industry, where the number of passengers in different types of cars, whether on the ground, sea or air, has dramatically decreased. During the Covid-19 pandemic, the downturn in the transportation sector was part of the inhibitory factors in Indonesia's economic turnover.

In addition to the transport market, micro, small and medium-sized enterprises (UMKMs) are also deeply stifled by these factors. Owing to the shortage of customers, many of them are now out of business, resulting in diminished turnover and bankruptcy. In Indonesia, UMKMs make a significant contribution to the national Gross Domestic Product (GDP). UMKM contributed 57.8 percent to the national GDP in 2018.

Due to the Covid-19 pandemic, not only UMKMs have experienced a decline, but businesses that operate large enterprises have experienced a decline in turnover due to decreased market demand. Most big corporations have laid off their employees on a large scale, both private and state-owned. This has an influence on raising rates of unemployment and poverty. Many other areas of economic development, such as tourism, exports, imports, and other sectors, have led to the downturn in economic growth in Indonesia as a result of this pandemic.

Owing to limits on social and commercial practices, the national economy is currently suffering losses (Hadiwardoyo et al., 2020). The aggregate economic loss can now be seen on the basis of a twofold fall in GDP to a lower figure, suggesting that Indonesia's economic growth is in recession. The effect of the Covid-19 pandemic is short-term and can be felt immediately, such as major layoffs, PMI manufacturing in Indonesia, falling exports, inflation, declines in many industries, such as the tourism industry, and a reduction in occupancy. To bring about a decrease in Indonesia's economic growth (Yamali & Putri, 2020). The aim of this analysis is to address the effect on the economy in Indonesia of the Covid-19 pandemic. And the future impact that will arise when the Covid-19 pandemic takes place will be analyzed. This research focuses on the latest examination of the effect of the pandemic on the Indonesian economy. In this research, the origins of the review were collected from various data analyses and several institutions' publications. This research is intended to provide the general public with additional details and also act as an assessment material for partners and to contribute to academic literature reviews.

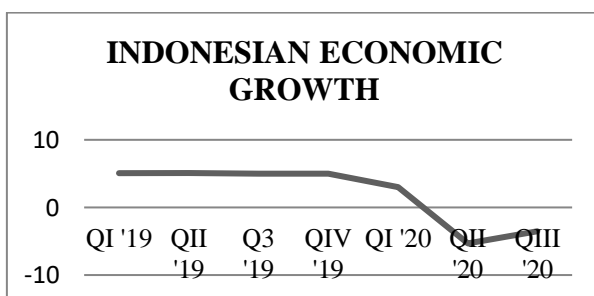
II. RESEARCH METHODS

The research method in this study used a phenomenological descriptive qualitative approach. The phenomenological method is a research method that aims to reveal the universal essence based on real phenomena experienced by an individual or a group of individuals. The data used in this phenomenological research were obtained from various sources such as the results of interviews from various media and also several reports that have been published by institutions related to the impact of the Covid-19 pandemic on the Indonesian economy. This research focuses more on analyzing data and information that is accurate and reliable. In addition, this research also carries out thematic and descriptive coding, clustering, and labeling for interpretation. Some of the data sources in this study came from the Indonesian Central Statistics Agency, the Indonesian Ministry of Finance, Bank Indonesia, the Covid-19 Handling Task Force, previous research journals, and several media reports related to the Covid-19 pandemic and the economy in Indonesia.

III. ANALYSIS AND DISCUSSION

The coronavirus started to enter Indonesia in early 2020. Since then, steps have started to be taken by the Indonesian government to deter the transmission of the virus. However, it is not possible to solve the spread of coronavirus transmission in Indonesia quickly. Before the government eventually took serious measures to decrease the number of positive cases infected with the coronavirus by introducing a Large-Scale Social Restriction (PSBB) program.

The number of positive cases of Covid-19 in Indonesia cannot immediately be decreased by the introduction of the PSBB. It does have a negative effect on the economy, however. Since many industrial activities were banned during the introduction of the PSBB, especially in big cities, and limits on working hours and the number of employees were enforced. Company operations that have an impact on the national economy are adversely impacted by limitations on group activities. There are several sectors that are seriously affected by the introduction of the PSBB in Indonesia, such as the transport industry, whose operating hours and number of passengers are limited, the labor sector, which has decreased as a result of many firms carrying out mass breakdowns in labor relations, as well as the tourism sector, micro, small and medium-sized enterprises (UMKM), which has an effect on the tourism sector.



Source: BPS.go.id

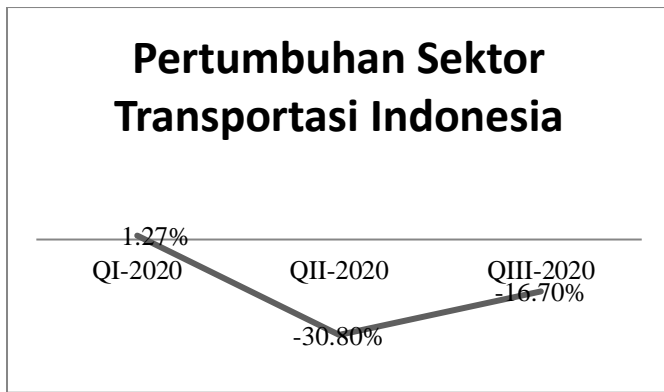
Economic development in Indonesia contracted after the Covid-19 Pandemic. Indonesia's economic growth in the first quarter of 2020 on a year-on-year (year) basis increased by 2.97 percent, based on a survey from the Central Statistics Agency (BPS). Compared to the fourth quarter of 2019, this increase, decreased by 2,41 percent. The decrease in growth was attributed to the decrease in the amount of exports, one of which was the decrease in exports to the two main destination countries for exports to Indonesia, namely China and the United States.

