

# The Impact Of The Covid-19 Pandemic On Economic Growth In Java Island

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## ABSTRACT

The global COVID-19 pandemic has altered the course of many facets of life, and Indonesia is no exception. Starting with the most severely impacted sectors (health, social, and economic), At both the global and national levels, the economic sector is in a slump. The economic impacts of the pandemic were especially severe in emerging economies where income losses caused by the pandemic revealed and worsened some preexisting economic fragilities. The island of Java, being the largest contributor to the rate of national economic growth, is thus inextricably linked to this issue. The purpose of this study is to determine the influence of the COVID-19 epidemic on economic growth in Java Island. This study employs a qualitative descriptive method, as well as a survey of relevant literature. According to the findings of this study, the province of Banten experienced the greatest contraction in economic growth on Java Island, with a rate of minus 3.38% in the fourth quarter, while the province of the Special Region of Yogyakarta experienced the greatest improvement, with a rate of minus 0.68% in the fourth quarter. To accelerate Indonesia's economic recovery, government policy efforts in revitalizing the processing industry, increasing access and capital for MSMEs, and optimizing the use of village funds in alternative development innovations during a pandemic with labor intensive development, BUMDes development, or development of tourism village potential must begin in Java.

## ABSTRAK

Pandemi global COVID-19 telah mengubah banyak aspek kehidupan, tidak terkecuali Indonesia. Dimulai dari sektor yang terkena dampak paling parah (kesehatan, sosial, dan ekonomi), baik di tingkat global maupun nasional, sektor ekonomi mengalami keterpurukan. Dampak ekonomi dari pandemi sangat parah di negara berkembang di mana kehilangan pendapatan yang disebabkan oleh pandemi terungkap dan memperburuk beberapa kelemahan ekonomi yang sudah ada sebelumnya. Pulau Jawa yang menjadi penyumbang terbesar laju pertumbuhan ekonomi nasional, tak lepas dari persoalan ini. Tujuan dari penelitian ini adalah untuk mengetahui pengaruh epidemi COVID-19 terhadap pertumbuhan ekonomi di Pulau Jawa. Penelitian ini menggunakan metode deskriptif kualitatif, serta survei literatur yang relevan. Berdasarkan hasil penelitian ini, Provinsi Banten mengalami kontraksi pertumbuhan ekonomi terbesar di Pulau Jawa, dengan laju minus 3,38% pada triwulan IV, sedangkan Provinsi Daerah Istimewa Yogyakarta mengalami peningkatan terbesar, dengan tingkat minus 0,68% pada kuartal keempat. Untuk mempercepat pemulihan ekonomi Indonesia, upaya kebijakan pemerintah dalam revitalisasi industri pengolahan, peningkatan akses dan permodalan bagi UMKM, serta optimalisasi penggunaan dana desa dalam inovasi pembangunan alternatif di masa pandemi dengan pengembangan padat karya, pengembangan BUMDes, atau pengembangan potensi desa wisata. harus dimulai di Jawa.

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## I. INTRODUCTION

The order of many areas of human life has changed as a result of the COVID-19 catastrophe. According to information provided by the World Health Organization (WHO) as of March 2021, there were 150 million verified COVID-19 positive victims, and 3 million confirmed fatalities. The world has never seen a pandemic worse than this one. The number of sufferers in Indonesia who have been verified to have COVID-19 is 1.6 million, and there have been 45,000 fatalities (based on data from covid19.go.id).

The COVID-19 pandemic sent shock waves through the world economy and triggered the largest global economic crisis in more than a century. The crisis led to a dramatic increase in inequality within and across countries. Preliminary evidence suggests that the recovery from the crisis will be as uneven as its initial economic impacts, with emerging economies and economically disadvantaged groups needing much more time to recover pandemic-induced losses of income and livelihoods.

