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# **Recall the Impact of the Covid – 19 Virus in Indonesia: Regional Perspective**

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## **Authors' contributions**

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

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## **ABSTRACT**

The Covid-19 virus has brought about fundamental changes to economic activity both on a macro and micro scale. The COVID-19 virus is a global epidemic that affects global, national, and regional economic stability. This article is a type of opinion article, the purpose of this study is to describe and review the state of the Indonesian economy on a regional scale at the time of the Covid-19 outbreak in Indonesia. Research objects include; Malang City, Malang Regency, and Batu City, East Java Province. This type of research is exploratory and data analysis method using descriptive analysis. The sampling method was carried out using a simple random sampling method for groups of farmers, Micro, Small, and Medium Enterprises, informal workers, and the household sector. The types of data used are primary data and secondary data. The results of the study show that each area analyzed tends to have the same results in several indicators, some economic indicators tend to decline during a pandemic, ranging from regional income, and people's purchasing power to the average community rice consumption. The weakening of economic activity at the regional level in Indonesia, began to recover in the year after the "New Normal" regulation, the economy of each region began to improve and people's purchasing power slowly strengthened.

**Keywords:** *Covid-19; regional economic.*

## 1. INTRODUCTION

The Covid-19 (C-19) virus has put deep pressure on the Indonesian economy. Data compiled by the World Health Organization states that as of January 1, 2021, the number of C-19 cases in Indonesia reached 743,198 and the death rate was 22,138 people (www.who.int). The impact of the C-19 virus has penetrated people's lives in Indonesia. The C-19 virus caused economic instability from both the demand and supply sides. The C-19 virus can hit low-income groups of workers to the point of causing income inequality [1]. Loayza and Pennings (2020) justify that the impact of C-19 can lead to human costs and economic costs in development in developing countries.

The International Monetary Fund (IMF) in its report predicts that economic growth in 2020 will decrease by 3 percent as a result of the virus pandemic [2]. Even when the C-19 virus hits poor groups of people, it can have consequences for social unrest and even revolution (Kluth, 2020). According to Baldwin and Weder in Mauro [3], many countries experienced economic shocks as a result of the C-19 that occurred. For Indonesia, the impact of C-19 is felt real in economic life, such as; unemployment increases, MSME business activities being disrupted, working hours/business hours being reduced, and difficulties in meeting the necessities of life.

The government and monetary authorities are trying to implement various policies to move the economy through an expansionary mix of fiscal policy and monetary policy. The form of this policy is a cash social assistance program for affected communities in various activities, for example; groups of formal workers, MSME actors, informal workers, farmers, and the unemployed / victims of layoffs. In addition, there are also policies from the monetary authority in the form of leniency in interest payments, reduction of Statutory Reserves, relaxation of credit quality assessment and credit restructuring in the banking industry, Loan Value policy on minimum down credit payments, and digitization of payment transactions.

According to Brunnermeier et al. [4], it is necessary to pay attention to institutional issues that criticize how durable and efficient the central bank's regulation of money economy is. In the period of the impact of COVID-19 from 2020 to 2022, various efforts made by stakeholders have shown economic progress from time to time. This period starts from the crisis condition, health, and economic sustainability phase in the national

economy. The stretching of the economy can be felt in economic activities in various cities and districts in East Java. This is indicated by the already active activities in the education, social and economic sectors.

Several areas such as Malang City, Malang Regency, and Batu City have shown a phase of revival from the previous recession caused by the COVID-19 pandemic. The city of Malang, which is well-known as an education city, has felt a significant impact due to the restructuring of the learning system, which requires students to study from home so that initially many economic activities were dominated by students from outside the city and within the city. This certainly has an impact on several business sectors, such as MSMEs, tourism to house rental services.

Not only Malang City but also Malang Regency and Batu City. The two regions were also affected by the COVID-19 virus pandemic, especially in the tourism sector. The existence of mobility restrictions, in the end, has an impact on the number of tourist visits at several tourist sites, so this can affect the economic structure and consumption power of the people around the tourist sites. Gradually the performance of the economy as measured by the price level, income level, and employment opportunities began to show a positive trend. The stretch of regional economic development is parallel to efforts to vaccinate against COVID-19, limit social activities, and implement health protocols in people's lives.

## 2. LITERATURE REVIEW

According to the classical economist Harrod Domar, the accumulation of savings is an important factor in driving investment and growth economy, so there is a basic equation of economic balance where  $S$  (Saving) =  $I$  (Investment). The level of savings can be obtained from the capacity to raise funds from the public through the Bank's financial institutions. Furthermore, Irving Fisher with Quantity Theory of Money [5] states that the speed of money circulation will be influenced by the price level, the number of transactions, and the money supply. Financial transactions conducted through banks can accelerate the process of financial circulation from the Bank into real-sector economic activities so that economic growth can occur. The financial sector can play an important role in the implementation of the intermediary function needed for the stability of a country's economy [6,7].

