



## THE ROLE OF BANKING AND GOVERNMENT POLICY ON THE ECONOMIC SECTOR DURING THE COVID-19 PANDEMIC

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**Abstract:** The Covid-19 pandemic that occurred in Indonesia greatly affected economic activity and affected the planning that had been set by the previous government. The government's main focus during the Covid-19 pandemic is on public health and safety, many policies have been made to deal with the Covid-19 pandemic that has harmed Indonesia, especially in the economic sector. Of course, with the many policies made to carry out economic recovery, it requires funds or a budget to realize these policies, for this reason, the importance of the role of banking in Indonesia's economic recovery during the Covid-19 pandemic. The results of the analysis of this article are as follows; 1) The Role of Banking in Indonesia during the covid-19 pandemic, 2) Government policies during the Covid-19 pandemic, 3) Impact of the Indonesian Economic Sector during the Covid-19 pandemic.

**Keywords:** Banking, Government Policy, Economic Sector, Covid-19 Pandemic

### INTRODUCTION

The consequences of the Covid-19 pandemic have greatly affected economic activity in Indonesia. Many companies are unable to continue their business due to the Covid-19 pandemic. In addition, the capital and income constraints received by each company during the Covid-19 pandemic are also very minimal, so that the company's operational activities cannot run properly, which results in disruption and even cessation of business activities. Because many entrepreneurs are unable to maintain the continuity of their business, as a result, many workers are laid off (PHK) which creates a new social problem, namely unemployment. For this reason, there is a need for capital providers and the role of the government in the economic sector affected by the Covid-19 pandemic, so that economic recovery and business continuity can be realized.

Pada literature review ini, membahas mengenai Banking Role (X1), Government Policy (X2), Economic Sector (X3), during the Covid-19 pandemic (Y1) Formulation of problem.

Based on the background of the problem that has been described previously, the formulation of the problem can be a formula as follows:

1. What is the role of banking in Indonesia during the Covid-19 pandemic?.

2. What is the Government's Policy during the Covid-19 pandemic?.
3. What is the Impact of the Indonesian Economic Sector during the Covid-19 pandemic?.

## LITERATURE REVIEW

### The Role of Banking in Indonesia during the Covid-19 pandemic

The banking function is to carry out the transmission function, then collect and distribute funds. In addition, it distributes risk in an economy to stabilize economic conditions. Furthermore, banks also act as intermediaries in channeling funds, directly or indirectly. (Simatupang, 2019)

Banking is also the core of the financial system in almost all countries. Banks are also a place for individuals, private business entities, state-owned enterprises, and government institutions to store their funds or assets. By providing credit programs and various services provided, banks also address the need for capital or financing and launch a payment system mechanism for all sectors of the economy. (Simatupang, 2019)

Then, with the outbreak of the COVID-19 pandemic, the Indonesian economy, which affects several non-formal sectors affected by the Covid-19 pandemic, will experience financial difficulties. Problems that arise when the non-formal business has credit at the bank can be ascertained that there will be difficulties paying for a credit agreement with the bank. (Saputra & Ali, 2022)

Banking as an institution that accommodates finance and collects funds from parties who have excess funds (surplus of founding) and parties who lack funds (lack of funds) carries out its role as an intermediary financial system. Therefore, it is necessary to support the policies of the Financial Services Authority in order to provide economic stimulus to business players, including micro, small and medium enterprises (MSMEs). The Financial Services Authority's policy intends to save all parties from the Covid-19 pandemic, both business actors as debtors and banks and finance companies as creditors. In this situation, all parties must mutually survive each other. (Bidari & Nurviana, 2020)

### Government Policies during the Covid-19 pandemic

The government also makes decisions that support programs for the economic sector affected by the COVID-19 pandemic. One of the programs provided provides capital and convenience for every business actor in carrying out their business activities. The program provided is aimed at business continuity and the country's economic condition. Because if many business activities are stopped, social problems will arise, namely much unemployment that appears. (Saputra & Ali, 2022)

Then for the mining sector, the government also provides policies during the Covid-19 pandemic. By limiting coal exports to Indonesian consumer countries, such as Japan, South Korea, China, India, and the United States. The export restriction policy, which was carried out for approximately two weeks, was aimed at meeting the needs of domestic energy raw materials. (Noman et al., 2020)

In addition to coal commodities, the government also provides policies on palm oil commodities. At this time, the government is focusing on palm oil as bioenergy as an alternative to petroleum. This policy is expected to make Indonesia an environmentally friendly country in the era of the industrial revolution 4.0. (Hardy, 2015)