In contrast to many earlier crises, the onset of the pandemic was met with a large, decisive economic policy response that was generally successful in mitigating its worst human costs in the short run. However, the emergency response also created new risks, such as dramatically increased levels of private and public debt in the world economy that may threaten an equitable recovery from the crisis if they are not addressed decisively.

All facets of society are affected by the COVID-19 epidemic. The way of life has radically changed, from employees working from home to students studying from home to the closing of numerous factories and other industries. In the first quarter of 2020, the global and national economies were still not considerably impacted, but by the second quarter and beyond, it was possible to say that they were in free decline and even went through a recession; for Indonesia, this was the worst time since 1999. The crisis had a dramatic impact on global poverty and inequality. Global poverty increased for the first time in a generation, and disproportionate income losses among disadvantaged populations led to a dramatic rise in inequality within and across countries. According to survey data, in 2020 temporary unemployment was higher in 70 percent of all countries for workers who had completed only a primary education. Income losses were also larger among youth, women, the self-employed, and casual workers with lower levels of formal education. Women, in particular, were affected by income and employment losses because they were likelier to be employed in sectors more affected by lockdown and social distancing measures.

Similar patterns emerge among businesses. Smaller firms, informal businesses, and enterprises with limited access to formal credit were hit more severely by income losses stemming from the pandemic. Larger firms entered the crisis with the ability to cover expenses for up to 65 days, compared with 59 days for medium-size firms and 53 and 50 days for small and microenterprises, respectively. Moreover, micro-, small, and medium enterprises are overrepresented in the sectors most severely affected by the crisis, such as accommodation and food services, retail, and personal services.

According to International Monetary Fund (IMF) data, the economic growth rate of numerous nations worldwide in the fourth quarter of 2020 was 2.4% in the United States, 1.4% in South Korea, 1.2% in Japan, and 3.8% in Singapore. Data from the Central Statistics Agency shows that Indonesia is not an exception, with the country's economic growth rate in the first quarter of 2020 being 2.97%, the second quarter being -5.32%, the third quarter being -3.49%, and the fourth

quarter being -2.19%. In 2020, the national economic growth rate is expected to be -2.07%. Vietnam is the only country whose economy is not contracting, rising 4.5% in the fourth quarter (Helena J. Purba, Eddy S. Yusuf, Erwidodo, 2020).

The Large-Scale Social Restrictions (PSBB) restrictions in several Indonesian cities, which started in early April 2020, had an adverse effect on the country's economy in the second quarter of 2020. According to Bank Indonesia data for 2020, the industries most impacted by the national economy are those related to tourism and its derivatives, transportation, the automotive industry, manufacturing (in part), the construction and real estate industries, the oil and gas industries, and the financial industries. But the COVID-19 epidemic has also benefited some economic sectors, including the information and communications industry, financial services, agribusiness, real estate, education services, health care, and water supplies (Rafdi Setiawan, Gabriel Fiorentino Setiadin, 2020).

Although households and businesses have been most directly affected by income losses stemming from the pandemic, the resulting financial risks have repercussions for the wider economy through mutually reinforcing channels that connect the financial health of households, firms, financial institutions, and governments. Because of this interconnection, elevated financial risk in one sector can spill over and destabilize the economy as a whole. For example, if households and firms are under financial stress, the financial sector faces a higher risk of loan defaults and is less able to provide credit. Similarly, if the financial position of the public sector deteriorates (for example, as a result of higher government debt and lower tax revenue), the ability of the public sector to support the rest of the economy is weakened.

The sharp decline in civic engagement has a substantial impact on the pace of economic expansion. As the island with the highest population in Indonesia, Java is particularly affected by this ailment. Banten, the Special Capital Region of Jakarta, West Java, Central Java, East Java, and the Special Region of Yogyakarta are the six provinces that make up Java Island. During the COVID-19 pandemic, most cities on the island of Java implemented PSBB policies, both on a local and regional basis. These provinces on the island of Java play a significant role in sustaining Indonesia's economic development rate.