In this case, research conducted by Mukhlis et al. [7] provides information on the importance of the role of Bank Indonesia in maintaining stability to anticipate the dynamic global economic constellation. One of the monetary policy instruments that can be implemented is the determination of the BI rate. Therefore, it is important to explore the behavior of economic actors from the perspective of intention to find important factors that influence the decisions of economic actors in carrying out their activities that can affect the economic stability of a country.

Demiessie [8] in his research in Ethiopia found empirical evidence that COVID-19 had an impact on international trade activities and a slowdown in the domestic economy. The shock effects of the pandemic uncertainty are also expected to quickly go beyond to destabilize the economy via aggregate demand, food & non-food prices, investment, employment, and export shocks. The results of research conducted by Sawada and Sumulong [9] show that COVID-19 has an impact on Asian countries. These impacts include a 3.6%-6.3% decline in regional GDP in 2020 and 2021; a decline in domestic demand and the tourism sector and global spillovers.

However, Kim et al. [10] in their research shows that industrial conditions such as the retail and service sectors, for example, non-store retailers and financial and professional services, are significantly related to regional economic resistance, and the relationship increases compared to other sectors during the Covid-19 pandemic. In the regional sector, Kravchenko and Ivanova [11] explained that the spread of the Covid-19 virus is more susceptible to impacting poorer communities, this is due to poor environmental quality and high population density. In addition to the many negative impacts, Karunathilake [12] stated that there were positive impacts from the Covid-19 pandemic, namely that domestic production could increase, due to family-level agricultural practices.

### 3. METHODS

The type of research applied in this research is exploratory research. The selection of this type of research is based on the consideration that the observed object has elements that have novelty phenomena to be analyzed economically. The research location was conducted in Malang City, Malang Regency, and Batu City, East Java

Province, Indonesia. Data collection is carried out in the period of May-August 2022. The type of data used is primary data, including purchasing power level, income level, and poverty level. While secondary data include; GDP, inflation, money supply, and job opportunities. Secondary data sources; BPS (Central Bureau of Statistics) , Bank Indonesia (Central Bank of Indonesia). While the primary data sources; are business actors, farmers, and consumer households. Sampling method with simple random sampling technique on farmer household groups.

The data collection methods used in this study include the following techniques:

- 1) Document Analysis, data collection is carried out by recording various existing data both in government agencies and in community groups. These data include types of secondary data.
- 2) Observation in the field, data collection is done by direct observation of the object under study.
- 3) In-depth interviews are conducted through question and answer with respondents who are directly related to the object of research.

## 4. RESULTS AND DISCUSSION

Such a significant impact can be seen in the economic sector. Many business actors are forced to close their businesses, and many companies terminate their employment due to weak market demand. Therefore, economic activity in the community has decreased relatively during the pandemic. The most significant impact can be felt by big cities which are the center of community economic activity.

### 4.1 Malang City

Malang City is a city with quite large economic activities, not only in the goods and services sector but also in the tourism sector. Five sub-districts are included in the scope of Malang City, including Lowokwaru District, Blimbing District, Klojen District, Kedungkandang District, and Sukun District. At the beginning of the Covid-19 pandemic, the city's economy, especially Malang City, was greatly affected, because the trade, industry, and tourism sectors contributed a lot to the economy of Malang City. Meanwhile, during the Covid-19 pandemic, Malang City must implement a large-scale social restriction policy that makes tourist attractions, restaurants, and

hotels empty of visitors. On the other hand, many workers have been fired and laid off. The workers who were laid off were mostly from industry, hotels, and restaurants.

When there is a shock due to the pandemic, the Malang City government is still unable to adapt to the sudden impact of the Covid-19 pandemic, because so far it is rare for a pandemic to occur in the long term that can affect all communities and government activities. The Malang City Government is trying to rise from the impact of the Covid-19 pandemic by making every effort. The Malang City Government makes efforts to make the health sector and the economic sector move simultaneously. With the hope of reducing the number of people affected by Covid-19 and increasing the economy in Malang City.

There are several indicators and several sectors that can reflect the impact of the Covid 19 virus pandemic in Malang City, such as inflation, social conditions, the condition of Micro, Small, and Medium Enterprises (MSMEs), tourism visits, and Gross Regional Domestic Product. The first indicator is inflation, inflation is a tendency to increase the price of goods and services continuously.

