

GOVERNMENT'S STRATEGY TO OVERCOME THE IMPACT OF FISCAL AND MONETARY POLICY ON THE INDONESIAN ECONOMY

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ABSTRACT

The government's strategy was previously under pressure to improve the economy, one of which is the implementation of fiscal policy. This is because the Covid-19 pandemic in previous years had an impact on all sectors, especially the financial sector. Now with its fiscal policy adjusting between government revenue and spending. Part of the government's fiscal policy during the pandemic, namely the tax relief program aimed at easing the burden on taxpayers and reorienting the 2020 State Budget to increase government spending. Through in-depth research and analysis of the government's strategy for overcoming the impact of fiscal and monetary policies on the economy, it is hoped that a better understanding of government actions in encouraging inclusive and sustainable economic growth in the Indonesian economy will be provided.

Keyword: Fiscal Policy, Government's Strategy, Monetary Policy

INTRODUCTION

The Indonesian economy is a complex system that is affected by various factors, including the fiscal and monetary policies implemented by the government. Fiscal and monetary policies have an important role in regulating government spending, income, and the supply of money in the economy. However, the implementation of these policies does not always run smoothly, and there are often impacts and challenges that need to be addressed. In this paper, we will discuss the strategies implemented by the Indonesian government to overcome the impact of fiscal and monetary policies on the economy.

The questions to be answered cover the government's strategy in dealing with fiscal and monetary policy issues, policies implemented from an Islamic economic perspective, and controlling monetary and fiscal inflation from an Islamic macroeconomic perspective. The first issue to be discussed is the government's strategy in overcoming fiscal and monetary policy issues in the Indonesian economy. Fiscal policy includes regulation of government spending and revenue, such as budget and taxation policies, while monetary policy deals with regulating money supply and interest rates. The Indonesian government has faced challenges in managing effective fiscal and monetary policies to promote sustainable economic growth.

Next, we will discuss policies implemented in Indonesia from an Islamic economic perspective. Islamic economics has different principles in setting economic policies, such as the prohibition of usury, social justice, and community empowerment. The Indonesian government has adopted several principles of Islamic economics in its fiscal and monetary policies to promote financial inclusion and equity in the economic system. Then, it will also discuss monetary and fiscal inflation control in the perspective of Islamic macroeconomics. Inflation is a general and persistent increase in the prices of goods and services in an economy. Inflation control is the main concern of the government to maintain price stability and people's purchasing power. In the perspective of Islamic macroeconomics,

Through comprehensive research and analysis of the government's strategy in overcoming the impact of fiscal and monetary policies on the Indonesian economy, it is hoped that it will provide better insight into the steps taken by the government to promote inclusive and sustainable economic growth. Government Strategy in the Indonesian Economy. The Indonesian economy is a complex system that is affected by various factors, including the fiscal and monetary policies implemented by the government. Fiscal and monetary policies have an important role in regulating government spending, income, and the supply of money in the economy. However, the implementation of these policies does not always run smoothly, and there are often impacts and challenges that need to be addressed.

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Indonesian government has adopted various strategies to address the impact of fiscal and monetary policies on the economy. One of the strategies implemented is to optimize the use of the state budget to encourage economic growth. The government is increasing infrastructure spending to create jobs, increase competitiveness, and encourage investment in potential sectors. In addition, the subsidy policy was also enacted to ease the burden on the people and increase purchasing power. One of the strategies implemented is to optimize the use of the state budget to encourage economic growth. The government is increasing infrastructure spending to create jobs, increase competitiveness, and encourage investment in potential sectors. In addition, the subsidy policy was also enacted to ease the burden on the people and increase purchasing power. One of the strategies implemented is to optimize the use of the state budget to encourage economic growth. The government is increasing infrastructure spending to create jobs, increase competitiveness, and encourage investment in potential sectors. In addition, the subsidy policy was also enacted to ease the burden on the people and increase purchasing power.