There are six schemes for the recovery of cooperatives and MSMEs during the Covid-19 pandemic, namely: (a) providing social assistance to business actors in the MSME sector who

are poor and vulnerable, (b) tax incentives for MSMEs, (c) relaxation and restructuring of credit for MSMEs; (d) expansion of working capital financing for MSMEs, (e) placing ministries, state-owned enterprises, and local governments as buffers for MSME products, and (f) e-learning training (Zamroni, 2013)

Indonesia has implemented an emergency response period for handling Covid since early March 2020, followed by the modification of the regional quarantine policy to PSBB starting on April 10, 2020, in Jakarta, followed by several satellite cities of Jakarta, then followed by other regions within the scope of the province, district, or city that shows a trend of increasing cases significantly. Although the PSBB policy is not implemented simultaneously in all regions, its impact on the socio-economic community is still felt throughout Indonesia. (Muhyiddin, 2020)

### **The Impact of Economic Sector during the Covid-19 pandemic**

Many economic sectors have been affected by the Covid-19 pandemic, namely: 1) Micro, Small, and Medium Enterprises (MSMEs), 2) Transportation Sector, 3) Tourism Sector, 4) Construction Sector. In the Micro, Small, and Medium Enterprises (MSME) sector, business actors are greatly affected by the decline in people's purchasing power during the Covid-19 pandemic. Especially if the products or services offered to the market are not too important, consumers will prefer not to buy them. Consumers are more considerate of buying essential needs. (Haratua & Wijaya, 2020)

Sectors that support tourism activities, such as restaurants, hotels, and retail businesses, are also affected by the Covid-19 pandemic. Business profits in the hotel sector have seen a decline of up to 40%, which has an impact on hotel operational activities and affects the sustainability of its business. The decline in foreign visitors or tourists also impacts the business activities of restaurants or restaurants where the majority of customers come from abroad. (Saputra & Ali, 2022)

The outbreak of Covid-19 will cause Indonesia's economic instability, which ultimately affects the non-formal sector affected by Covid-19 will experience financial difficulties. The problem comes when the non-formal business has credit at the bank, so it can be ascertained that there will be difficulties in paying for a credit agreement with the bank. (Bidari & Nurviana, 2020)

Currently, the global economy, including Indonesia, is experiencing uncertainty and leading to an economic recession due to the Covid-19 pandemic. Several countries such as the US, Japan, South Korea, the European Union, Hong Kong, and Singapore experienced negative economic growth in the first and second quarters of 2020. The economic slowdown will undoubtedly impact Indonesia's economic growth performance in 2020. The pandemic has caused a domino effect on health. to social and economic issues, including business actors. (Muhyiddin, 2020)

**Table 1: Previous Research**

No	Author (year)	Previous Research Results	Similarities to this article	Difference with this article
1	(Saputra & Ali, 2022)	Application of POAC Management: Economic Recovery and National Resilience during the Covid-19 pandemic	Economic Recovery during the Covid-19 pandemic	National Resilience during the Covid-19 pandemic

2	(Bidari, A, S., Nurviana, R., 2020)	Economic Stimulus Banking Sector in Facing the 2019 Corona Virus Disease pandemic in Indonesia	Economic Stimulus Banking Sector	In facing the 2019 Corona Virus Disease pandemic in Indonesia
3	(Sarif, N., 2020)	Impact of the Covid-19 Handling Committee and National Economic Recovery on Various Regulations	National Economic Recovery on various Regulations	Impact of the Covid-19 Handling Committee
4	(Simatupang, H, B., 2019)	The Role of Banking in Improving Indonesia's Economy	The Role of Banking	Improving Indonesia's Economy
5	(Hardy, J., 2015)	Determinant Analysis of Indonesia Crude Palm Oil (CPO) Exports to the European Union	Exports Crude Palm Oil (CPO) to European Union	Determinant Analysis
6	(Sudirman., Trimulato., Kamaruddin., & Iryani., 2021)	Development of Islamic Banking Study Programs Based on Integration of the Role of Islamic Banks for the MSME Real Sector	The Role of Islamic Banks for the MSME Real Sector	Development of Islamic Banking Study Programs Based on Integration
7	(Haratua, A., & Wijaya, C., 2020)	Building and Entrepreneurship Ecosystem for Micro and Small Enterprises in Indonesia: A Literature Review	Entrepreneurship Ecosystem for Micro and Small Enterprises	Building Ecosystem for Micro and Small Enterprises
8	(Fahrial., 2018)	The Role of Banking in National Economic Development	The Role of Banking	National Economic Development
9	(Setiawan, I., 2020)	Analysis of the Role of Banking on Economic Growth in Indonesia: Islamic Banks Versus Conventional Banks	The Role of Banking	Islamic Banks Versus Conventional Banks
10	(Zamroni., 2013)	Role of Bank in Distribution of Funds for Micro, Small and Medium Enterprises (MSMEs)	Role of Bank	Distribution of Funds for Micro, Small and Medium Enterprises (MSMEs)

## RESEARCH METHODS

The methods used to write and create this article are the Qualitative Descriptive Methods and Literature Review. Reading and reviewing published journals according to the theory discussed in this article in the pandemi Covid-19, The Role of Banking, Government Policy, and the Economic Sector.