Java's economic growth shrank by -2.51%, Kalimantan's shrank by -2.27%, Sumatra's shrank by -1.19%, and Bali's shrank by -5.01%, the worst of all the islands. While the COVID-19 pandemic was going on, BPS also stated that there were 2 (two) islands that saw positive economic growth, specifically Sulawesi Island at 0.23% and Maluku and Papua Island at 1.44%. Due to an increase in nickel production, Sulawesi Island could see positive growth during this pandemic, while a spike in copper output could help Papua Island maintain its good growth.

Java Island must have a strategy for economic policy as it is the main driver of the rate of national economic growth, but it must also prioritize the health of the community. Given this context, the goal of this study is to determine how the COVID-19 epidemic has affected Java Island's economic development.

## II. RESEARCH METHODS

The purpose of this study is to ascertain how Java's economic growth has been impacted by the COVID-19 pandemic. This study adopts a qualitative descriptive methodology, and the analysis is done through a review of the literature that includes both the findings of earlier research and government policy references connected to economic growth during the COVID-19 epidemic. Secondary data from the BPS, National Development Planning Agency (Bappenas), IMF, Bank Indonesia, Ministry of Health, and results of related studies serve as the research's data sources.

### III. DISCUSSION RESULTS

The government has adopted a number of rules to stop the COVID-19 virus from spreading in our nation ever since the WHO declared the COVID-19 outbreak a worldwide pandemic. There are still advantages and disadvantages to the government's programs, but the most important aspects of public health must take precedence. As a result, a number of economic sectors weakened or even declined. This has had multiple implications on many other facets of life. Based on information from covid19.go.id, the following information is available for each province on Java Island on the victims of COVID-19:

**Table 1.** Data on Covid-19 Victims Per Province on the Island of Java (April 2021)

No	Province	Positive	Recover	Died
1	Banten	47.451	44.278	1.212
2	DKI Jakarta	410.400	397.039	6.704
3	West Java	282.631	248.276	3.758
4	Central Java	184.620	166.032	8.245
5	East Java	148.183	135.284	10.708
6	DI Yogyakarta	39.824	35.045	965

According to the information in table 1, DKI Jakarta Province has the highest number of COVID-19 victims on the island of Java and in Indonesia, with West Java Province having the second-highest number of victims. However, the East Java Province has the greatest fatality rate, accounting for 7.2% of all COVID-19 victims in the province, while Central Java Province comes in second place, accounting for 4.5% of all COVID-19 victims in Indonesia.

It was inevitable that Indonesia's economic growth would endure a severe contraction of minus 5.32% in the second quarter of 2020 after it started to slow down in the first. Several measures to save the economy were promptly announced, but the health sector was still given priority. These programs include Social Assistance for impacted communities, PSBB at the local or regional level, and sectoral optimization of government spending.

As the main driver of Indonesia's 58.75% national economic growth rate, the island of Java experienced significant economic disruption as a result of this pandemic. The economic growth rates of the Javan provinces are shown in the table below.

**Table 2.** The Provincial Economic Growth Rate in Java Island in 2020

No	Provinsi	Tw I	Tw II	Tw III	Tw IV	Tahun2020	Tahun2019
1	Banten	3,09	-7,4	-5,77	-3,92	-3,38	5,53
2	DKI Jakarta	5,04	-8,33	-3,89	-2,14	-2,36	5,89
3	West Java	2,77	-5,91	-4,01	-2,39	-2,44	5,07
4	East Java	2,65	-5,91	-3,79	-3,34	-2,65	5,41
5	Central Java	2,92	-5,98	-3,61	-2,64	-2,39	5,52
6	DI Yogyakarta	-0,31	-6,88	-2,98	-0,68	-2,69	6,60
	NATIONAL	2,97	-5,32	-3,49	-2,19	-2,07	5,02