During the 2020 pandemic, inflation in Malang City was recorded at 1.42 percent with the highest inflation in the clothing category at 1.76 percent, foodstuffs at 3.07 percent, and processed food, beverages, cigarettes, and tobacco at 3.02 percent. If broken down by month in 2020, the highest inflation occurred in June with a percentage of 0.44 percent, while the lowest occurred in March, which was minus 0.41. In 2021 inflation in Malang City was recorded at 1.75 percent with the highest inflation in the equipment, equipment, and household routine

maintenance group of 3.69 percent, while the lowest inflation was in the health group of minus 0.13. If broken down by month in 2021, the highest inflation occurred in December with a percentage of 0.73 percent.

It is known from the graph, that inflation in 2021 tends to be lower in fluctuation compared to 2020 which has quite high fluctuations every month, but there is an increase in the inflation rate from 1.42 percent in 2020 to 1.76 percent in 2021.

Next is the impact of the COVID-19 pandemic on workers' conditions. As is known, many companies are laying off their employees, thus triggering the emergence of unemployment problems. Before the COVID-19 pandemic in 2018 and 2019, the percentage of open unemployment was 6.65 percent in 2018 and 5.88 percent in 2019 in Malang City. At the time of the pandemic and the impact of company policies that carried out layoffs, according to the Central Bureau of Statistics of the City of Malang, the percentage increased to 9.61 percent in 2020. The increasing percentage of unemployment in Malang City is sufficient evidence that the Covid 19 virus pandemic has affected the emergence of new unemployment cases. Just like in 2020, 2021 is also the year where covid 19 is still having an impact on social conditions, namely unemployment. In 2021, according to the Malang City BPS (Central Bureau of Statistics), it was recorded that the unemployment percentage increased to 9.65 percent. This further makes it clear that the Covid-19 virus pandemic can weaken economic conditions. When individuals lose their jobs or sources of income, these individuals will tend to reduce their consumption power, this will trigger producers to reduce their productivity so that the economy becomes sluggish.

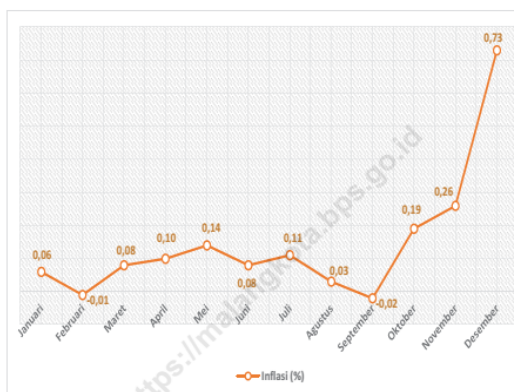


Fig. 1. Malang city inflation 2021

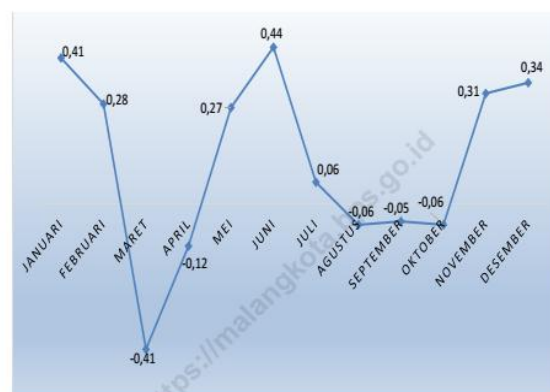
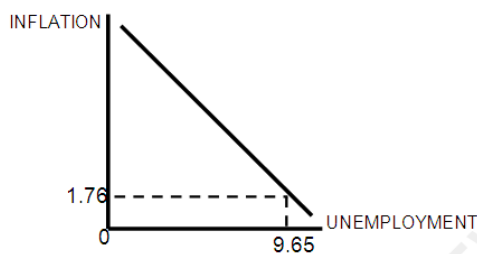


Fig. 2. Malang city inflation 2020

Source: Central Bureau of Statistic of Malang, 2022

The relationship between unemployment and inflation can be explained in economic theory with the Phillips Curve approach. In theory, the Phillips curve illustrates the tradeoff effect between unemployment and inflation. It can be said that when inflation is high, unemployment will decrease or decrease, this is based on the assumption that rising inflation due to higher output increases, therefore it can be assumed that the unemployment rate will be lower. It is known that the inflation rate in 2021 is 1.76 percent, whereas in that year the condition of the community was used to the presence of the Covid-19 virus and the percentage of the unemployment rate was 9.65 percent. The results of the comparison between the percentage of the inflation rate and the unemployment rate are known to have a higher percentage of unemployment, This means that the assumption of a tradeoff relationship between unemployment and inflation through the Philips Curve theory is acceptable. This condition can be described by the curve below.



