



The Financial Services Authority's Regulation Function as a *Bestuurshandeling* Instrument for Economic Stimulation During a Pandemic

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Abstract

This paper has the purpose of investigating: (i) the justifications for the need for economic stimulus policies during the pandemic; and (ii) the role of OJK Regulation Number 11/POJK. 03/2020 as a *bestuurshandeling* instrumentation for boosting the economy during the epidemic. The government of Indonesia adopted the economic stimulation program as a strategy to improve the economy in response to the impact of the COVID-19 outbreak. As a result, it is worthwhile to investigate the policy parameters and act as a stimulant for the national economy. This study is normative in nature and was done through a document analysis using a statutory and conceptual framework. The study's findings show that: (i) the need for policies to stimulate the economy during a pandemic is driven by the necessity to fulfill the welfare state's role in light of the sociological conditions of the pandemic's impact on society, necessitating an economic stimulus policy instrument; and (ii) the function of OJK Regulation Number 11/POJK. 03/2020 as a *bestuurshandeling* instrumentation for strengthening the economy during a pandemic is a function of strengthening the economy through credit restructuring and being an indication through the economic risk management safety net.

Keywords: Covid-19, Instrumentation, Pandemic, Economy, Stimulus.

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A. Introduction

According to numerous estimates, global economic circumstances may contract by roughly one percent (1%) in early 2020 as a result of the COVID-19 epidemic, and this figure may contract further if limits on economic activity continue to be prolonged without an

acceptable budgetary reaction.¹Indeed, the government has a place and a role

¹Agustina Suminar, suarasurabaya.net, Thursday, April 2, 2020, "Impact of Covid-19 on the Global Economy 2020," <https://www.suarasurabaya.net/Ekonomibisnis/2020/impact-covid-19-on-the>



as a determinant in the national economy, both in providing the substance of the rules and in performing regulatory functions based on their authority. In order to prevent a further decline in Indonesia's economic development, the government's role as a policymaking center is essential. The Indonesian government adopted the economic stimulation program as a strategy to improve the economy in response to the COVID-19 epidemic. According to the Financial Services Authority's (OJK) press release, the implementation period for OJK Regulation No. 11/POJK.03/2020 has been extended to September 21, 2021. (SP). It is essential to consider whether the adoption of OJK Regulation No. 11/POJK.03/2020 can actually provide benefits, especially for economic recovery during and after an epidemic. Credit restructuring operations accomplish this as part of the intended economic stimulus initiatives.

The COVID-19 pandemic is expected to halt Indonesia's economic growth, providing an opportunity for the government to improve and direct its policies in order to return to the notion of a people's economy, which prioritizes the existence of the economic element, namely the community. The World Bank (the World Bank) predicted that the Indonesian economy would experience a minus 3.5% (three-point five percent) or around 2.1% (two-point one percent) by the end of 2021.²This is a warning that strategies that allow the Indonesian economy to prosper during or after the pandemic are required. One

economy-global-2020/, accessed on Monday June 13, 2022.

² Sylke Febrina Laucereno, detik Finance, Monday 4 May 2020, "This is the IMF and World Bank forecast for the Indonesian economy," <https://finance.detik.com/berita-ekonomi-bisnis/d-5002031/begini-forecast-imf-Sampai-bank-dunia-for-economy-ri>, accessed on Monday June 13, 2022.

type of policy, namely a credit restructuring program, has now been implemented. Credit restructuring is one of the solutions provided by the government to allow the economy, markets, and business players to flourish by allowing debtors who have been adversely impacted by the COVID-19 pandemic flexibility in meeting performance requirements.

