

## Fiscal Policy and Monetary Policy in Overcoming Poverty in Indonesia

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### *Abstract (English)*

This study aims to analyze the role of fiscal policy and monetary policy in overcoming poverty in Indonesia as one of the government's efforts to address economic problems. The type of research method used is a qualitative descriptive research method by preparing, collecting, and analyzing data. The collected data is then processed through three stages, namely data reduction, data presentation, and conclusion withdrawal. The results of this study show that poverty is a problem faced by all countries, especially in developing and lagging countries. The problem of poverty is multidimensional caused by many factors that are not only the domain of economics but also political, social, cultural, and other social systems. Fiscal policy and monetary policy greatly helped to lower the poverty rate in Indonesia. With fiscal policy and monetary policy, it can help the government solve one of the problems of the Indonesian economy. Although it did not completely resolve, it was able to reduce the poverty rate in Indonesia to remain on the normal line so that it did not affect economic growth and development in Indonesia.

**Keywords; Fiscal Policy, Monetary Policy, Poverty Effectiveness, Masyayikh Council, Deradicalization, Religion, Islamic Boarding Schools**



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## INTRODUCTION

Indonesia is an archipelagic country that has a lot of natural resources in it. If this wealth is used as well as possible, it will certainly lead this country to something better. However, Indonesia is still a developing country and has a number of problems and rumors related to social, cultural and economic issues that need to be considered more deeply. These problems include poverty. The difficulty of dealing with poverty is seen from the level of the number of poor people or the extent of an area experiencing inequality. So the higher the poverty rate, the higher the difficulty in overcoming it. Poverty itself is the main factor that hinders the process of economic development. In essence, economic development aims at the welfare of society by improving the distribution of people's income and economic growth in a country (Nasution et al., 2021). The government's task in managing the economy is to create and maintain economic stability. A stable economy can be realized by policy making by the government.

Economic policy is a form of policy or decision carried out by the government related to economic activities in overcoming economic problems, including determining the tax system, interest rates, budget orders and so on. There are two types of economic policy, including monetary policy and fiscal policy. Monetary policy in general is a policy to achieve macroeconomic stability, such as

price stability, economic growth and the availability of employment opportunities. Apart from monetary policy, there is fiscal policy which is also useful in maintaining Indonesia's economic stability. The difference is, fiscal policy is a decision that focuses on state income and expenditure. The implementation of fiscal policy can be seen through tax management and the APBN. Fiscal policy is government policy in the field of state budget and expenditure which aims to influence the course of the economy. Fiscal policy is not just tax policy, but concerns how to manage state income and expenditure to influence the economy. Fiscal policy in collaboration with monetary policy has the aim of accelerating economic growth with full employment opportunities and also stability in commodity prices (Opriyanti, 2017).

In the current era of globalization, the economies of other countries can influence the domestic economy, so that the policies set by the government, whether through fiscal policy or monetary policy, will also be influenced by external factors. By implementing fiscal policy and monetary policy in Indonesia, it is hoped that it can reduce poverty levels. Efforts that the government can take include setting taxes in accordance with income, unemployment insurance, social security, reducing interest rates in banking. The effect of reducing interest rates can encourage people's access to banking, so that the economy can grow well and have an impact on increasing people's welfare and poverty.

Based on the information that has been presented, researchers are interested in finding out and exploring further the role of fiscal policy and monetary policy in overcoming poverty in Indonesia. From the background of the problems above, the problem that is the main topic of this research discussion can be formulated, among others, what is the real form of fiscal policy and monetary policy, how long will it take to achieve the target, who are the targets and the parties involved, what are the facilities and infrastructure? what is needed to implement the policy, how successful the policy can achieve the target.

## **METHOD**

The type of research carried out is descriptive research using a qualitative approach. By using a library studies design sourced from websites, books, journals, articles and magazines by searching the literature and then reviewing the role of fiscal policy and monetary policy in overcoming poverty in Indonesia. So that later it will easily help the author in providing the information needed. The object of this research is poverty in Indonesia. Meanwhile, the subject of this research is the government's fiscal policy and monetary policy.