**Graph 1. Phillips curve implementation**

Source: Author, 2022

The impact of unemployment caused by the COVID-19 pandemic can put quite deep pressure on the social sector. The inability of individuals to meet their needs due to layoffs triggers the growth of new poverty. In the city of Malang itself, the impact of the pandemic is felt by people with lower middle income. Malang City BPS (Central Bureau of Statistics) data shows the percentage of poor people in Malang City before the pandemic occurred, at 4.07 percent in 2019. However, when a pandemic occurred, the percentage increased relatively significantly, which was 4.44 percent in 2020 and 4.62 percent in 2021. This can be due to the multiplier effect of the pandemic, where individuals lose their jobs and the people's consumption power decreases. Not only that, the condition of people who previously had lower middle incomes.

Uncertain conditions, such as job loss, declining people's income, and weak people's purchasing

power, will indirectly have an impact on people's consumption power of staple food or rice stocks. If measuring the total population of Malang City which reached 843810 people in 2020 with Malang City's rice stock data as much as 6734.67 tons, then the average per resident (1 person) will only be able to consume 7.9 kg of rice in 2020, namely the condition where the economy is in recession due to the pandemic.

In Malang City in 2021 the Poverty Severity Index increased from the previous year or before the Covid-19 pandemic. It is known that in 2019 the Poverty Severity Index had a percentage of 0.13 percent and at the time of the pandemic in 2020 it increased by 0.15, the percentage showed a significant increase. not significant, but in 2021 there will be an increase of 0.22 percent. These results indicate that 2021 is the year in which the impact of the pandemic can be felt to have a significant impact on the social sector.

In 2019, which is the year in which the COVID-19 virus pandemic has not yet occurred and has spread widely, the number of poor people in Malang City is 35.39 (thousand) with a percentage of 4.07 percent. Then in the following year, when the covid-19 virus pandemic was occurring, the number of poor people in Malang City increased to 38.77 (thousand) people or 4.44 percent. This indicates that there is a possibility of the emergence of new numbers or numbers of poor people caused by the Covid-19 virus pandemic. In 2021, the year the pandemic occurred for about 1 year, the number of poor people in Malang City has relatively increased to 40.62 (thousand) people or an increase of 0.18 percent from 2020.

Despite the many negative impacts of the pandemic, some sectors have the potential to grow for the better. Namely the Micro, Small, and Medium Enterprises (SMEs) sector. As is known, the number of individuals who have lost their jobs due to the Covid-19 pandemic has provided their motivation to open independent businesses, such as MSMEs. According to data from the Malang City Cooperative, Industry and Trade Office in 2020, there were 9,870 micro-enterprises spread across Malang City. In the previous year, in 2019 there were around 12,957 microbusinesses with individual ownership and 154 microbusinesses with special permits, meaning that in 2020 76 percent of the MSME sector was able to survive amid difficult economic conditions or experiencing a recession. The survival of some MSMEs is, of course,

assisted by assistance from the government as well as the motivation of individuals or MSME actors to make loans to financial institutions. This condition was finally able to maintain the business that he had run even in a sluggish and unstable economic condition. The motivation of MSME actors toward credit desires will have an impact on changing the percentage of credit positions.

However, BPS data states that in 2020, the position of credit distribution tends to show a decline. During the 2020 pandemic, it was recorded that in December 2020 the credit position for micro-scale businesses was 728 475 (million rupiahs) which previously was 749 701 (million rupiahs). On a small scale, it also shows a decrease in December 2020 by 2 328 598 (million rupiahs) which previously in November 2020 was 2 4 19 621 (million rupiahs). The next data is medium-scale businesses, in November 2020 credit distribution was recorded at 3 776 689 (million rupiahs) then decreased in December by 7 742 482 (million rupiahs). In contrast to the working capital sector, the position of lending in the working capital sector in 2020 tends to show an increase from January to December. In December, credit disbursement reached 5 186 044 (million rupiahs) in the working capital sector.

The existence of the Covid-19 pandemic is not only targeting the economic sector, but also the tourism sector. The tourism sector is a sector that is quite influential on local government revenues through taxes, but due to the PSBB regulations, some tourism places are closed and lose their potential income. Tourist visitors during the pandemic tend to decrease, not only domestic tourists but also foreign tourists. Malang City BPS records show that in Malang City there are 46-star hotels, 36 non-star hotels, and 121 guest houses in 2021. In 2021 there will be 2,241 foreign tourists and 771,670 domestic tourists. In contrast to 2020, when the COVID-19 virus pandemic is very severe. In 2020, there were 689,570 domestic tourists and 8,826 people. In 2020 the number of tourist visits is relatively less compared to 2021, considering that in that year the PSBB policy was implemented. 2021 is the year when the PSBB policy begins to be relaxed, it is known that the least number of tourists occurred in July, which was 34,515 thousand people, while the most visits occurred in December, which was 112,862 people.