In the perspective of Islamic economics, the Indonesian government also implements policies that are in line with the principles of Islamic economics. For example, in terms of banking, the government encourages the development of Islamic banking which avoids ribawi transactions and promotes the principles of social justice. In addition, social assistance and community empowerment programs are also emphasized to achieve financial inclusion and reduce economic disparities. Inflation control is an important challenge faced by the Indonesian government. In the perspective of Islamic macroeconomics, controlling inflation must include the principles of Islamic economics, such as transparency and fairness. The government uses monetary policies, such as setting interest rates and controlling liquidity, to keep inflation low and stable. Besides that,

In order to overcome the impact of fiscal and monetary policies on the Indonesian economy, the government needs to carry out good coordination between various related institutions, including the central bank, the ministry of finance, and economic institutions. In addition, careful monitoring of economic indicators and market movements is also important to take appropriate steps in responding to changing economic conditions. In this

Journal, we will further examine the concrete strategies implemented by the Indonesian government in overcoming the impact of fiscal and monetary policies on the economy. We will also evaluate the effectiveness of these policies and discuss potential challenges and opportunities in the future.

With a deep understanding of the government's strategy in dealing with the impact of fiscal and monetary policies on the Indonesian economy, it is hoped that we can identify better steps to advance the economy, encourage financial inclusion, and achieve sustainable development. Therefore, the author will describe one by one the formulation of the problem regarding:

1. What is the government's strategy to overcome fiscal and monetary policy problems in the Indonesian economy?
2. What policies are implemented in Indonesia from an Islamic economic perspective?
3. How to control monetary and fiscal inflation in the perspective of Islamic macroeconomics?

RESEARCH METHOD

This study uses a qualitative approach by analyzing the fiscal and monetary policies implemented by the Indonesian government in recent years. The data used is through searching academic journals related to fiscal and monetary policies in Indonesia. Data sources can include journal articles consisting of officially announced fiscal and monetary policies, economic reports, and related academic studies. The analytical method used includes descriptive analysis to understand the implemented policies and their impact, as well as comparative analysis to compare different policies and their effectiveness. The results of this study are expected to provide a better understanding of the government's strategy in overcoming the impact of fiscal and monetary policies on the Indonesian economy.

RESULTS AND DISCUSSION

Results

Fiscal Policy Strategy in National Economic Recovery

National economic revival began when the Covid-19 was over which resulted in many victims due to the virus. Facing this, the government remains

vigilant, disciplined and focused on the pandemic which is one of the main conditions for the country's economic growth. The government's steps against Covid-19 and national economic recovery (PC-PEN) began in 2020 and were marked by Perpu no. 1 published in 2020 which became Law no. 1. 2 of 2020 according to Government Regulation No. 2 Implementation Rules. 23 years have passed since 2020. PP No. 43 of 2020 PC-PEN The 2020-2021 government year has proven successful in maintaining the momentum of the national economy. In 2021, economic development will increase to around 3.7 percent, driven by growth in industry, trade, telecommunications and mining. Inflation in 2021 is 1.87 percent (Ilo), which was measured higher than in 2020, reflecting improved domestic demand and consumption as well as public finances. The average rupiah exchange rate against the US dollar remained at IDR 14,312/USD, relatively better than the 2020 regulation. PC-PEN also had a positive effect on increasing people's welfare by reducing the unemployment rate from 7.07% in August. 2020 to 6.49% in August 2021 and reduce the poverty rate. Interest rates from 10.19 percent in September 2020 to 10.14 percent in March 2021. However, the implementation of the 2021 State Budget from the revenue and expenditure side of the public sector is still at an optimal level. Realization of state revenue in 2021 amounted to 114.88 percent of the target which, among other things, was supported by the realization of the target of 107.06 percent and 151 percent of PNBPN tax revenues.

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continue in 2022 amidst uncertain conditions. In the 2020 State Budget, the government sets the main fiscal theme for 2022 which will continue to support economic recovery and structural change by stabilizing public finances and anticipating uncertainties.