The government implemented an economic stimulus policy in the form of credit restructuring and credit relaxation with the issuance of Financial Services Authority Regulation (POJK) Number 11/POJK.03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of COVID-19 Spread (hereinafter referred to as Regulation OJK Number 11/POJK.03/2020). To avoid the bomb-bust or phenomenon of huge debtor default, this policy must be supported by the maturity of the execution of OJK Regulation No. 11/POJK.03/2020. This policy, on the other hand, must be capable of ensuring that the interests of impacted creditors are not jeopardized by credit thresholds and changes in credit standards.³

This is worth investigating, particularly the relationship or causality of the need for an economic stimulus policy during a pandemic with state responsibility as a result of the welfare state, which is obligated to intervene in public affairs in order to achieve the public welfare goals mandated in the Preamble to the Republic of Indonesia Constitution of 1945. As a result, the scope of government functions in this modern legal state will undoubtedly have an impact on the broader scope of government actions in accomplishing the goal of communal prosperity. Thus,

³Daniel L. Greenwald, "The Mortgage Credit Channel of Macroeconomic Transmission," *MIT Sloan Research Paper*, Vol. 16, No. 5184, January 2018, page. 1-85.



in the current type of welfare state, the role of the state as a state administrator, as stated in the Preamble to the Constitution of the Republic of Indonesia in 1945, has become very dominant and relevant through its various actions or *bestuurshandeling* in the context of pursuing the goals of the community welfare state as being the ideals of the nation or *rechtsidie*. In this study, the researcher examines the data collected from field clarifying results as one of the foundations that supports the discussion on the implementation of OJK Regulation No. 11/POJK. 03/2020, particularly at places in Karanganyar Regency. This effort was made specifically to investigate the function of OJK Regulation No. 11/POJK. 03/2020 as an instrument to maintain economic continuity through the provision of credit restructuring during the pandemic, as well as to assess the importance of OJK Regulation No. 11/POJK. 03/2020 as a *bestuurshandeling* instrument for strengthening the economy during the pandemic. Meanwhile, as a sampling stockholder, the Department of Cooperatives and Trade at the Karanganyar Regency level controls the implementation of OJK Regulation No. 11/POJK. 03/2020, which becomes the aim and method of performing field clarification.

B. Result And Discussion

1. The Urgency of Economic Stimulus Policy During a Pandemic

Government is a branch of authority that manages and nurtures people through its laws. Indeed, according to the welfare state ideology, the government attempts to defend the interests of the community through the function of government institutions and government officials or the bureaucracy as a type of embodiment of the spirit of

good government and good governance.⁴According to Pierson, the term welfare has at least three (three) sub-classifications: (i) social welfare, which refers to collective acceptance of welfare; (ii) economic welfare, which refers to security guarantees through the market or the formal economy; and (iii) state welfare, which refers to the guarantee of social welfare services through state agents.⁵As a result, the notion of a welfare state is regarded as a country condition in which the state government is held accountable for guaranteeing a minimum quality of living for all citizens.⁶As a result, the scope and extent of the welfare state's function vary per country, but often cover the following areas: pensions, health insurance, and benefits.⁷This includes variances in achieving the objective of creating a welfare state in the macroeconomic sector, whose expansion is currently being hampered by the pandemic's impact.

Fulfilling the function of the welfare state based on the sociological situation of the pandemic's influence on the community, requiring an economic stimulus policy tool. The execution of OJK Regulation No. 11/POJK. 03/2020 establishes this. By attempting to implement credit restructuring as one

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⁴ Muhammad Aziz Zaelani, I GustiKetut Ayu RachmiHandayani,Isharyanto "General Principles of Good Governance Based on Pancasila as the Basis for Use of Discretion", *Journal of Law IusQuiaIustum*, Vol. 26, No. 3, September 2019, p. 458-480.

⁵Christopher Pierson, *Welfare State: The New Political Economy of Welfare*, Pennsylvania: The Pennsylvania State University Press, 2007,p. 289.

⁶Olivier De Schutter, "Welfare State Reform and Social Rights,"*Netherlands Quarterly of Human Rights*, Vol. 33, No. 2, 2015, p. 18-27.