Almost all the entire contents of the journal articles cited and citations are from Mendeley. And then the results of previous research are described in detail in the Literature of Review section.

## FINDINGS AND DISCUSSION

Based on relevant theoretical studies and previous research, the discussion of this literature review article is as follows:

### 1. The Role of Banking in Indonesia during the Covid-19 pandemic

During this pandemic, many business activities are hampered and even unable to carry out their business activities. It has resulted in the disruption of Indonesia's economic activities, which also impacts the unemployment rate in Indonesia. The lack of interest in people's purchasing power due to the Covid-19 pandemic has disrupted the company's operational activities. Investors are also reluctant to provide capital to companies during the Covid-19 pandemic. (Sutrisno, 2021)

Based on this, there is a need for the role of banks to provide capital to business actors, both small and medium-sized enterprises (SMEs) to large companies. Providing capital or loans to business actors provides an opportunity for business continuity during the Covid-19 pandemic. So that business activities do not go bankrupt. (Muhyiddin, 2020)

Banks are also giants in lending to the mining sector in the mining sector. They are coupled with the conflict between Russia and Ukraine, making our mining materials increasingly sought after by countries, especially the European Union and the United States. In addition, the construction sector has also received attention from banks by providing financing and credit. (Hendra et al., 2021)

For relief and changes to the MSME credit policy, the government provides installment delays and interest subsidies for recipients of People's Business Loans (KUR), Ultra Micro Credit (UMI), Madani National Capital Fostering Prosperous Families (PNM Mekaar), Revolving Fund Management Agency (LPDB), to recipients of capital assistance from several ministries.

Then the following scheme is the expansion of MSME working capital financing in the form of a working capital assistance stimulus. Financing institutions carry out financing from financial institutions and the banking system. Moreover, the last scheme is BUMN or BUMD as a buffer for MSME products; the institution acts as an off-taker (absorber) to produce MSME actors in various fields, such as culinary and agriculture fisheries, to home industries. (Cahyono et al., 2021)

### 2. Government Policies during the Covid-19 pandemic

Government policies during the COVID-19 pandemic have also affected economic activity. Businesses are hampered by limiting community activities with the PSBB and PPKM. Many business activities are closed due to these restrictions carried out periodically for two weeks. It has resulted in reduced employment opportunities and also the opportunity to work. (Saputra & Ali, 2021)



Then the government asked the central and regional governments to allocate their budgets for health and economic needs during the covid-19 pandemic. The government provided cheap essential food assistance for six months. Finally, the government made a policy by making pre-employment cards to anticipate workers being laid off those who have not worked and have lost their income. With the pre-employment card, it is hoped that the community's abilities and competencies will increase. (Saputra & Ali, 2021)

Then in the mining sector, the government halted coal exports for two weeks to meet domestic coal needs. It should continue our coal consumption. For this reason, the government has made many decisions that support this program. One of them is a form of support in the manufacturing sector with the policy of eliminating Sales Tax on Luxury Goods (PPnBM), which successfully increased demand for motorized vehicles. In recent years, which has been dramatically affected by the Covid-19 pandemic, people have been holding back from buying cars because of the uncertainty that this virus will end. The condition of the decline in the tax rate creates an increase in demand for automotive products in the Indonesian market. (Putri, 2017)

The capital for empowering the National Economic Recovery comes from the APBN, which is used for interest subsidies for MSMEs through financial institutions, guarantees for business capital loans, and State Capital participation for SOEs whose capital has been affected Covid-19 and special instructions. Lastly, the Capital for Economic Recovery comes from government investment. In determining the APBN or APBN-P, it is necessary to have the approval of political parties and coalitions that support the government. (Sutrisno, 2020)

### **3. The Impact of Economic Sector during the Covid-19 pandemic**

Its impact certainly significantly affects all economic sectors, namely the tourism sector, the mining sector, the MSME sector, the construction sector, and others. The tourism sector has had a considerable effect from the COVID-19 pandemic, where almost all countries restricted domestic and international travel activities during the COVID-19 pandemic. It has resulted in the disruption of operational activities in the tourism sector, such as shopping centers for souvenirs, hotels, and tourist attractions. (Jucan & Jucan, 2013)

