

# Strategies for Economic Recovery through the Post Covid-19 Tourism and Transportation

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## Abstract

**Purpose:** The purpose of this research is to find a solution regarding the strategy of economic recovery through the tourism and transportation sectors.

**Methodology:** This study uses a qualitative descriptive statistical analysis method, namely by understanding the phenomena that occurred during the covid-19 pandemic that caused the economic downturn, one of which was the tourism and transportation sectors. Results: The results of this study there are three solutions that the authors provide, among others: (1) changing the quality of service to the community; (2) improve the quality of service to the community; (3) the existence of a fiscal stimulus, namely the provision of tax incentives.

**Limitations:** lack of references related to articles on economic sector recovery so that the results obtained are less than optimal and there is limited time in research.

**Contribution:** as a solution for companies affected by COVID-19 regarding economic recovery strategies related to the tourism and transportation sectors.

**Keywords:** Covid-19, Business Strategy, Tax Incentives

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## 1. Introduction

Indonesia is a country that has a large area, which consists of 34 provinces and 416 regencies. This vast area makes economic development in Indonesia uneven. At the beginning of 2020, Indonesia was hit by the COVID-19 pandemic. The impact of this pandemic is that there are social restrictions (lockdowns) that reduce people's mobility, resulting in a decline in the performance of several sectors, especially in the fields of tourism, restaurants, and hotels (Yanti et al., 2022). According to IMF (2020) according to the World Economic Outlook report in 2022, the global economy is estimated to be increasingly bleak, this is due to global inflation, global growth slowing to 3.2 percent in 2022. However, in fact, countries around the world, especially Indonesia, are starting to gradually carry out the post-pandemic recovery process. covid-19.

Coordinating Minister for the Economy Airlangga, Hartato said that there are three keys in carrying out economic recovery after the pandemic, including: (1) Maximizing job opportunities in potential sectors, such as the digital sector, through development, capacity, and relevant skills; (2) Encouraging productivity to create added value in sectors that are a source of new economic growth; (3) Creating an ecosystem for an earth-worthy earth, promoting sustainable employment, and a just and affordable energy transition. According to Law Number 24 of 2004 concerning disaster management, Recovery is a stage of activities carried out to restore the condition of the community and the environment affected by the disaster by re-functioning institutions, facilities and infrastructure by carrying out rehabilitation efforts. In the process of recovering the business sector, the movement of human resources, and logistics must be guaranteed. If the business sector before Covid was expected to run smoothly, but after the current normal situation, it is required to run smoothly and safely in accordance with the conditions of using good health protocols. According to the survey results from the Central Statistics Agency (BPS), 82.85% of companies were affected by the COVID-19 pandemic, as follows:

No	Sector Name	Value
1	Accommodation and food/drink	92.47%
2	Other Services	90.9%
3	Transportation and Warehousing	90.34%
4	Construction	87.94%
5	Processing industry	85.98%
6	Trading	84.6%

Source: Central Bureau of Statistics August 11 (2022)

According to [Sembe et al., \(2021\)](#) The occurrence of several losses experienced by the business sector in the transportation sector indicates the existence of financial distress in transportation companies. Financial distress is the initial stage of the possibility of an organization experiencing bankruptcy ([Manan & Hasnawati, 2022](#)). *Financial distress* is a condition when a company cannot fulfill its obligations to other parties (creditors) due to a lack of funds. One of the strategies that encourage the recovery of the Indonesian economy can be carried out in the tourism sector, which is being carried out in 2022. The real evidence that now we can see the impact of this pandemic is when the price of air transportation is expensive. Ticket prices soared after the pandemic on airlines. This is being done to increase the company's revenue. So that the income of the transportation sector is increasing. Therefore, this article aims to analyze the economic recovery strategy in the tourism sector.

## 2. Literature Review

### 2.1 Agency Theory

Agency theory defines the relationship between shareholders as principals and management as agents. Management is a party that has been contracted by shareholders to work in the interests of shareholders. The election of the management is intended as the person in charge of all his work to the shareholders. The agency relationship is a contract in which the principal and agent perform work on behalf of the principal and authorize the agent to make the best decisions for the principal ([Nurkomala et al., 2022](#)). Agency problems occur if the company's share ownership by the manager is less than one hundred percent. With the proportion of partial ownership of the company, managers will maximize their personal interests and not maximize the company. The concept of agency theory proposed by (Scott, 2015) is the contact or relationship between the principal and the agent, the principal is the party who employs the agent to carry out tasks for the benefit of the principal. According to Jensen & Meckling (1976) agency relationship is a contract in which one or more people (principal) employ another person (agent) to perform a number of services and delegate the authority to make decisions to the agent. Agency theory is the relationship between the principal (owner or shareholder) and agent (manager). Then in the agency relationship there is a contract where the principal authorizes the agent to manage his business and make the best decisions for the principal. Agency theory provides an important role for accounting, especially in providing post-event information which is said to be a post-decision role. This role is associated with the role of accounting management where an agent can report to the principal about past events. Information asymmetry is the last explanation in agency theory that focuses on problems that arise from incomplete information. This theory predicts that all individuals will act in their own interests. Shareholders as principals are also expected to be only interested in profitable investment returns in the company. Then the agent is expected to receive benefits in the form of financial compensation and the terms in the relationship. This difference in economic interests can be caused and causes the emergence of information gaps between companies and shareholders. The explanation that managers are agents for the board of directors or shareholders is in accordance with agency theory. There are several major problems in agency relationships, namely the control of shareholders to managers, costs that follow the agency relationship and minimize costs. Conflicts between the interests of owners and management are known as agency conflicts. Agency conflict can lead to opportunistic management which causes manipulation of earnings quality.