⁷Jason Pardon, "Policy Feedback and Support for the Welfare State,"*Journal of European Social Policy*, Vol. 23, No. 2, 2013, p. 134-148.



of the policies specified in OJK Regulation No. 11/POJK. 03/2020 in accordance with the goals of people's welfare, feedback is appreciated. The urgency is still being pursued and controlled for progress and development. Stockholders, which include bureaucracy as a mechanism produced by a government working unit in relation to the public or society, are a critical component in preserving goal alignment in the implementation of OJK Regulation No. 11/POJK. 03/2020 on people's welfare. As a result, urgency is required to promote these aims, which include excellent public services, effective governance, and community participation. The welfare state is also defined by the need for higher accountability. According to Julius Stahl, the job of a welfare state is more than resolving disputes amongst citizens in carrying out their interests. As a result, the welfare state is more than just a night watchman.⁸As a result, by renewing the purpose of achieving people's welfare through the implementation of OJK Regulation No. 11/POJK. 03/2020, the accountability of credit restructuring mechanisms that promote community welfare can be increased. This means that the credit restructuring system with guaranteed accountability is projected to have a stimulant effect on boosting the economy with the goal of achieving an economic growth position in the pre-pandemic period.

This is also relevant when viewed from a doctrinal and literacy standpoint, demonstrating the argument that an economic stimulus policy is required during the pandemic, as implemented by OJK Regulation Number 11/POJK. 03/2020 concerning National Economic Stimulus as a Countercyclical Policy for the Impact of

⁸Soehino, State Science, Revised Edition, Yogyakarta: Liberty, 2017, p. 16.

the Spread of Covid-19. This satisfies the phrase as a fundamental component in the attempt to realize the welfare state's goals. As a result, the issue of the state ensuring people's welfare must be used to argue for the need for an economic stimulus strategy during the epidemic in order to promote the economy's growth, which has been hampered by the pandemic. In keeping with this viewpoint, Jurgen Habermas contends that the primary goal of a contemporary state is to ensure the well-being of all citizens. Furthermore, according to Habermas, the guarantee of the welfare of all the people intended is realized in the protection of "the risk of unemployment, accident, illness, old age, and death of the breadwinner must be covered largely through welfare provisions of the state".⁹Thus, the welfare state can be defined as the effect of human aspirations that seek to provide a sense of security, tranquillity, and wealth in order to avoid sorrow. Thus, boosting the economy during or after a pandemic is a commitment that must be met and borne by the state in accordance with Indonesia's designation as a welfare state, as stipulated in the Preamble to the Republic of Indonesia's 1945 Constitution.

Credit restructuring, the goal of OJK Regulation No. 11/POJK. 03/2020, is an attempt to restore the dignity of the people's economic principle by aligning it with the equality principle in order to protect the interests of the economy, including creditors and debtors affected by the Covid-19 pandemic. Mohammad Hatta's opinions stressed that the economy must be established on the basis of cooperation in order to realize

⁹Gianfranco Poggi, *The Development of the Modern State "Sociological Introduction*, 21 Editions, California: Stanford University Press, 2018, page. 126.



national goals, as he considered as follows: "we must not forget that our country is based on moral principles, which are contained in the *Pantjasila*, five principles: Humanity, divine omnipotence, national consciousness, democracy, and social justice".¹⁰ Mohammad Hatta's ideas are consistent with Article 33 of the Republic of Indonesia's 1945 Constitution, which places the role and function of the state in a strategic position to be able to structure the economy and control important production branches, as well as guarantee natural resources to be used as much as possible for the people's prosperity based on economic democracy principles. As a result, boosting the national economy is one of the variables that must be considered in order to raise people's prosperity or welfare.