Indonesia's economic growth increased by 4.19 percent in the first quarter of 2020. Indeed, the Covid-19 pandemic is not getting better, and the economic crisis in Indonesia is currently deteriorating, although it is yet to be made clear when it will stop. The Head of the Indonesian Central Statistics Agency announced that the economic development of Indonesia has worsened, rising by -5.32 percent in the second quarter of 2020. Meanwhile, Indonesia's combined economic growth contracted by -1.25 percent in the first quarter of 2020 and the second quarter of 2020. Owing to the increasingly widespread effects of the Covid-19 pandemic, this downturn happened, impacting nearly all segments of the national economy.

The Central Statistics Agency (BPS) noted that Indonesia's economic development contracted by -3.49 percent in the third quarter of 2020. (Yay). Indonesia has experienced negative growth for two straight years, so it can be said that Indonesia is one of the countries facing a recession in 2020. However, the economy grew by 5.05 percent in Quarter III-2020, facing negative growth on a q-to-q quarter basis.

A. The Impact of Covid-19 on the Transportation Sector

The transportation industry is one of the industries which has collapsed due to the Covid-19 pandemic in Indonesia. Owing to the introduction of large-scale social limits and the need to enforce social distancing procedures, there was a decline in the flow of transport modes. A significant parameter in the national development process is the transportation business. This is because transport is one of the industries that play a very important role in the economic development of Indonesia. The provision of sufficient transit equipment and utilities allows it easier to offer resources to the general population and the seamless execution of mobility transactions. Disruption of operations in the social sector and the economic chain would result in obstacles and difficulties with the flow of modes of transport. As is currently emerging, the pandemic of Covid-19 has seriously disrupted the movement of transport modes. This can be seen from the transportation sector's contribution to the national GDP.



Source: BPS.go.id

B. The Impact of Covid-19 on the Tourism Sector in Indonesia

A part from the transportation sector that was impacted by the effects of Covid-19, the tourism sector was another sector that was affected. The tourism industry in Indonesia was undergoing growth before the Covid-19 pandemic. However, owing to the Covid-19 pandemic attack, these advances stopped in early 2020. Since then, both local and international tourists have seen a decline in the number of travelers. What is more, travel bans and imposed lockdown systems have been adopted by several nations. Like Indonesia, which enforces the PSBB application and forbids the entry into Indonesian territories of foreign nationals without authorization. This would have an impact on the downturn in the domestic tourism industry. The number of visitors not only declined dramatically, but many domestic tourist attractions went bankrupt, leading to the permanent closing of tourist attractions.

The players in the tourism industry have made numerous attempts so that they can continue to run the sector. However, for up to USD 1.5 billion, the tourism industry in Indonesia went bankrupt. Basically, one of the industries that have contributed significantly to the economic development of Indonesia is the tourism industry. The tourist industry appears to witness a downturn due to this pandemic. Information on the contribution of the tourism sector to the national GDP is given below.

C. The Trade Sector Effect Of Covid-19 And Micro, Small And Medium Enterprises (Exports And Imports) In Indonesia

As a result of the Covid-19 pandemic, the Indonesian commercial market is currently undergoing a very serious downturn. There has been a shift in global trading trends due to the Covid-19 pandemic that has struck the world, based on a comment by the Indonesian Minister of Trade. As a result of export and import sanctions, production and demand have suffered delays. Especially in Indonesia's largest export destination countries, namely China and the US. China's export destinations, whose share hit 15 percent in the first quarter of 2020, saw a contraction of up to 6.8 percent. In comparison, Singapore and South Korea's export destinations have slowed and rose by 1.3 percent.

In addition, the Covid-19 pandemic also has an impact on the UMKM sector in Indonesia, which is a direct impact of the implementation of the PSBB. The decline in UMKM sales turnover occurred due to large-scale social restrictions that hampered exporters' activities. The Covid-19 pandemic has caused a decline in people's purchasing power and caused obstacles to the distribution of goods from producers to consumers. For this reason, in this pandemic situation, more than 80% of the UMKM sector experienced difficulties.

The high level of influence due to the Covid-19 pandemic varies in each sector. For example, UMKMs engaged in the handicraft sector and tourism support reached 89.9% due to several factors, namely the difficulty of product distribution, decreased sales turnover due to reduced demand, and most stalls and shops had to be closed due to the implementation of PSBB in these areas certain.

IV. CONCLUSION

Based on the results of the analysis in this study, it can be seen that the Covid-19 pandemic has hit many of the largest contributing sectors to national GDP. The transportation, tourism and trade sectors as well as UMKMs whose operations are hampered by the social restrictions imposed. Prior to the arrival of the Covid-19 pandemic, these sectors were sectors that contributed highly to Indonesia's economic growth. However, after the spread of the covid-19 pandemic to Indonesia, it has changed the current economic conditions. Therefore, the government as soon as possible looks for solutions and new policies to restore Indonesia's economy, so that the crisis does not get worse. The results of the analysis of this study are expected to be a guideline for stakeholders, become general information for the general public, and can add to the literature in the educational environment.

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