



Monetary Policy Effectiveness on Inflation and Growth Economy in Century Covid-19 Pandemic

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ABSTRACT

This pandemic has caused many countries to experience difficulties as their economies decline. Bank Indonesia is the governing body for determining monetary policy. This study aims to determine the role of monetary policy set and implemented by Bank Indonesia in dealing with the Covid-19 pandemic in Indonesia. The method in this research is descriptive qualitative research taking a lot of data from the literature and reports released by Bank Indonesia taking and collecting data through libraries research. the results of this study indicate several accommodative macroprudential policies, rupiah exchange rate stability policies, policies for purchasing government securities from the secondary market, policy interest rates reductions (BI7DRR), and policies for distributing social assistance (bansos) with the government. This study concludes that Bank Indonesia is seriously in dealing with economics problems during the Covid-19 pandemic.

INTRODUCTION

In Indonesia alone, pandemic Covid-19 has caused economy in Indonesia to be disturbed. This is due to policies issued by the government to handle the pandemic problem, so that the problem is resolved as fast as possible. Bank Indonesia needs to issue a Policy for the stability of the financial system. Monetary Policy could also give risk when ethnic groups flower low potentially trigger withdrawal of debt by corporations thereby increasing the risk of debt repayments. Increasing risk is big if debt is done in foreign currency and occurs when ethnic groups flower. Ethnic groups flower low also cannot upgrade investment which is productive because of still low demand.

THEORETICAL REVIEW

Policy Monetary

Monetary policy in Indonesia is in accordance with Law no. 23 years ago 1999 has changed in UU No. 3 year 2004 about Policy monetary, mentioned that Bank Indonesia as authority monetary double which could operate Policy monetary conventional nor sharia, so Policy monetary which taken use monetary policy namely conventional and sharia with the main goal of monetary policy in Indonesia is to achieve and maintain the stability of the value of the rupiah, namely stability price (inflation) and the rupiah exchange rate. Farida siti, (2011), Policy monetary is something effort in control macroeconomic conditions to run as desired through regulation total money which circulating in economy. Effort the done so that occur stability price and inflation as well as an increase output balance.

According to Nopirin (1987: 45) monetary policy can be carried out by running instrument monetary policy, namely between other:

1. Politics Market Open

Action sell and buy letters valuable by the central bank. This action will affect two things, first raise reserves of commercial banks related to transactions. Reason for buying letter valuable, bank central will add backup bank general seller letter that valuable. As a result, commercial banks can increase the amount of money in circulation (through process creation credit). Second, action purchase / sale letter value will affect the price (and thus the interest rate) of the paper valuable. as a result general interest rates will too affected.

2. Discount Politics

Changing the interest rate that must be paid by the bank general in matter borrow fund from bank central. With raise discount, so cost borrow fund from bank central will ride so that will reduce desire bank for borrow. As a result, total money which circulating could pressed or reduced.

3. Politics of Change of Minimum Reserves

D can affect the amount of money circulating. If provision backup minimum lowered, total money circulating tends to rise, and vice versa if the minimum reserve is increased then the amount of money circulating tend down.

Inflation

(Mc Eachern, 2000:133), Inflation is an economic phenomenon that is always interesting discussed mainly in relation to its broad impact on the Indonesian economy. Inflation is a continuous increase in the average price level. Inflation is defined as increasing prices in a manner general and keep going continuously. Ascension price from one or two goods just no could called as inflation except when increase that widespread (or resulted increase price) on goods other. If inflation increase, so price Domestic goods and services have increased. Rising prices of goods and services as well cause descent mark eye money. With thereby, inflation could also interpreted as decline currency value to value goods and services in a manner general.