2. Functions of OJK Regulation Number 11/POJK.03/2020 As a *Bestuurshandeling* Instrumentation for Economic Strengthening During a Pandemic

a. The Function of Strengthening the Economy with Credit Restructuring

In this case, the government is required and obligated to issue economic stimulus policies in order to overcome the impact of the Covid-19 virus on the economy (economic conditions that are expected to influence or affect economic growth in

such a way as to reduce or degrade people's purchasing power).¹¹The economic stimulus approach is expected to keep the economy stable and reduce the global impact of the Covid-19 pandemic. This is a result of the welfare state specified in the Preamble of the Republic of Indonesia's 1945 Constitution. This result emphasizes the importance of multiple government initiatives to safeguard health and the national economy, with the government focusing on spending on health, social safety nets, and economic recovery, including for businesses and communities harmed by the Covid-19 outbreak.¹²Following the issuance of OJK Regulation No. 11/POJK.03/2020 as a means of optimizing banking performance, particularly the intermediation function, maintaining financial system stability, and supporting economic growth, an economic stimulus policy is required as a countercyclical impact of the 2019 coronavirus disease spread.¹³

Stockholders appointed to implement economic stimulus policies as regulated in OJK Regulation Number 11/POJK.03/2020 of the definitive cause in Article 1 number 1 are to designate banks as follows: "Banks are conventional commercial banks including sharia business units, sharia commercial banks, rural credit banks, sharia people financing banks, which

¹⁰Benjamin Higgins, "Hatta And Cooperatives: The Middle Way For Indonesia?," *The Annals of the American Academy of Political and Social Science*, Cambridge, Massachusetts, Center for International Studies Massachusetts Institute of Technology, Mei 1958, page. 10-15; Nana Aditiya, Leo Agung, Cecilia Dyah, "Hatta's Thoughts Of Democracy, Social Justice, Human Rights And Democratic Economy," *International Journal Of Education And Social Science Research*, Vol. 2, No. 3, 2019, page. 154-166.

¹¹Camelia Rizka Maulida Syukur, "The Rukhsah Concept and Its Relevance to the Al Masyaqqah Tajlib Al-Taysir Rule (Case Study on OJK Regulation Number 11/POJK.03/2020 and Circular Letter Number S-9/D.05/2020)," *Al Huquq: Journal of Indonesian Islamic Economic Law*, Vol. 2, No. 2, 2020, page. 175-192.

¹²Considerations for Law Number 2 of 2020 in conjunction with Government Regulation Substitute for Law Number 1 of 2020.

¹³Considerations of OJK Regulation No. 11/POJK.03/2020.

carry out business activities conventionally or based on sharia principles, which carry out business activities conventionally or based on sharia principles.” Thus, the characteristics described allow for the implementation of economic stimulus measures by banking and non-banking entities, one of which is credit restructuring for debtors affected by the Covid-19 pandemic in various locations. The economic stimulus measures contained in and governed by OJK Regulation Number 11/POJK. 03/2020 can be divided into two categories: (i) asset quality determination policies; and (ii) credit or financing restructuring policies.¹⁴This program is implemented alongside other economic stimulus policies, such as credit relaxation and tax payment delays, as outlined in Minister of Finance Regulation (PMK) Number 23/PMK. 03/2020, Tax Incentives for Taxpayers Affected by the Corona Virus Outbreak. Credit relaxation is a model of economic manipulation that is regularly carried out by countries throughout the world as a form of economic stimulus policy specified in OJK Regulation Number 11/POJK. 03/2020, and it can also be utilized in the process of deferring tax payments.¹⁵

b. Indicators Through the Economic Risk Management Safety Net

Indicators are required to evaluate the effectiveness of policy execution, especially economic stimulation during the pandemic. During the epidemic, policy regulations include economic stimulus. OJK Regulation Number 11/POJK. 03/2020 also has the function of indicators or measurements via the economic risk

management safety net. In this situation, risk management refers to the predicted impact of credit restructuring for debtors affected by Covid-19. Risk management is required as a metric to define the threshold or safety net when entering into credit agreements. This is commonly given to banks and other financial institutions that offer credit to their debtors.¹⁶The writer undertook a sampling of sites, particularly Karanganyar Regency, in assembling the economic risk management safety net to determine the function of indicators from OJK Regulation No. 11/POJK. 03/2020 risk management. This is shown in the form of a table below.

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¹⁴Article 2 paragraph (2) POJK No. 11/POJK.03/2020.

¹⁵Hans Pijl, “State Responsibility in Taxation Matters,” *Bulletin IBFD*, January 2006, page. 38-51.