An indicator that can summarize how the impact of the pandemic on the economic condition of Malang City is by knowing the GRDP. In 2019, before the pandemic, economic growth in Malang City was known to be 5.73 percent. When compared to the previous year, it accelerated by 0.01 percent. The highest economic growth was in the health services sector and social activities, which grew by 9.62 percent. Meanwhile, the smallest growth was in the mining and quarrying sector with a minus 6.72 percent growth.

GRDP according to expenditure in Malang City, the highest growth was in the consumption expenditure of Non-Profit Household Institutions, which was 9.52 percent. Meanwhile, the growth of household consumption expenditure was 5.11 percent. In 2020, according to BPS, it is known that the GRDP of Malang City has decreased significantly, considering that 2020 is a tough year due to the covid 19 pandemic. 21 percent. The measurement of the economic rate mentioned above, using GRDP data according to business fields in Malang City, is motivated by the significant impact of covid 19 on the conditions of the available business fields.

The slightly sluggish economic condition certainly affects the income of Malang City. Recorded in the Regional Revenue Agency's revenue ledger in 2019 before the pandemic, Regional Original Revenues reached 588 240 597 151.01 while at the time of the COVID-19 pandemic in 2020, the Regional Revenue Agency recorded the realization of Regional Original Income of 473 974 591 805,46 this indicates that there is a decrease in PAD caused by the Covid-19 virus pandemic.

## 4.2 Malang Regency

The significant impact of the spread of the Covid-19 virus was also felt by the people of Malang City who were administratively within the scope of Malang Regency. As can be seen according to the facts on the ground, many large-scale companies, and small-scale companies, most of them have terminated their employment with their employees, this is of course caused by the increasingly widespread impact of Covid-19. This situation is slowly triggering the emergence of a new problem, namely unemployment. Before the COVID-19 pandemic in 2018 and 2019, the percentage of open unemployment was 3.15 percent in 2018 and 3.70 percent in 2019 in Malang Regency, the percentage tends to be

smaller when compared to the percentage owned by the Malang City area.

Slightly different when the pandemic occurred and the consequences for workers due to companies that laid off, according to the Malang Regency Central Statistics Agency, the percentage increased to 5.49 percent in 2020. However, the increasing percentage of unemployment in Malang Regency tends to be smaller in percentage when compared to the area of Malang city, which is 9.61 percent. This condition is sufficient to illustrate that the Covid-19 pandemic has quite an effect on the emergence of new unemployment cases. Likewise, 2021 will also be the year when COVID-19 will still have an impact on social conditions, namely unemployment. In 2021, according to the Malang Regency BPS, the unemployment percentage is still in the range of 5.40 percent, different from the Malang city area which experienced an increase of 9.65 percent. This shows that, although there is a decrease in the percentage of the unemployment rate in Malang Regency, the decline in the percentage has not been able to show as a significant number. When the household sector loses a job or source of income, the sector will tend to reduce its consumption power, this condition will trigger producers to reduce their productivity so that economic power will decline.

The phenomenon of unemployment caused by the Covid-19 virus pandemic can provide deep enough pressure on society. The inability of the household sector to meet their needs due to layoffs (PHK), triggers the emergence of new poverty rates. In contrast to the Malang city area, the Malang district (Malang Regency) has a relatively higher percentage compared to the city area, the effects of the pandemic are felt by people with lower middle income. Malang Regency BPS data shows the percentage of poor people in Malang Regency before the pandemic occurred, which was 9.47 percent in 2019, much different from the Malang city area which only had a percentage of 4.07 percent. When a pandemic occurs, the percentage of the poverty rate increases relatively significantly, which is 10, 15 percent in 2020 and 10.50 percent in 2021. This can be due to the domino effect of the Covid 19 virus pandemic, in which the household sector loses jobs and decreases public consumption power. Not only that, the condition of people who previously had lower middle incomes was more affected by the pandemic.

According to numerical data presented by the Malang Regency BPS, in 2019 the number of poor people was around 246.60 (thousand) people. At the time of the Covid-19 virus pandemic, in 2020 the number of poor people in the Malang Regency area according to BPS increased to 265.56 (thousand) people, then in 2021 the number of poor people in the Malang Regency area again increased to 276.58 (thousand) people. Based on this data, it can be seen that every year, starting from 2019 to 2021, the number of poor people in Malang Regency continues to increase, this can happen considering the effects of the spread of the covid-19 virus.