Bank Indonesia as the central bank uses the SBI interest rate instrument in controlling inflation in Indonesia, according to Baroroh in Hudaya (2011:28), relationship The difference between SBI interest rates and inflation is that an increase in SBI rates will encourage increase in short-term interest rates in the money market. Likewise with interest rates period long, producer will respond increase ethnic group flower in market money with reduce investment, then domestic production (output) decreases so that the level inflation domestic decline. Factor Reason emergence inflation in Indonesia, namely:

1. Amount money which circulating. In Indonesia total money circulating more many translated into the concept of narrow money (M1) because there is still the notion that money quasi only is part of banking liquidity.
2. Deficit budget shopping government which many very concerns about structuraleconomy Indonesian because drive demand aggregate.
3. Aggregate and overseas offers. The sluggishness of aggregate supply factors is causedby exists obstacle structural which there is in Indonesia. Price food is wrongone contributor biggest to level inflation in Indonesia. Generally rate offer ingredient food no could offset his request, so that cause excess demand. Meanwhile in side other method and technology whichused still not enough sophisticated and not maximal.

Inflation arises because of pressure from the supply side (cost push inflation). demand (demand pull inflation), and from inflation expectations. Factors for the occurrence of cost push inflation could caused by depreciation mark swap, impact inflation outside country especiallytrading partner countries, increase commodity prices regulated by the government (administered price), and occur negative supply shocks consequence disaster natural and the disturbancedistribution. Inflation affected by increases in imported commodity prices (imported inflation) along with the swelling foreign debt due to its depreciation mark swap rupiah to dollar America and eye money foreign other. Consequently, for To control inflation, value stabilization must first be carried out swap rupiah against currency foreign, especially dollars America

Growth Economy

(Todaro, 2005), Economic growth as a process of increasing the output of from time to time becomes an important indicator to measure the success of a development country. Economic growth is one indicator of the success of

development in something economy. Well-being and progress something economy determined by magnitude growth indicated by changes in national output. According to Todaro, there are three components in the economic growth of a nation determinant main namely:

1. Accumulation capital which covers all form or type investment new which implanted on land, equipment physical, and resource man.
2. Population growth has increased the size of the labor force over the years future.
3. Progress technology, According to Kuznets growth economy is increase the long-term capacity of a country to provide goodseconomy to its inhabitants.

METHODOLOGY

Approach study which used in study this is approach qualitative with descriptive analysis method to answer the problems that filed. Researcher review, data through literature studies by collecting data from reference sources such as journals, books and articles through digital sources. Using qualitative research because tradition in knowledge education social which in a manner fundamentals depend on human observation both in person and in interactions with others a society. Qualitative research is a research procedure that produces data descriptive form say say written or oral from people and behavior which could observed.

RESULTS AND DISCUSSIONS

Policy Monetary Bank Indonesia in Period Pandemic Covid-19

Country Indonesia stricken with problem economy which caused by pandemic covid-19 which make Bank Indonesia need emit Policy policyto help solve these economic problems. One of the problems that What happens is the problem of financial system stability. Bank Indonesia have gone through macroprudential policies from the start before Covid-19 entered Indonesia, because the world economy at that time was not good which made the world economy slow down. Matter this make Bank Indonesia take step application Policy macroprudential for prevent a crisis.

After quarter first, Indonesia start stricken covid-19 which make economy in Indonesia has fallen significantly. This makes the Bank Indonesia the more intensify policy in effort for anticipate happeningcrisis in Indonesia with:

1. Bank Indonesia also lowered the minimum down payment limit from the range of 5% -10%. Becomes 0% in gift credit/financing vehicle motorized for purchase vehicle motorized insightful environment, with permanent pay attention to principlescaution.
2. Reducing the Rupiah GWM for financing the business world, especially for exports andimport as well as for MSMEs.
3. Provision of liquidity for banks in MSME and business credit restructuring super micro who have loans in institutions finance.

Impact Policy Monetary to Development Inflation

Implementation Policy Monetary can reviewed from development total money circulating, both base money (Mo), money supply in the narrow sense (M1) and money supply in the sense area (M2). This condition is in line with the government's steps in order to stabilize the value rupiah through control total money circulating. Decline growth rate Money Widely Outstanding (M2) reflects a decline in banking sector activity related to principle sector caution. The implementation of monetary policy through setting the BI rate will affect interest rates banking sector interest. Its development will affect the condition of the money market will further contribute to inflation. Interest rates, developments in the amount money supply and the rupiah exchange rate against the USD significantly affect economic growth. The negative effect of interest rates on economic growth shows that changes ethnic group flower will influence aggregates expenditures through change investment. Ascension interest rates will reduce interest in investment and reduce economic activity so that growth economy having contractions.