## **RESULTS AND DISCUSSION**

### **Results**

Economic recovery has a positive impact on improving people's welfare. This is reflected in Indonesia's poverty rate as of March 2022 which has decreased again to 9.54%, from 9.71% in September 2021 (March 2021: 10.14%). This shows the quality of economic growth in the first quarter of 2022. The poverty rate continues to trend downward amidst pressure on global commodity prices, particularly food and energy prices, which have an impact on domestic prices and people's purchasing power. "This is a positive thing, indicating that it is effective and needs to continue the function of the APBN as a shock absorber," explained the Head of the Fiscal Policy Agency of the Ministry of Finance, Febrio Kacaribu.

The poverty rate is decreasing even though Indonesia's poverty line threshold is increasing as various economic risks increase. The poverty line threshold in March 2022 increased by 4.0% to IDR 505,469 from IDR 486,168 in September 2021. Even though the poverty line has increased, Indonesia's poverty rate can still be reduced. A World Bank study (June 2022) states that the increase in domestic commodity prices, triggered by movements in global commodity prices, is estimated to increase the poverty rate by 0.2 percentage points. "The PC-PEN program implemented by the Government, one of which targets the welfare of the population, plays a role in maintaining people's purchasing power and supporting improvements in poverty level indicators, in addition to programs directly enjoyed by the community such as subsidies, social assistance and stabilizing inflation. "Apart from that, continued strengthening of economic recovery has also contributed to improvements in poverty levels," continued Febrio.

Improvements in poverty levels in March 2022 occurred evenly across all islands in Indonesia as well as at the rural and urban levels. Spatially, the poverty rate in urban areas decreased to 7.50% (September 2021: 7.60%; March 2021: 7.89%). Meanwhile, the number of poor people in rural areas has decreased to 12.29% (September 2021: 12.53%; March 2021: 13.10%). The agricultural sector, which absorbs more workers and higher rice production at the beginning of 2022 compared to 2021, also supports the improvement in income conditions in rural areas (Ministry of Finance, 2022).

**Table 1.**Data on the Poor Population from Year to Year in Indonesia

<b>Year</b>	<b>Percent</b>
2018	9.82 %
2019	9.41 %
2020	9.78 %
2021	10.14 %
2022	9.54 %

*Source: Adapted from the Ministry of Finance*

## **Discussion**

### **a. Real Forms of Fiscal Policy and Monetary Policy**

Indonesia's growth from generation to generation can be seen from various different points of view. If you look at it from an infrastructure perspective, development is certainly much different along with developments in time and technology. However, poverty is still a worrying problem for Indonesia. According to Kuncoro in Ismail et al (2018) that the occurrence of poverty is caused by three things, namely: unequal patterns of resource ownership which give rise to unequal income distribution, differences in the quality of human resources, low productivity, low wages, as well as differences in access and capital shows the low quality of human resources (HR). Where, these three causes of poverty lead to the theory of the vicious circle of poverty. Policies implemented by the government to overcome poverty include:

#### 1) Education Budget

To reduce the poverty rate in Indonesia, quality human resources are needed to advance the Indonesian economy and compete with foreign countries at the international level. The government has issued an education budget in the hope of reducing the risk of illiteracy among the lower middle class and increasing human resources in Indonesia.

#### 2) Health Care Reform

Health is a priority for improving human resources. Since 2016 the government has allocated 5% of the APBN for the health budget in accordance with law number 36 of 2009 concerning health. The health budget for the 2016-2019 period grew an average of 7.0%. In 2020, the temporary realization of the health budget grew significantly by 70.60 percent to Rp. 193.8 trillion.

#### 3) Social Protection Program

The social protection (social protection) program has contributed to reducing the poverty rate to single digits since 2018 and maintaining the quality of Indonesia's human resources. The Covid-19 pandemic, which started in March 2020, hit almost all economic sectors, increasing the poverty rate again to double digits. In crisis situations, the social security program is present to provide a cushion to affected households and individuals so that they do not fall into poverty or fall deeper into poverty.

#### 4) Social Assistance for the Elderly

Indonesia is experiencing a demographic transition which is reflected in the decline in the child population, the increase in the working age until 2050, and the growth of the elderly population. Data on poverty levels based on age groups in 2019 shows that the elderly population group tends to have a higher poverty rate than the productive age population group.

5) Social Assistance for Persons with Disabilities

The government needs to help people with disabilities who need money. The condition of people with disabilities greatly affects the level of welfare because people with disabilities have to pay more due to their condition. By reducing the disability rate, it is hoped that the poverty rate in Indonesia can be reduced. Therefore, the government provides financial assistance for people with disabilities who require more costs.