- a) Accelerating the control of Covid-19 by strengthening the health sector as the key to economic recovery.
- b) Continue to promote the creative economy in Indonesia and support the world of business and micro, small and medium enterprises (MSMEs) through the Family Hope program (PKH), staple food cards, job cards, receive direct financial support from the Village Fund (DD) (BLT), subsidies KUR interest and business incentives.
- c) Overseeing the pace of structural reforms to increase competitiveness and productivity through fair and better human resources, a strong health system, adaptive social security, and infrastructure to support economic transformation.
- d) Generate more inclusive tax reforms by implementing tax reforms leveraging better public spending (zero-based budgeting), uncertainty prevention reserves, public sector cooperative innovation financing (PPP), sovereign wealth funds (SWF), special mandates (SMV) and debt.
- e) In 2023, the stabilization of public finances must be based on optimal implementation of the 2022 State Budget (APBN), namely structural reforms must be optimal, economic reforms must be successful, and it is the shared responsibility of all ministries/agencies.

With this policy stance, economic growth of 5.0-5.5 percent is expected in 2022 with the support of various anti-pandemic measures and structural reforms, but the new variant of COVID-19 remains an avoidable risk. Inflation in 2022 will rise to 3 percent as demand increases. The rupiah exchange rate against the US dollar is also expected to rise to Rp. 14,350 per dollar due to potential pressure on global financial markets from efforts to normalize US government policies in the midst of a faster-than-expected US economic recovery. The enthusiasm of the government continues to improve economic recovery in Indonesia. The meeting between finance ministers and central bank governors of the G20 countries resulted in statements supporting the recovery of several countries and the global economy and international financial architecture, for example. world economy and health.

With good planning and cooperation with the international community, including through the G20 group, it is hoped that fiscal policy can become a tool to protect society, because world uncertainty always comes from various perspectives and microns are only one of the risks of the future. He. with geopolitical risks. undo global and undo patch. financial complexity. We also hope that fiscal policy will be seen by the G20 as a way to protect citizens, as continued global uncertainty from multiple perspectives and at the micro level is just one risk along with geopolitical risks, an uneven recovery and the complexities of global trade. The G20 is also expected to help improve global policies to revitalize the economies of developing countries.

Policies Implemented in Indonesia in the Perspective of Islamic Economics

Islamic Tax Policy

Fiscal policy in the sense of Islamic economics is expected to guarantee the distribution and stabilization of income and expenditure of Islamic countries in certain value-based, ethical and social dimensions. The Islamic tax system must ensure that only the rich and privileged bear the brunt of the tax burden. The advantages of fiscal policy in the Islamic economic system are (Rozalinda, 2014: 211):

- a. Government spending is income-based, so budget deficits don't occur frequently.
- b. As a balanced tax system, mandatory contributions in Islamic economics are determined based on the level of productive capacity. Like the *kharaj*, the amount of the tax was determined by the fertility of the soil, the irrigation mechanism and the type of crop.
- c. The breakdown of *zakat* is based on profits, not the number of goods. For example, *zakat* is given, *zakat* business is profitable, so production costs are not covered

Since the Prophet's time until the caliphate, Muslims have had a lot of experience in setting up various tax facilities for the Baitul Mal institution. Islamic history traces the growing role of financial provisions in the Islamic economic system from the beginning of Islam to the development of Islam in the Middle Ages. After the collapse of the Islamic regimes after the Middle Ages, Islamic fiscal policy was gradually taken over by another fiscal policy

of the current economic system, which is called the traditional economic system.

Fiscal Policy Instruments

From a traditional economic perspective, Adiwarman A. Karim explains that the structure of the State Revenue and Expenditure Budget (APBN) has many sources and opportunities to raise money, including for public administration (Karim, 2007: 255-257):

1. State-Owned Enterprises can run their business like other business entities, for example through the establishment of State-Owned Enterprises (BUMN). Like other companies, this BUMN hopes to provide benefits that can be used as a revenue stream for the government.
2. Tax financing is usually done by collecting contributions from the community. Taxes are levied in various forms, such as income tax, sales dues, real estate and construction taxes, etc.
3. Borrowing, the state can borrow money from the public or other sources as long as it is repaid later. Society should know and accept clear information that higher taxes must be paid in the future to pay debts incurred today. Loans are temporary and cannot be granted permanently.