According to the table above, starting in the second quarter of 2020, each province on the island of Java was extensively affected by the COVID-19 pandemic, with DKI Jakarta Province being the hardest hit. This is the result of the PSBB's implementation in the Jabodetabekjur region. In second place is Banten Province, which is also undergoing significant contraction due to the implementation of the PSBB and the closure of many companies. Despite numerous government initiatives, the pandemic's economic conditions have not improved despite these attempts. The province on the island of Java that is still largely contracting at the end of 2020 is Banten Province. This is due to the manufacturing sector's importance in sustaining Banten Province's economic growth rate, which has not been able to function at its best due to the epidemic. The Province of the Special Region of Yogyakarta is the most volatile, according to the data in the table above. It shrank by minus 0.17 in the first quarter and further shrank by minus 6.74% in the second. It did,

however, gradually keep growing in the third quarter (minus 2.84%) and the fourth quarter (minus 0.68%). When compared to other Javan provinces, this is excellent.

Table 2 shows that, in contrast to the rate of economic growth prior to the Covid-19 pandemic, when all GRDP sectors, including both consumption and production, experienced fairly strong growth so that the Indonesian economy could still grow above 5%, the start of the pandemic in 2020 caused our LPE, particularly the provinces on the island of Java, to contract quite significantly and caused all economic activities to slow down. According to BPS data for 2020, each province in Java contributed differently to economic growth:

- a. DKI Jakarta Province contributed the most, 29.90%, coming in first;
- b. East Java Province, at 24.80%;
- c. West Java Province, at 22.52%;
- d. Central Java Province, at 14.54%;
- e. Banten Province, at 6.76 %;
- f. DI Yogyakarta Province, at 1.49%.

When the Covid-19 epidemic strikes, not every industry experiences recession; others, like the information and communication industries, agriculture, forestry, and fisheries, are still growing. The agricultural, forestry, and fishing sectors are the largest, most labor-intensive industries that may boost the welfare of people living in rural areas, thus the national government and regional governments must expand this sector since it is resilient to the shocks of the Covid-19 epidemic. In keeping with national aims to ensure food security in the face of the COVID-19 pandemic, it may be possible to give the agriculture, fishery, and forestry sectors higher priority.

In addition, the business sector needs to adapt to the new order of things brought about by the COVID-19 pandemic. In the MSME sector, there will be businesses that continue to operate and those that expand. However, in the future, incentives must be improved so that there is a supply chain with big enterprises and MSMEs can move up in the post-COVID-19 era. MSMEs can more easily and quickly change their businesses to market demands because of their small companies. Due to alterations in behavior and organizational work paradigms, the corporate sector must reevaluate its operations because it is no longer able to grow as it did before to Covid-19.

## CONCLUSION

The COVID-19 epidemic has had a significant impact on many spheres of life, particularly the economic sphere. Indonesia is also going through a recession, which is not just happening to the rest of the world. The pandemic has had a significant impact on Indonesia's largest economic contributor, the island of Java. Numerous economic sectors in Java slowed down or perhaps significantly shrank. Banten Province is the province on the island of Java with the deepest contraction and the Special Region of Yogyakarta Province is the province that recovers the fastest during the post-pandemic economic recovery period. However, despite the slowdown and even minus in several other economic sectors, there were positive impacts, such as the information and communication sector, agriculture, forestry and fisheries.

Because Java is the island that contributes the most to the national economy, any effort to hasten Indonesia's economic recovery during the pandemic period must begin there. It can boost investors' enthusiasm through the processing industry's revitalization policy. Additionally, it can be done by implementing a policy that makes it easier for Small and Micro Medium Enterprises (MSMEs) to obtain finance. This is possible since, in the event of a pandemic, MSMEs are thought to have better possibilities than other economic sectors. As an alternative to development innovation, there is also the policy of maximizing the utilization of local money. This is due to the fact that residents of urban areas impacted by the pandemic in the capital return to the hamlet. The effective use of community money is necessary for the village economy to grow, including for

labor-intensive projects, creating novel ideas for village-owned businesses (BUMDes), or maximizing the town's potential for tourism development.

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