6) Controlling Inflation

The government helps monitor the pace of inflation in Indonesia. Inflation is expected to reach a stable level that is neither too low nor too high. By continuing to reflect a healthy economy by maintaining people's purchasing power, increasing consumption levels (Ministry of Finance, 2022).

**b. Time Required To Achieve Target**

The government has made the education budget mandatory at 20 percent of the APBN since 2009. This effort was made considering that increasing human resources can help economic development and reduce poverty. The government has been making this effort for approximately 12 years. This government budget distribution program is sustainable with targets for Indonesia's future.

Health is also an object of concern for the government. As with education, good health will produce quality human resources. Since 2016 the government has allocated 5 percent of the APBN for the health budget. The government has implemented this policy for approximately 7 years.

The social protection program has contributed to helping reduce poverty since 2018. As well as maintaining the quality of human resources by implementing policies in the form of protection. In implementing this policy the government has carried out approximately 5 years. Perlinsos also helped the Indonesian economy during the Covid-19 pandemic.

Social assistance to the elderly population will be provided in 2021. Because in 2019 the poverty of the elderly population increased. By providing social assistance to the elderly, it is hoped that poverty and social inequality can be reduced. Apart from social assistance for the elderly, the government also provides social assistance for disabilities. Based on 2019 BPS data, half of people with moderate/severe disabilities are in vulnerable or poor community groups. So that in 2021 the government will provide social assistance to people with disabilities who need it.

Controlling inflation is also important to overcome poverty in Indonesia. Inflation must be balanced, neither too high nor too low. The government always monitors inflation every year so that the inflation rate remains moderate (Ministry of Finance, 2022).

**c. Targets and Parties Involved**

Bank Indonesia and the Indonesian government have access to regulate policies given to the public. The party that has the authority to make fiscal policy in Indonesia is the Indonesian Ministry of Finance together with the President. And Bank Indonesia as the central bank and the Indonesian government have access to regulate monetary policy. Meanwhile, the community does not have the right to determine policies. Because, the community is the party who accepts the policy. The main target in this policy is people with a low or disadvantaged economy.

**d. Facilities and Infrastructure Required to Implement the Policy**

In implementing policies, the most important facilities and infrastructure are in the form of funding, access to services, access to the provision of policy services from the government. Because the policy provided is to overcome poverty in Indonesia. And most importantly, the government can ensure that these policies can be conveyed to the right people.

**e. How Successfully Policies Can Achieve Targets**

The government's target in overcoming poverty is of course that people in Indonesia are truly able to lift people out of the trap of poverty. However, it cannot be denied that until now the policies implemented by the government have not been able to resolve poverty in Indonesia. However, implementing fiscal and monetary policies simultaneously can reduce the poverty rate in Indonesia to be lower than before. This is reflected in Indonesia's poverty rate as of March 2022 which has decreased again to 9.54%, from 9.71% in September 2021 (March 2021: 10.14%). This shows the quality of economic growth in the first quarter of 2022. The poverty rate continues to trend downward amidst pressure on global commodity prices, particularly food and energy prices, which have an impact on domestic prices and people's purchasing power. This is a positive thing, indicating that it is effective and needs to continue the function of the APBN as a shock absorber (Ministry of Finance, 2022).

**CLOSING**

Based on the discussion above, of course there are many phenomena and issues related to government policies in Indonesia. Where in concept the government has planned, analyzed, developed and implemented policies and programs aimed at increasing growth and alleviating poverty. The real forms of policies provided by the government include the education budget, health service reform, social protection programs, social assistance for the elderly, social assistance for people with disabilities. The time spent by the government in implementing policies related to the education budget is approximately 12 years, for health service reform the government has carried out approximately 7 years, for the social security program approximately 5 years. For elderly social

assistance it has been around since 2021, to control inflation the government has implemented continuous monitoring. The targets and parties involved in implementing the policy are the government, Indonesian banks and economically disadvantaged communities. The facilities and infrastructure needed to implement policies are funding, access to services in implementing policies, the success of the policies implemented by the government is proven by Indonesia's poverty rate as of March 2022 which has decreased again to 9.54%, from 9.71% in September 2021 ( March 2021: 10.14%).

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