



# Post Pandemic in Indonesia: Economic Development Challenges and Policy Recommendations for Indonesia

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## ABSTRACT

This study aims to analyze the challenges and policy recommendations in post-Covid-19 pandemic economic development in Indonesia. The Online Research Method approach collects relevant data from Internet sources with relevant keywords. These data were analyzed using the Nvivo 12 Plus tool with a case classification and thematic analysis unit. The research results identified several key challenges, including a decline in economic activity, increased unemployment, and global economic uncertainty. Other challenges include the need for health sector resilience, changes in consumption patterns, recovery of the tourism sector, and digital transformation. Economic diversification, prudent management of fiscal and monetary policies, and control of social inequality are also essential factors in economic recovery. Based on these findings, policy recommendations are directed towards sustainable economic recovery by focusing on potential sectors such as technology and renewable energy. Investments in health infrastructure, digital transformation and job market development are essential to supporting an inclusive economic recovery. This research guides stakeholders in formulating strategic steps to rebuild Indonesia's economy strong and sustainable after the Covid-19 pandemic.

**Keywords:** *Economic development, post-pandemic, economic policy, economic diversification*

## 1. INTRODUCTION

The Covid-19 pandemic has shaken the foundations of the global economy [1,2], pushing countries worldwide to formulate solid strategies for post-crisis recovery and development [3,5]. Many countries have adopted various interrelated approaches to generate economic growth. Economic stimulus packages are one of the main approaches by providing financial support to affected individuals, households and businesses, aiming to trigger crucial consumer spending and business investment [6]. In addition, other governments have also focused on investment in infrastructure, such as road projects, bridges, airports, and the development of internet networks [7,8]. As well as creating new jobs, it also boosts overall economic productivity and competitiveness.

In addition, digital transformation is becoming an important theme, accelerated by this pandemic, with investments made by both the government and the private sector [9,10]. This approach not only increases efficiency in various industries but also creates new opportunities in

online education [11], remote healthcare [12,13], digital governance [14,15], and e-commerce business growth [11,16]. In facing the risk of economic fluctuations, diversification of economic sectors is also a significant concern. Countries seek to develop diversity in their economic structures to reduce their vulnerability to future crises [17].

While this pandemic crosses national boundaries, international cooperation is becoming increasingly important. The exchange of information, technology and resources between countries is critical to global recovery [18,19]. Collaboration is the foundation for rebuilding a stable economy, from vaccine distribution to joint efforts to tackle global health crises and revive international trade. Not only that, investment in health resilience and medical research is also a priority in ensuring a solid foundation for sustainable economic growth [20].

In addition, education and training emerged as essential instruments in preparing the workforce for economic changes. This will create opportunities for people to adapt and generate higher-quality employment [21,22].

While continuing social support for those who are economically affected will help individuals and families recover from the impact of the pandemic [23,24]. Awareness of the importance of environmental sustainability is also increasing, encouraging countries to include environmental considerations in their economic development plans [25,26].

However, it is essential to remember that each country has a unique context and priorities. In Indonesia, the pandemic has significantly impacted economic development and government policies [27]. The Indonesian government implemented various approaches to overcome the pandemic, including Large-Scale Social Restrictions (PSBB) [28]. This policy aims to prevent the spread of the virus and reduce the socio-economic impact. However, the implementation of the PSBB has become a hindrance to economic development, leading to a recession. Despite the challenges, the government has also introduced measures to support society, such as banking policies, wage subsidies, and assistance for micro, small, and medium enterprises [29,30].

Economic development after the Covid-19 pandemic is a big challenge for many countries worldwide, including Indonesia. This pandemic has had a broad and profound impact on the financial sector, ranging from disruptions to global supply chains, decreased business activity, and massive unemployment to pressure on the health system and changes in people's consumption patterns. Therefore, post-pandemic economic recovery and development require a careful and diverse approach.

During the COVID-19 pandemic, Indonesia took several strategic steps to recover the national economy. One of the significant actions is encouraging work from home (WFH) and limiting social activities to control the spread of the virus. WFH allows various sectors to continue operating in relative safety, reducing the risk of virus transmission in the workplace. However, this has also affected sectors related to physical offices, such as commercial property and urban transportation, which have seen a decline in activity. The social restrictions have also significantly impacted the tourism, entertainment and retail sectors, which rely on physical gatherings and social activities. Therefore, this policy multiplies the economy, reducing the risk of spreading the virus but also unsettling specific sectors.

On the other hand, increasing the health budget is a crucial step in dealing with a pandemic. This will enable increased healthcare capacity, purchase of medical equipment, and increased testing and tracing of COVID-19 cases. This investment is crucial for maintaining public health and reducing the impact of the pandemic on the health sector, especially initiating the idea of a national vaccination policy. In addition, micro and small economic recovery is also the main focus of recovery

policy. MSMEs are one of the backbones of the Indonesian economy, and exceptional support for this sector helps maintain economic stability and preserve employment. Although some industries experienced pressure during social distancing, these steps indicate the Indonesian government's commitment to protecting public health and supporting long-term economic growth by strengthening health infrastructure and the MSME sector.