¹⁶A. Wangsawidjaja. Z, *Commercial Bank Loans, According to Indonesian Banking Theory and Practice*, Jakarta: Gramedia Pustaka, 2020, page. 43.



No.	Banking/Non-Banking Financing Institutions	Debtor	Number of Debtors Applying for Credit Restructuring	Credit Restructuring Amount
1	BRI Unit Jetis	2.653	550	8.270.501.503
2	BRI Unit Sumberejo	2.661	1920	39.348.961.384
3	BRI Unit Pulosari	3.401	906	27.527.811.581
4	KSU Mitra Sejati	723	198	2.267.000.000
5	KSU JafarMedika	832	423	2.145.000
Total		10.270	3.997	79.559.274.468

No.	Banking/Non-Banking Financing Institutions	Debtor Credit Restructuring	Number of Debtors Applying for Extension of Credit Restructuring
1	BRI Unit Jetis	550	233
2	BRI Unit Sumberejo	1.920	922
3	BRI Unit Pulosari	906	477
4	KSU Mitra Sejati	723	365
5	KSU JafarMedika	423	245
Total		2.302	79.559.274.468

Table: Number and recapitulation of credit restructuring and extension of credit restructuring in Karanganyar Regency in 2021-22.

Based on the two credit restructuring tables indicated above, as well as clarification of field data acquired from statistics for numerous banking and non-banking entities, it indicates a growth and possible danger. The bomb bust, a circumstance in which the debtor is unable to pay the principal debt or interest levied after the credit restructuring, is a danger with a concerning consequence from the execution of credit restructuring on impacted debtors. If the majority of debtors who ask for credit restructuring are in the same situation, unable to pay the main or interest debt, this will have a significant impact. The upshot is that credit payments will be congested or stagnant, which would definitely result in huge losses for creditors (banks). Meanwhile, the bomb bust has the potential to occur as a result of the

implementation of OJK Regulation No. 11/POJK. 03/2020, which causes the following issues.

First, banks should carry out credit restructuring in accordance with OJK Regulation Number 11/POJK. 03/2020. Banking circumstances are subject to the goal of credit restructuring implementation, specifically at each regional banking branch office. Banks are encouraged to carry out loan restructuring for debtors affected by the Covid-19 epidemic, in order to meet the weight of benchmarks that must be met. *Second*, the majority of affected debtors tend to extend credit restructuring because: (i) the debtor has not been able to pay off the principal and interest at maturity; (ii) the debtor's economic activities and livelihoods are affected by the pandemic and social restriction policies,



causing them to be unproductive; and (iii) the related debtor benefits from the loan restructuring extension and prefers that option. This is the implication of the economic impact of the Covid-19 pandemic on borrowers in the form of reduced productivity of impacted debtors who are business players or have firms as a result of the government's social restriction policy. *Third*, there are no requirements that the debtor must meet in order to restructure credit. The parameters in question are the principal debt conditions that the concerned debtor must meet before asking for credit restructuring. The nature of credit restructuring implementation is an accessor, in this case following the major credit arrangement. As a result, the parameters for asking for credit restructuring are almost non-existent. *Fourth*, credit restructuring does not lessen the interest charged, so the debtor is still burdened with the principal debt and interest that must be paid when the credit restructuring period is through. Interest that is not paid monthly but is paid by the debtor along with the original debt at the credit restructuring's maturity date. This increases the debtor's burden by the amount of interest that must be paid. This has the potential to result in a bomb detonation or the incapacity of banks to pay credit or interest in bulk.

C. Conclusion

The fulfillment of the welfare state function resulting from the sociological condition of the pandemic's impact on society motivates the need for economic stimulation policies during the pandemic, necessitating an economic stimulus policy instrument. The functions of OJK Regulation No. 11/POJK. 03/2020 as a *bestuurshandeling* instrument for strengthening the economy during the pandemic include strengthening the

economy by restructuring credit and serving as an indicator of economic risk management through the safety net.

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