Such conditions will of course also have a significant impact on people's consumption patterns and power. As a result of the impact of the Covid-19 virus, it puts quite significant pressure on the community's economy, such as losing jobs, declining people's income, and weak people's purchasing power will indirectly have an impact on people's consumption power of staple food or rice stocks. If measuring the total population of Malang Regency which reached 2 606204 people in 2020 with a stock of rice in Malang Regency of 162623.7 Tons, then the average per resident (1 person) will only be able to consume 6.24 Kg of rice in 2020, namely the condition where the economy is experiencing a difficult time/recession due to the pandemic.

In 2020, the Poverty Severity Index in Malang Regency has a higher percentage than in Malang City. The Poverty Severity Index in Malang Regency has a percentage of 0.30 percent in 2020, but this figure has a smaller value when compared to the percentage of the Poverty Severity Index in Malang Regency in 2019 or the year before the spread of the covid-19 virus in Indonesia. This condition persists until 2021 when the Poverty Severity Index in Malang Regency has the same value as in the previous year.

The next sector affected by the spread of the COVID-19 virus in Indonesia is the MSME sector, especially Malang City, in contrast to the results of the previous review, Malang Regency is known to have more MSMEs than Malang City. At the time of the COVID-19 virus pandemic in 2020, 34,936 MSMEs were surviving in the Covid-19 virus pandemic in 2020. In 2020, the average number of working hours in the MSME sector in Malang Regency was 7 hours per day. MSMEs in Malang Regency mostly have the

highest number of working days, namely 21-31 days in a month with an average of 7 working hours per day. The number of working days in the MSME business shows the need for hard work with a relatively long time to manage MSMEs to survive in the onslaught of the COVID-19 virus.

The ability to survive the MSME sector certainly cannot be separated from the role of financial institutions, one of which is banks. Banks have contributed to the development of the MSME sector through lending. In 2020, the year the Covid-19 virus occurred in Indonesia, especially in this case Malang Regency. In 2020, credit distribution to the MSME sector in Malang Regency is calculated to reach Rp. 89,518,016.00. Most of the lending to the MSME sector was disbursed with the aim of working capital, which reached Rp. 68,845,217.00 and an investment of Rp. 20,672,799.00, so it can be justified that when a pandemic occurs, economic actors tend to survive by forming businesses. due to the phenomenon of layoffs.

Similar to Malang City, the tourism sector in Malang Regency also feels the impact caused by the Covid-19 virus pandemic. One of the most dominant tourist destinations in Malang Regency is the beach. Different conditions are shown by the large number of tourists visiting tourist destinations in Malang Regency. In Malang City, tourist visits only reached the range of hundreds of thousands of visitors in 2020 and 2021, but different results were shown by Malang Regency. The number of tourists visiting tourist destinations in Malang Regency in 2020 reached 1,103,357 tourists, with most of the visitors being domestic tourists. The number of tourist destinations in Malang Regency will increase again in 2021.

In 2021, the number of tourists to Malang Regency tourist destinations will reach 1,521,114 tourists, most of whom are domestic tourists. The most significant difference in the tourism sector between Malang Regency and Malang City is the number of hotel units, where Malang Regency has a smaller number compared to Malang City, which is only about 8 hotel units in Malang Regency, the hotels are spread only 5 areas, These include one unit in Karangploso District, Ngantang District and Lawang District, two units in Singosari District and three units in Dau District.

An indicator that can summarize how the impact of the pandemic on the economic condition of

Malang Regency is by knowing the GRDP of Malang Regency. In 2019, before the pandemic, economic growth in Malang Regency was known to be 5.49 percent, this percentage was greater when compared to economic growth in Malang City, but the difference was not significant.

When compared to the previous year, it decreased by 0.06 percent. In 2020, Malang Regency's GRDP experienced a very significant decline, reaching minus 2.68 percent, this is of course caused by the spread of the Covid-19 virus. In 2021, the GRDP of Malang Regency will begin to improve, which in the previous year was minus 2.68 percent, in 2021 it will be 3.12 percent, where the industrial sector is the largest contributor to GRDP with a value of Rp. 35272.85 (billion). Under such conditions, it can certainly be judged that industrial deposits can quickly rise in the face of the impact of economic uncertainty due to COVID-19.

Like Malang City, Malang Regency is also affected by the Regional Original Income sector during the COVID-19 pandemic. In 2019, Malang Regency's Original Revenue was recorded at Rp. 623,808,877,784.41 but during the COVID-19 pandemic in 2020, Malang Regency's PAD decreased by Rp. 583,846,309,201.31. The decline is clearly due to the economic uncertainty caused by the COVID-19 virus pandemic so all sectors that contribute to the increase in PAD in Malang Regency cannot maximize their income potential. However, this condition does not necessarily become an obstacle to rise again in 2021, in 2021 the PAD of Malang Regency will increase again to Rp. 670,219,051,597.90. This number exceeds the PAD of Malang Regency in 2019.

