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## A CRITICAL REVIEW OF THE EFFECTIVENESS OF ECONOMIC POLICIES DURING THE PANDEMIC IN DEVELOPING COUNTRIES

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### Abstrak

This study examines the effectiveness of economic policies in addressing global economic challenges and their impact on various sectors, including SMEs and the informal sector. The primary focus is on analyzing how fiscal and monetary policies can mitigate economic instability and enhance public welfare. The study also explores the role of digital technology in supporting transparency and efficiency in economic policymaking. The research employs both qualitative and quantitative approaches, utilizing secondary data analysis from reliable sources. The findings indicate that strong coordination between central and local governments, along with responsive and inclusive economic policies, can enhance the effectiveness of economic strategies. This research is expected to serve as a foundation for more adaptive economic policies in the future.

**Keywords :** Economic Policy, Fiscal Stability, Digitalization, SMEs, Informal Sector, Government Coordination, Policy Responsiveness.

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### INTRODUCTION

The COVID-19 pandemic has had a significant impact on the global economy, including Indonesia. Various economic policies have been implemented by the government to mitigate the negative effects of the pandemic, such as the COVID-19 Handling and National Economic Recovery Program (PC-PEN), which aims to restore the economy through various fiscal and monetary stimulus measures (Ministry of Finance of the Republic of Indonesia, 2020).

One of the main challenges in implementing economic policies during the pandemic is the imbalance between the need for rapid economic intervention and the government's budget constraints. While expansionary fiscal policies are expected to stimulate the economy, their effectiveness remains a subject of debate among economists (Suryahadi et al., 2020).

Indonesia faces structural issues such as high debt levels, dependence on the informal sector, and limited access to formal financial systems. The COVID-19 pandemic has not only impacted public health but has also affected economic conditions, education, and social life (Yusuf & Sumner, 2020).

This study aims to assess the effectiveness of various economic policies implemented by Indonesia during the pandemic, focusing on their impact on economic recovery, social stability, and fiscal sustainability. By employing a data-driven approach and critical analysis of the policies implemented, this research is expected to provide insights into the extent to which these policies have mitigated the crisis and offer recommendations for policymakers in addressing similar challenges in the future.

## RESEARCH METHODS

This study employs a qualitative approach with a descriptive-analytical method to evaluate the effectiveness of economic policies during the pandemic in Indonesia. The data used in this research comes from secondary sources, including official government reports, academic publications, studies from international institutions, and statistical data related to fiscal and monetary policies.

The data collection technique involves literature review and document analysis to understand the impact of policies on economic recovery, social stability, and fiscal sustainability. The collected data is analyzed using a comparative approach, comparing policies implemented in Indonesia with those in other developing countries, as well as a critical analysis to identify the strengths and weaknesses of the policies.

To ensure the validity and reliability of the findings, this study applies source triangulation by cross-referencing various publications and reports from reputable institutions. The analysis results are systematically presented in the form of qualitative findings, outlining policy effectiveness and providing recommendations for policymakers in addressing similar crises in the future.

## RESULTS AND DISCUSSION

Table 1. Studies on the Effectiveness of Economic Policies During the Pandemic in Developing Countries

No	Year	Research Title	Writer	Research Conclusion
1	2020	The Impact of the COVID-19 Pandemic on Macroeconomic Developments in Indonesia and the Policy Responses Taken	Fahrika, A. I., & Roy, J.	The COVID-19 pandemic has had a significant impact on the Indonesian economy, and the government's policy responses have played an important role in mitigating this impact.
2	2020	Impact of COVID-19 Pandemic on Indonesian Economy	Nasution, D. A. D., Erlina, & Muda, I.	The pandemic has caused a significant economic contraction, and appropriate policies are needed for recovery.
3	2021	Impact of COVID-19 Pandemic on Indonesia's Monetary Stability	Junaedi, D., Efrita, N. M., Romli, M., Faisal, S., & Rizal, A. M.	The pandemic affected Indonesia's monetary stability, and the monetary policy implemented succeeded in maintaining economic stability.
4	2021	Economic Recovery Policy for the Impact of the COVID-19 Pandemic in West Java	Suryahadi, A., et al.	The economic recovery policy in West Java has been effective in addressing the impact of the pandemic, but improvements are still needed in its implementation.
5	2022	Effectiveness of Fiscal Policy to Stimulate the Economy during the	Widiastuti, A. S.	Fiscal policy is a vital tool in addressing the economic impact of the pandemic, but