Even though many studies have discussed the impact of the Covid-19 pandemic on the economic sector, very few studies examine this aspect in the post-pandemic context, especially in Indonesia. This study aims to fill this research gap by detailing the unique challenges faced by Indonesia's economic sector after the pandemic, as well as providing essential policy recommendations to address this situation post-pandemic. The findings of this research will give concrete and relevant guidelines for the government, business actors and other stakeholders in dealing with changes in the new and complex economic environment.

## 2. METHODOLOGY

The research method adopted is the Online Research Method, which involves observing and collecting relevant data sources on the internet with the keywords "Economic development" and "Post-Covid-19 Pandemic". The collected data is then filtered based on relevance and entered into the selected analysis tool, Nvivo 12 Plus. In the analysis phase, the case classification and thematic approaches are used as the unit of analysis to understand the main patterns, trends and themes emerging from the data. Through this analytical tool, this study aims to dig in-depth information about how the concept of economic development can be understood in the post-Covid-19 pandemic context, focusing on changes and challenges faced.

## 3. RESULT AND DISCUSSION

In the context of the Covid-19 pandemic, the economic development challenges and relevant policy recommendations for Indonesia are of crucial concern. This section aims to discuss various obstacles faced in post-pandemic economic development and formulate appropriate policy recommendations to deal with these dynamics.

### 3.1. *Post Covid-19 in Indonesia: Challenges to economic development*

The pandemic has caused a significant decline in economic activity, which includes production halts, reduced investment, and decreased consumer spending.

This impact has had a direct effect on the financial health of the country. Adequate economic recovery will require intensive efforts and close coordination between the government, the private sector and related institutions. An increase in the unemployment rate is also a critical challenge. Based on data from the Indonesian Central Bureau of Statistics, it is stated that as many as 740,000 people were fired and became unemployed in the 2020-2021 period [31]. With the shutdown of various business and industrial sectors, many individuals have lost their jobs, which has the potential to spread to broader economic and social impacts. Creating new jobs and revitalizing affected sectors will be essential steps in recovering the economy.

Furthermore, the challenge of global economic uncertainty complicates the situation. The pandemic has disrupted international supply chains and destabilized global trade. For Indonesia, as a country that depends on exports and imports, global economic fluctuations can directly affect the domestic economy. There are concrete examples that can show how these fluctuations can directly impact Indonesia's domestic economy—first, seen from commodity prices. Indonesia is one of the leading exporters of commodities such as palm oil, rubber and coal. Global market fluctuations heavily influence the costs of these commodities. For example, if the price of palm oil or coal falls sharply on the worldwide market due to changes in demand or foreign policy, Indonesia's export earnings will drop significantly. This directly impacts state revenues and domestic producers and farmers of these commodities.

Second, Indonesia also exports manufactured products such as motor vehicles, textiles and shoes. Changes in global demand for these products can affect domestic production and employment. For example, if demand for motor vehicles declines worldwide, the Indonesian automotive industry could face reduced production and job cuts.

In addition, the role of foreign exchange is vital in the Indonesian economy. Indonesia also depends on foreign exchange earnings from exports. Fluctuations in foreign exchange rates, such as a sharp rupiah depreciation against the US dollar, can increase import costs. This affects the price of imported goods and domestic inflation, reducing people's purchasing power. Foreign Direct Investment (FDI) is also a severe aspect. Indonesia relies on FDI to drive economic growth. However, global financial instability may make foreign investors hesitate, so they may delay or reduce their investment in Indonesia. This can hinder economic growth and job creation in the country.

Finally, the dynamics of international trade have a significant impact. Changes in international trade, especially in the context of foreign trade policies or trade

wars involving major trading partners, can significantly affect Indonesia's exports and imports. For example, an increase in import tariffs imposed by major trading partners could hinder exports of Indonesian products. In facing these challenges, Indonesia must remain alert to changes in the global economy and continue to develop strategies to overcome these fluctuations' impact. In addition, health sector resilience remains a crucial issue. Despite entering the post-pandemic phase, health threats are still relevant, and preparedness for possible new hazards or waves of infection will be vital in maintaining economic stability and growth.

In addition, changes in consumption patterns and digital technology adoption are also significant challenges. Changing consumption patterns and the shift to online purchases require adaptation by the business sector to meet new consumer demands. Increasing the use of digital technology, such as in e-commerce and long-distance services, directs efforts to overcome technological barriers, digital literacy, and data protection.

In facing the challenges of economic diversification, the government must plan strategies that reduce dependency on specific sectors and develop a more diversified financial portfolio. However, these efforts must be balanced with prudent public debt management, given that economic stimulus measures during the pandemic have increased the debt burden. Finally, it is essential to reduce social inequality and ensure that economic recovery covers all levels of society. In facing all these challenges, close cooperation between government, private sector and civil society will be vital in overcoming the impact of the pandemic and building back a resilient and sustainable economy.