Impact Policy Monetary to Growth Economy

1. Warjiyo, (2006), Policy monetary is Policy government or authority monetary using the money supply and interest rates (interest rates) to influence the level of aggregate demand (aggregate demand) and reduce instability in the economy.
2. Sean, (2019), To see stable economic growth, money supply must grow on level which permanent, no currently arranged and changed by authority monetary.
3. Asnawi, (2018), Economic growth is an increase in Gross Domestic Product (GDP) or gross National Product (GNP) without review is enhancement the more big or small from level growth resident as well as is change occurs structure economy.
4. Ministry of Finance of the Republic of Indonesia, (2018), In the current era of globalization, the economies of other countries can affect the domestic economy, so that the policies set by government either through fiscal policy or monetary policy will also participate affected by external factors.
5. Salim (2018) explains that the monetary side is a very important part in an economy, economic growth will not be analyzed without involve monetary issue.

Based on data from BI and the Central Statistics Agency (BPS), the increase in BI interest rates could influential to movement growth economy domestic and economy domestic potentially experience deceleration along with rising tribe flower:

1. Nofitasari, (2019), From side which other ethnic group flower is wrong one variable ineconomy which is always carefully observed because it is capable of influencing life Public and have impact urgent to health economy.
2. Sari and baskara, (2018), Ethnic group flower which more low have impact positive on capital and investment efficiency leading to better output expansion but ethnic group flower low which prolonged could form distortion in form bubble price asset which no sustainable. Amount money circulating is

total all the money in the economy (Putri and Rosyetti, 2017).

3. Tiwa, (2016), Amount money circulating Becomes wrong one instrument which used BankIndonesia for spur activity economy which influential to growth economy.
4. Selimi, (2016), To maintain economic stability and a certain level of growth expected, the government intervened to maintain the value of the currency permanent on certain level of the eye other money.
5. science, (2017), For a country that has a high dependence on imports, decline exchange rate could make worries about exists inflation because importwhich tall could resulted producer raise price sell product, and finally ended in price increases goods or inflation.
6. Lubis, (2014), Inflation that occurs should be controlled so that level inflation the could give impact positive to growth economy.
7. Septiatin, (2016), From the other side inflation is a macroeconomic indicator which used for measure stability economy something Country, with exists inflation so increase level inflation show exists something growth economy, however in period long level inflation which tall very have a negative impact on the economy due to high inflation rates cause goods relatively domestic more expensive compared to price goods import.

CONCLUSIONS AND RECOMMENDATIONS

In the discussion of writing a Project report entitled Policy Effectiveness Monetary To Development Inflation And Growth Economy In Period Pandemic Covid 19. The country of Indonesia is being hit by economic problems which are problems inflation due to companies having difficulty producing because people's purchasing power is low, and there are many workers who have been laid off or laid off due to the COVID-19 pandemic make Bank Indonesia need emit Policy policy for help resolve problem economy the. Wrong one problem which occur is financial system stability issues. Bank Indonesia implements policy instruments monetary policy, especially interest rates because the economy is not good causing the world economy to slow down.

This made Bank Indonesia take over measures to implement monetary policy by the Central Bank to prevent crises from occurring economy. The Indonesian state during the pandemic was able to survive with economic growth which belong good with connection Policy fiscal by government and Policy monetaryby Bank Indonesia. Based on the discussion and conclusions of this project report, it is expected that writers and the general public can be a material consideration and reference in the problem the Indonesian economy due to the Covid 19 pandemic. There are assumptions from economist analysis and government that in year 2023 will occur recession economy, in discussion this is expected for Public could make Policy which good in anticipateeconomy each.

FURTHER STUDY

The implementation of monetary policy through setting the BI rate will affect interest rates banking sector interest. Its development will affect the condition of the money market will further contribute to inflation. Interest rates, developments in the amount money supply and the rupiah exchange rate against the USD significantly affect economic growth. The negative effect of interest rates on economic growth shows that changes ethnic group flower will influence aggregates expenditures through change investment. Ascension interest rates will reduce interest in investment and reduce economic activity so that growth economy having contractions.

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