### 4.3 Batu City

Batu City is a city that has different characteristics from Malang City which has been analyzed previously. Batu City has a characteristic in the tourism sector so the city is known as the "City of Batu Tourism" or KWB. Like the area in general, Batu City is also feeling the impact of the Covid-19 virus pandemic. Judging from the facts on the ground, many large-scale and small-scale tourism sectors have mostly laid off their workers, this is of course due to the impact of Covid-19, where tourism sector business owners try to avoid the impact of greater losses. This situation is slowly triggering the emergence of a new problem, namely unemployment. Before the COVID-19 pandemic



in 2019, the percentage of open unemployment was 2.48 percent in Batu City. The years 2020 and 2021 are the years when the Covid-19 pandemic has spread in Indonesia, including Batu City in East Java Province. Quoted to the Central Bureau of Statistics of Batu City, in 2020 the unemployment rate in Batu City increased by 3.45 percent, meaning that in 2020 the unemployment rate increased to 5.93 percent. This increase also occurred in 2021, 2021 is the year when the government relaxed social restrictions on the community, but due to the profound impact of the pandemic, it finally had an impact by increasing the percentage of unemployment in Batu City to 6.57 percent. The increasing unemployment rate is inseparable from the number of workers laid off by business owners, especially in the tourism sector.

The social sector is a sector that is quite vulnerable to the occurrence of layoffs so that households are not able to meet their daily needs properly. The lack of ability of the household sector to meet their needs due to not working triggers the growth of new poverty. In Batu City, the impact of the pandemic is felt by people who rely on the MSME sector, considering that this city is synonymous with tourism and its souvenirs. Citing BPS data from Batu City, the percentage of Batu City's poor population before the pandemic occurred was 3.81 in 2019. However, when a pandemic occurred, the percentage increased relatively significantly, namely 3.89 percent in 2020 and 4.09 percent in 2021. This can be caused by the decrease in the number of tourist visits from various cities, which has an impact on the decline in the turnover of MSME products. So that some individuals lost their jobs and decreased income in the business sector, resulting in the weakness of people's consumption power. Not only that, the condition of people who previously had lower middle incomes was more affected by the Covid-19 pandemic.

Uncertain conditions, such as job loss, declining people's income, and weak people's purchasing power, will indirectly have an impact on people's consumption power of staple food or rice stocks. If measuring the total population of Batu City which reached 213,046 people in 2020 with data on Batu City's rice stock of as much as 2,865.57 Tons, then the average per resident (1 person) will be able to consume 13.4 kg of rice in 2020, while in 2021 with a population of 214,653 people and the stock of rice in that year was 2,996.44 Tons, then on average each resident (1

person) will be able to consume 14 Kg of rice in 2021, this shows no significant increase.

Batu City during the pandemic occurred, to be precise in 2020 the Poverty Severity Index increased from the previous year or before the Covid-19 pandemic. It is known that in 2019 the Poverty Severity Index had a percentage of 0.05 percent and at the time of the pandemic in 2020 it increased by 0.15, the percentage shows a significant increase, but in 2021 there will be a significant decrease, up to 0.06 percent. These results indicate that in 2021, Batu City will be able to rise from the economic recession or economic shocks in the regional scope.

In 2019, which is the year in which the COVID-19 virus pandemic has not yet occurred and has spread widely, the number of poor people in Malang City is 35.39 (thousand) with a percentage of 4.07 percent. Then in the following year, when the covid-19 virus pandemic was occurring, the number of poor people in Malang City increased to 38.77 (thousand) people or 4.44 percent. This indicates that there is a possibility of the emergence of new numbers or numbers of poor people caused by the Covid-19 virus pandemic. In 2021, the year the pandemic occurred for about 1 year, the number of poor people in Malang City has relatively increased to 40.62 (thousand) people or an increase of 0.18 percent from 2020.

Although in Batu City there are many micro, small, and medium enterprises, only a few are officially recorded in the records of the Batu City Cooperatives, Micro Enterprises, and Trade Office. Summarizing from data recorded by the Batu City Cooperative, Micro Business, and Trade Office, during the pandemic in 2020 there were at least 91 business units running in Batu City, with classification, 41 formal industrial business units, and 50 non-formal industrial business units, with total power, reaches 230 people. In 2021 by summarizing the latest data results, there are 327 non-formal and formal business units recorded by the Batu City Cooperatives, Micro Enterprises, and Trade Office. The facts on the ground show that in Batu City many individuals do business, such as food businesses, handicraft businesses, beverage businesses, or other businesses.