		Pandemic in Developing Countries		its success depends largely on proper implementation.
6	2023	Analysis of the Impact of the COVID-19 Pandemic on the Economy in Developing Countries	Ivanka, T., et al.	The pandemic has had a wide-ranging impact on developing country economies, and appropriate policy responses are critical to recovery.
7	2023	Dynamics of Monetary Policy and Economic Diplomacy in Facing the Pandemic in Developing Countries	Maulana, I. D.	Monetary policy and economic diplomacy play an important role in addressing economic challenges during the pandemic in developing countries.

Based on an analysis of various studies discussing the effectiveness of economic policies during the pandemic in developing countries, several key findings can be drawn:

### **The Impact of the Pandemic on the Economy**

Research indicates that the COVID-19 pandemic has had a significant impact on the economies of developing countries, including Indonesia. The pandemic led to substantial economic contraction, marked by declining economic growth and rising unemployment rates (Fahraka & Roy, 2020; Nasution et al., 2020). Additionally, monetary stability was affected by increasing global uncertainty (Junaedi et al., 2021). Many business sectors experienced disruptions due to mobility restriction policies aimed at curbing the virus's spread. Micro, Small, and Medium Enterprises (MSMEs), which were among the hardest-hit sectors, struggled to maintain operations, forcing many small businesses to shut down due to declining demand.

### **Effectiveness of Fiscal Policies**

Fiscal policies implemented in Indonesia and other developing countries played a crucial role in mitigating the pandemic's economic impact. Widiastuti (2022) highlights that well-executed fiscal policies can serve as a primary tool for stimulating the economy. However, their success depends heavily on implementation effectiveness and the readiness of each country's economic infrastructure. The Indonesian government allocated substantial stimulus funds for social protection programs, MSME assistance, and subsidies for affected sectors. Nevertheless, challenges such as bureaucratic complexity, misallocation of aid recipients, and budget constraints hindered the effectiveness of these policies.

### **Monetary Policies and Economic Stability**

Junaedi et al. (2021) and Maulana (2023) identified that monetary policies implemented by the government and the central bank were relatively effective in maintaining economic stability amid pandemic-induced uncertainties. Bank Indonesia reduced interest rates and provided additional liquidity to banks to ensure the continued flow of credit to businesses. Additionally, credit restructuring policies were introduced to prevent a surge in non-performing loans. Economic diplomacy also played a role in maintaining stable trade and investment relations during the crisis, with countries engaging in bilateral cooperation to address economic challenges posed by the pandemic.

### **Regional-Level Economic Recovery Policies**

A study by Suryahadi et al. (2021) highlighted that economic recovery policies at the regional level, such as those in West Java, were relatively effective in addressing the pandemic's impact. However, challenges remained in policy implementation, particularly in aid distribution and the effectiveness of economic stimulus programs. Some regions faced delays in disbursing financial

assistance due to limited human resources and a lack of coordination between local and central governments. Additionally, there were disparities in policy effectiveness across regions, with urban areas recovering more quickly than rural areas, which had limited access to economic resources.

### **Comparison with Other Developing Countries**

Research by Ivanka et al. (2023) suggests that the economic impact of the pandemic on developing countries was widespread, with varying policy responses influencing the speed of economic recovery. Countries with more coordinated economic policies and stronger support systems tended to recover faster. For instance, nations that implemented direct subsidies for households and small businesses were able to restore economic stability more quickly than those relying on loan-based stimulus measures. Furthermore, a country's economic recovery success was strongly influenced by its digital infrastructure readiness, as those that had adopted digitalization in financial and trade sectors were better equipped to adapt to economic challenges during the pandemic.

### **Discussion**

Based on an analysis of various studies on the effectiveness of economic policies during the pandemic in developing countries, several key aspects can be highlighted, including the impact of the pandemic on the economy, the effectiveness of fiscal policy, the role of monetary policy in maintaining economic stability, the implementation of economic recovery policies at the regional level, and comparisons with other developing countries.