Zakat Potential in Indonesia

Distribution of income in Islam means the distribution of existing assets, both private property and public (general) property, to those entitled to these assets, for the benefit of society according to Islam (Sharia). muzak or surplus units) are seen on the one hand as compensation for their wealth and meanwhile as a stimulus for the wealth of the poor. Mustahik or unit deficit so that it can develop better (Plus) (Brodjonegoro, 2012; 18). Maximizing the process of redistributing income and wealth predicted by Islam is reflected in the zakat that is borne by the rich (muzak) and distributed to the poor (mustahik).

Al-Qur'an explains the distribution of zakat to those who are entitled to receive it, but does not explain whether the zakat is received in the form of money, consumer goods or working capital. This excites economists and gives the impression that zakat has a better effect on recipients. Hopefully the zakat given can be used for more productive zakat. Management of zakat can be done in a pyramid scheme through the accumulation of zakat wealth.

Basically, if someone manages to receive zakat this year, he must pay his zakat next year as well. Zakat funds are free and can be used for emergencies, savings and loans. With good management, zakat can be a solution for the welfare of the people.

Discussion

How to Control Monetary and Fiscal Inflation in the Perspective of Islamic Macroeconomics?

Directing and forming inflation expectations in the community based on predetermined inflation targets is one of the ways to control inflation. The inflation target was determined by Bank Indonesia prior to being regulated by law Number 23 of 1999 which functions to increase the credibility of the Bank so that the inflation target is determined by the government. In managing prices from the aggregate demand side, monetary policy is made, but this policy is not used in increasing inflation due to sudden temporary factors that will disappear over time.

The growth in the quantity of money spread in society is the cause of inflation, this happens when the government prints and distributes too much money causing the value of money to decrease, simply inflation is a continuous increase in the price of goods or services, or inflation can be a continuous increase in prices common and continuous. .

Inflation is considered serious. When it crosses the 5% limit, inevitably it has to see the form of creeping and continuous inflation, so there is a need for the government's role in overcoming this inflation with the hope that the government will have inflation at 0% in the government's goal of overcoming the national economy, to maintain economic stability. the government must keep inflation at no more than 5%. This fiscal policy is used by the government to prevent inflation by reducing government spending by the Minister of Finance and monetary policy at Bank Indonesia.

By raising interest rates and reducing the money supply, actions that can be used by BI to prevent inflation, monetary policy will reduce the amount of investment, then materialize finance with fiscal policy by increasing taxes and reducing household spending and investment.

Monetary policy is used by the central bank for stability Not only that, macroeconomics is used so that liquidity in the economy is at the right amount

so that trade can be successful without inflation. Money supply, interest rates, public expectations of inflation and the exchange rate can be indicators of inflation prevention. Monetary policy practiced by the government in an Islamic economic perspective did not have the tools used in the early Islamic era because there was no banking system at that time.

In its implementation, monetary and fiscal policies must be in line with the guidelines that have been set to be mutually agreed upon, and there is no conflict, helping Bank Indonesia to control inflation. Efforts can limit government and household spending. By implementing a reference interest rate or what is known as the B17 day repo, it aims to facilitate financial market trading, especially for users of repo products.

CONCLUSION

From this it can be concluded that the government's strategy is to overcome the impact of the fiscal and monetary policies implemented in Indonesia. According to Islamic economics, the distribution of income and expenditure in Islamic countries is expected to be stable and certain value-based, ethical and social dimensions to be stable.

Managing Monetary and Fiscal Inflation from an Islamic Macroeconomic Perspective On the way to manage inflation towards low and stable inflation is to shape and guide people's inflation expectations towards the predetermined inflation target. One step that should be taken by Bank Indonesia to overcome this inflation problem is to reduce the money supply. This monetary policy reduced investment and household spending.

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