A lack of capital hampers the construction sector to carry out development; for this reason, it is necessary to support investors and banks to implement the plan. Currently, the construction sector is experiencing a significant increase, which we can see with the construction of the Mandalika MotoGP Circuit, Jakarta International Stadium, and others. (Saputra & Ali, 2022)

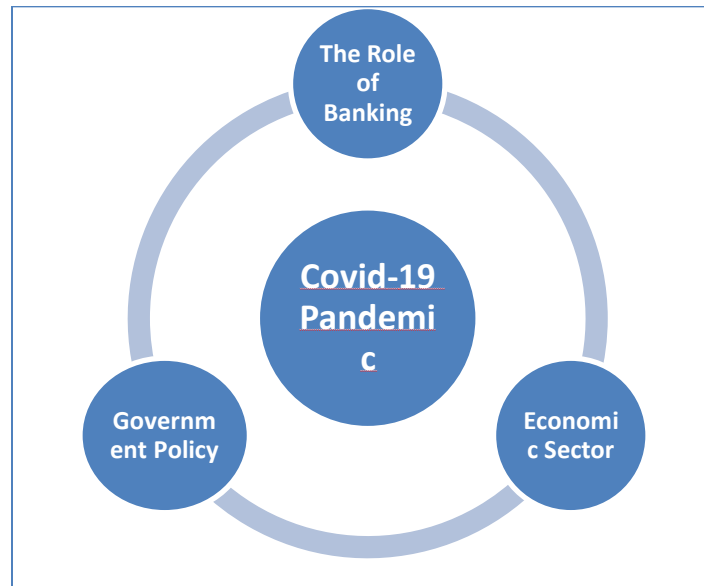
The economic recovery in the tourism sector can be seen from the number of government relevant ministries' policies to achieve economic recovery in the tourism sector. Such as participating in the Dubai Expo event, which aims to promote the Natural Beauty of Indonesia, either Flora or Fauna, which will later become an attraction for foreign tourists from various countries. The strategies that can be carried out are Tourism promotion through public relations, tourism product development, tourism destination development, tourism human resource development, and tourism infrastructure management. (Barthélémy et al., 2020)

In this case, POAC Management can be a reference in conducting. Economic Recovery and National Resilience during the Covid-19 Pandemic. That Planning affects what plans will be carried out in dealing with Economic Recovery and National Resilience. Organizing also plays an essential role in Economic Recovery and National Resilience because by organizing, the government can focus more and quickly deal with problems. Actuating also plays a role in

moving all government instruments in carrying out Economic Recovery due to the pandemic. Moreover, no less critical, Controlling also plays a role in monitoring and continuously regulating the progress of developments in this economic recovery. (Saputra & Ali, 2022)

### Conceptual Framework

Based on the formulation of the problem described above, and discussion that has been described above, then the framework of this article as follows:



**Figure 1: Conceptual Framework**

This article discusses The Role of Banking and Government Policy on the Economic Sector during and Green Economy during the Covid-19 Pandemic. There are several other roles that affect the Economic Sector during the Covid-19 pandemic, namely:

- 1) Purchase Interest: (Desfiandi et al., 2017)
- 2) Creative Economy: (Desfiandi et al., 2017), (Desfiandi et al., 2019)
- 3) Entrepreneurial: (Desfiandi et al., 2019), (Octavia & Ali, 2017), (Maisah & Ali, 2020) and (Prayetno & Ali, 2020a).
- 4) Implementation: (Rachman & Ali, 2016), (Ansori & Ali, 2017), (Rachman & Ali, 2016), (Sulaeman et al., 2019), (No et al., 2017), (Agussalim et al., 2020).

## CONCLUSION AND SUGGESTION

### Conclusion

Based on the formulation of the problem described above, the research conclusion is:

1. The Role of Banking in Indonesia during the Covid-19 pandemic, The role of banking is essential during the Covid-19 pandemic because business activities are disrupted due to the absence of funds for their operational activities. In addition, people's purchasing power is low during the COVID-19 pandemic, making the company's income low.
2. Government Policy on the Economic Sector during the Covid-19 pandemic, Government policies are essential in determining the economy's direction during the current pandemic.

When the government takes policies that focus on health, economic activities will be disrupted by the PSBB and PPKM.

3. The Impact of Economic Sector during the Covid-19 pandemic, The impact of the economic sector during the COVID-19 pandemic is the disruption of economic activities that usually have been running, including tourism, construction, and the property sector.

### Suggestion

Based on the conclusion above, the suggestions in this article are that there are still many variables that determine

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