#### **1. Impact of the Pandemic on the Economy**

The COVID-19 pandemic caused a significant economic contraction in many developing countries, including Indonesia. Declining economic growth, rising unemployment, and disruptions to business sectors—particularly micro, small, and medium enterprises (MSMEs)—were among the major impacts. Mobility restrictions imposed to control the virus's spread hindered economic activities and led to many businesses struggling to survive. Monetary stability was also affected by heightened global uncertainty, which influenced exchange rates, inflation, and investment performance.

#### **2. Effectiveness of Fiscal Policy**

The expansionary fiscal policies implemented by governments played a crucial role in mitigating the economic impact of the pandemic. The allocation of stimulus funds for social protection programs, MSME assistance, and subsidies for affected sectors was a key strategy for economic recovery. However, the effectiveness of these policies faced several challenges, including complex bureaucracy, inaccuracies in aid distribution, and budget constraints that limited the scale of interventions. The success of fiscal policy heavily depended on effective implementation and the readiness of each country's economic infrastructure.

#### **3. Monetary Policy and Economic Stability**

Monetary policies implemented by central banks, such as interest rate cuts and additional liquidity provisions, proved to be effective in maintaining economic stability during the pandemic. Credit restructuring efforts helped prevent a surge in bad loans that could have worsened economic conditions. Additionally, economic diplomacy played a role in maintaining trade and investment relations, enabling developing countries to continue accessing financial resources and global markets.

#### **4. Economic Recovery Policies at the Regional Level**

Economic recovery policies implemented at the regional level yielded mixed results. In some areas, these policies were effective in mitigating the pandemic's impact, particularly through economic stimulus programs and social assistance. However, challenges in aid distribution and a

lack of coordination between central and local governments remained significant obstacles. The effectiveness of policies also varied between regions, with urban areas recovering more quickly than rural areas, which had limited access to economic resources and formal financial services.

### **5. Comparison with Other Developing Countries**

Comparative analysis indicates that developing countries with more coordinated economic policies and strong support systems tended to recover more quickly. Countries that provided direct subsidies to individuals and small businesses experienced faster economic recovery compared to those relying on loan-based stimulus programs. Furthermore, the readiness of digital infrastructure played a crucial role in the effectiveness of economic policies, as nations with more advanced digitalization were better able to adapt to economic shifts caused by the pandemic.

From this discussion, it can be concluded that the effectiveness of economic policies during the pandemic largely depended on factors such as implementation, infrastructure readiness, and coordination among stakeholders. While fiscal and monetary policies helped mitigate the pandemic's impact, there is still room for improvement in terms of transparency, implementation speed, and policy optimization to ensure a more inclusive and sustainable economic recovery.

## **CONCLUSION**

Based on a critical review of economic policies during the pandemic in developing countries, including Indonesia, it can be concluded that fiscal and monetary policies played a crucial role in mitigating economic impacts. However, their effectiveness remained dependent on implementation, infrastructure readiness, and intergovernmental coordination. Expansionary fiscal policies, such as social assistance and economic stimulus, helped prevent more severe consequences, yet bureaucratic hurdles and uneven distribution remained major challenges.

On the other hand, flexible monetary policies, including interest rate cuts and credit restructuring, provided financial stability, although market responses and business sector preparedness were key determinants of their success. Additionally, economic recovery at the regional level showed varying degrees of effectiveness, influenced by resource availability and infrastructure readiness in different areas.

Compared to other developing countries, Indonesia faced challenges in digital technology adoption and social protection, both of which require further strengthening. Therefore, to enhance the effectiveness of economic recovery policies, efforts should focus on improving the efficiency of fiscal policy implementation, strengthening flexible monetary policies, developing digital infrastructure and financial inclusion, and enhancing coordination between central and local governments. Moreover, learning from best practices in data-driven economic recovery strategies from other nations could serve as a strategic approach to addressing future economic challenges.

## **SUGGESTION**

Based on the research findings, several recommendations can serve as references for future studies or policy improvements:

1. Investigate the effectiveness of policies in addressing potential economic crises in the future.
2. Examine how digitalization can enhance transparency and efficiency in the distribution of social assistance and other economic policies.
3. Conduct further studies on how economic policies impact the informal sector and MSMEs, which play a significant role in the economies of developing countries.

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