Turning to the tourism sector, Batu City is one of the icons of Tourism City in East Java Province. It is known that Batu City has a total of dozens of tourist destinations, ranging from nature tourism

to educational tours. In 2019, before the Covid-19 pandemic, according to data quoted from the tourism office, it is known that the number of tourists reached 6,047,460 tourists, domestic tourists, and foreign tourists, or more precisely 6,035,724 local tourists and 11,736 foreign tourists. The impact of the Covid-19 pandemic in Batu City can only be felt when a government regulation regarding large-scale social restrictions is implemented, to be precise in 2020. The number of tourist visits in that year decreased dramatically, in 1 year only reaching 1,898,837 tourists.

The reduction in income source sectors indirectly resulted in changes in the condition of Batu City's Original Revenue and also Batu City's Regional Domestic Product. By knowing the Regional Original Income, it will be able to show the percentage of economic activity in Batu City. In addition to the Regional Original Opinion, another indicator that can describe the economic condition is by knowing the Regional Domestic Product of Batu City. The local tax sector is an indicator that can provide an overview of economic activity in the community [13,14].

It is known that in 2019, before the Covid-19 pandemic, the realization of Regional Original Revenue was mostly received from the hotel tax and entertainment tax sector with a value of almost 65 billion rupiahs, out of the total regional tax revenue sector which amounted to Rp 184,490,184,347. In 2020, the year the Covid-19 pandemic hit Indonesia, the realization of Batu City's Original Regional Revenue decreased, which was Rp. 136,947,774,598, or around 74.2 percent. In 2021 the Batu City economy began to recover, this can be seen from the total Regional Original Revenue of Batu City, citing data from the Regional Finance Agency, Batu City's Original Revenue in 2021 increased in 2020 by 79 percent, or to be precise Rp 147,007.052,560.

Another indicator that can be used as a summary of the economic condition of Batu City during the Covid-19 pandemic is by reviewing the amount of Gross Regional Domestic Product. Citing information published by the Central Bureau of Statistics of Batu City, Batu City's Gross Regional Domestic Product in 2019, the total GRDP of Batu City reached Rp. 16,926.1 (Billion) where in that year there was no Covid-19 pandemic, while in 2020 Regional Domestic Product Batu City's gross fell to minus 6.46 percent or to be precise Rp 16,841.1 (Billion).

The decline that occurred in 2020 can be considered quite significant, compared to Malang City which only reached minus 2.26 percent, and Malang Regency which reached minus 2.68 percent, the decline was certainly caused by the weak or declining economy in leading sectors, mainly tourism and lodging services. However, in 2021, with the loosening of restrictions on community social activities, the rate of Batu City's Gross Regional Domestic Product slowly increases with percentage reaching 4.04 percent. Of the three regions, namely Malang City, Malang Regency, and Batu City, the results and reflections of different conditions are different. These differences can be due to the priority of economic activities in each region with their respective leading sectors. Malang Regency and Batu City have different results and reflections of conditions. These differences can be due to the priority of economic activities in each region with their respective leading sectors. Malang Regency and Batu City have different results and reflections of conditions. These differences can be due to the priority of economic activities in each region with their respective leading sectors.

## 5. CONCLUSIONS

East Java Province is one of the provinces affected by the Covid-19 pandemic. The priority problems in the household sector faced by Malang City, Malang Regency, and Batu City are unemployment and poverty problems. Unemployment arises due to the number of business fields that suffer losses, so they are forced to reduce the number of employees. Economic indicators that are more deeply affected are the decline in Gross Regional Domestic Product, several cities analyzed show a minus percentage of Gross Regional Domestic Product. In addition to Gross Regional Domestic Product, Regional Original Income is also significantly affected by the weakening of economic activity, from the three cities analyzed, all percentages show a decline in the Regional Original Income sector.

But in the end, in 2021, the government loosened the mobility of community activities through the implementation of the "New Normal" policy, so with the lifting of the large-scale social restriction regulations, the community's economic activities slowly recovered. It is known that after the implementation of the "New Normal" policy, the Gross Regional Domestic Product in each of the analyzed cities has increased slowly, as well as the Regional Original Income sector which also experienced the same thing.

## 6. SUGGESTIONS

Based on the conclusions formed, there are several suggestions obtained, including:

- 1) The banking sector needs to increase lending to the public, especially Micro, Small, and Medium Enterprises, to encourage the development of their businesses, as well as to provide flexibility in the credit system to business actors to prevent bad loans from occurring.
- 2) The government is expected to be able to increase people's purchasing power when an economic recession occurs, by providing subsidies to the community and needs policies to control prices, especially food commodities.

## 7. IMPLICATION

There are practical implications in this article. The results of this paper can be used as a reference or as a comparison for future research, and the results in this article can be used as information material for future researchers.

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## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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