The pandemic has resulted in a significant economic downturn in Indonesia, with production halted, reduced investment and consumer spending. This impact has led to an increase in the unemployment rate, which creates the risk of a broader economic and social impact. Adequate economic recovery will require collaborative efforts between the government, private sector and relevant institutions, with measures such as creating new jobs, revitalizing affected sectors, managing global economic uncertainty, and increasing the resilience of the health sector. In addition, changes in consumption patterns and digital technology that are increasingly developing must be overcome by intelligent business adaptation. In facing all these challenges, close cooperation will be the key to rebuilding Indonesia's resilient and inclusive economy.

### 3.2. Post Covid-19 in Indonesia: Policy recommendations

After the Covid-19 pandemic, Indonesia faced various significant challenges in rebuilding and developing its economic sector. The pandemic has disrupted economic activity broadly, including changes in consumption patterns, decreased investment, and halted several industrial sectors. In this context, economic development challenges become more complex and require adaptive strategies to achieve sustainable recovery. This introduction will discuss the main challenges faced by Indonesia in dealing with the post-Covid-19 period, focusing on the following key points:

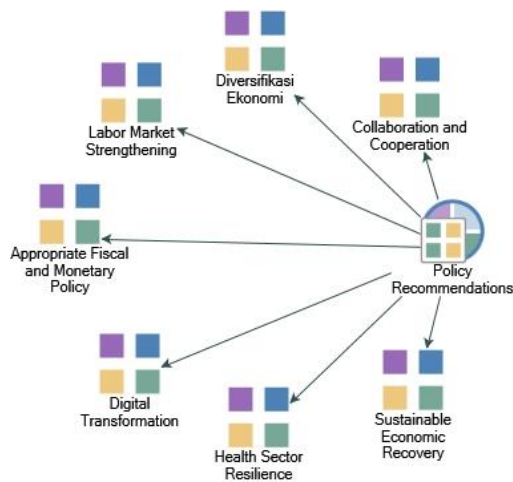


Figure 1. Recommended policies

The process of post-Covid-19 economic recovery in Indonesia requires a sustainable approach, focusing on inclusive growth and reducing inequality. Identifying sectors with high growth potential is essential in designing an effective recovery strategy. For example, the technology and renewable energy sectors have the potential to deliver significant economic growth while reducing environmental impact.

In addition, the pandemic has demonstrated the need for resilience in the health sector. Investments in health infrastructure, such as building hospital facilities and increasing access to quality health services, can help create a stronger foundation against future health threats. Singapore, for example, has succeeded in developing a resilient and responsive healthcare system through long-term investments.

Digital transformation is also an essential element in economic recovery. The approach taken by several countries, such as South Korea, in utilizing digital technology to strengthen the education sector by providing quality online content and developing a startup

ecosystem through supportive policies can serve as inspiration. In addition, it should be noted that the development of adequate digital infrastructure must also follow digital transformation to ensure equitable access to technology.

Appropriate fiscal and monetary policies are crucial in dealing with the pandemic's economic impact. Singapore has successfully implemented flexible and targeted budgetary policies, such as providing direct financial assistance to affected residents. In addition, maintaining economic stability through prudent and progressive monetary policy will support long-term recovery efforts.

On the labour market side, challenges of unemployment and changing labour dynamics require countries to adopt an adaptive approach. Increased investment in education and training, as carried out by Germany with the dual education program, can help create a qualified workforce ready to face the changing demands of the labour market.

Finally, economic diversification is essential in reducing financial risk. For example, Norway has diversified its economy by developing the energy sector and sustainable nature tourism. Such a strategy can help reduce dependence on specific industries and increase the economy's resilience.

A sustainable economic recovery after the Covid-19 pandemic in Indonesia requires holistic and integrated steps. By prioritizing inclusive growth, strengthening the health sector, driving digital transformation, adopting prudent fiscal and monetary policies, strengthening the labour market, and implementing economic diversification, Indonesia can rebuild its economy to be more resilient and sustainable amidst changing global dynamics.

## 4. CONCLUSION

The findings of this study have identified several key challenges, including a decline in economic activity, an increase in unemployment, global economic uncertainty, and the need for resilience in the health sector. Changes in consumption patterns, recovery in the tourism sector, digital transformation, economic diversification, managing fiscal and monetary policies, and controlling social inequality are crucial aspects of post-pandemic economic recovery. These findings highlight the complexity of the challenges that need to be faced to rebuild strong economic foundations after the Covid-19 pandemic in Indonesia.

The policy recommendations from this research are reflected in a straightforward approach to sustainable economic recovery. The focus on potential sectors such as technology and renewable energy is directed to stimulate economic growth effectively. Investments in

health infrastructure and increasing access to quality services will provide critical support for the resilience of the health sector while protecting the public from potential future health threats. Digital transformation was identified as a powerful vehicle for spurring growth through online education, e-commerce and startup ecosystems.

Meanwhile, careful management of fiscal and monetary policies, investment in workforce development, and an approach to economic diversification will provide a solid foundation for a resilient and sustainable economic recovery. These findings provide an in-depth understanding of the complexity of the challenges in building a post-Covid-19 economy in Indonesia. The resulting policy recommendations also offer vital guidance for stakeholders in designing strategic steps to achieve an inclusive economic recovery in line with the dynamics of unforeseen global changes.

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