## **2. 2 Signal Theory**

Signal theory (signalling theory) is a theory that explains that this theory is used to provide positive signals (good news) and negative signals (bad news) to its users. (Spence, 1973) defines signal theory as explaining the reasons why companies should present information for the capital market. Signal theory shows the existence of information asymmetry between company management and parties with an interest in the information, as well as how companies should provide signals to users of financial statements. This theory is a theory that explains the rise and fall of market prices, thus influencing investor decisions. Signaling theory emphasizes the information provided by the company on investment decisions by parties outside the company. This theory assumes that managers have complete information about the value of the company that is not known by outside investors and managers are the ones who often maximize the expected incentives. signaling theory (Signalling Theory) plays an important role for companies because it has the urge to provide information on the company's financial statements to external parties (investors) which will later become a signal for investors to make financial statements. investment decisions in companies.

## **2. 3 Economic Theory**

Economic growth is an increase in the standard of living over time for most families in a country. A growing economy stems from an increase in people's incomes which allows people to consume more and more variety (Ismail, nd). However, the progress and success of development is not the only indicator of development success (P. Todaro & Smith, 2006). In an economy there are various indicators to assess the performance of economic sustainability, one of which is using the Gross Domestic Product (GDP) approach. Meanwhile, GDP itself is the market value of all final goods and services that have been produced by a country in a certain period. At the regional level, the total value added of goods and services resulting from all regional economic activities in a certain period is measured using Gross Regional Domestic Product or known as GRDP. The increase in value added from an input (raw material) to an output (product) indicates a development in the economy of a region.

## **3. Methodology**

This research on economic recovery through the tourism and transportation sectors uses descriptive qualitative statistical analysis methods (Anggarini, 2021) namely by understanding the phenomena that occurred during the covid-19 pandemic that caused economic decline, one of which was the tourism and transportation sector, then providing solutions related to these problems. The data used in this study is a literature study in the form of literature, articles, journals, websites, and books.

## **4. Results**

### **4.1 Tourism and Transportation Development Policy in Indonesia**

The tourism sector is listed as the second largest foreign exchange earner in Indonesia after the palm oil industry, this contribution continues to increase and achieve the target from 2015-2019, although there was a decline in 2016 (Ministry of Tourism and Creative Economy RI, 2014). The development of tourism in Indonesia can be achieved by increasing the number of tourist visitors. To attract tourists, of course, Indonesia needs to promote abroad through events such as the ASIAN Games which have contributed greatly. Based on data from the Ministry of Tourism and Creative Economy of the Republic of Indonesia, there were 4,861 million tourists contributing with the largest growth reaching 21.02%. It is these agendas that might be prioritized so that the tourism sector continues to advance. The tourism sector is recorded as a significant contributor to the Indonesian economy. In 2018, there were 15.81 million foreign tourist visits with a growth of 12.58% and able to contribute foreign exchange of USD 19.3 billion. This contribution can reduce pressure on the balance of payments in Indonesia, which recorded a deficit of USD 7.1 billion in 2018, and is projected to become the largest contributor in the next 5 years. The tourism sector can run well, this is supported by the existence of various types of businesses that can help tourists as consumers. Extensive activity value chain linkages in various types of businesses, so as to create business fields for the community. But all that changed instantly, when the pandemic began to hit in early 2020. The tourism sector, which was originally one of the pillars of the Indonesian economy, now has to be temporarily suspended due to government

regulations that prohibit people from leaving their homes during a pandemic. This is certainly a big problem for this sector.

#### **4.2 *The Impact of the Covid-19 Pandemic on the Development of the Tourism Sector and Transportation***

At the beginning of March, Indonesia was hit by the COVID-19 pandemic due to this pandemic, many people were affected, not only on their health but also on their economy. The existence of a large-scale social restriction (PSBB) policy and the closure of recreational and entertainment venues aimed at suppressing the spread of COVID-19 caused the movement of people to decline, this had a considerable economic impact on the tourism sector. (Sutrisnawati et al., 2021). Based on data from the Central Statistics Agency, it noted that foreign tourists (tourists) in 2020 experienced a decline. Recorded 1.27 million visits. This figure has decreased by 7.62 percent compared to 2019 of 1.37 million. This percentage is due to the COVID-19 pandemic.

The challenges faced by the tourism sector are based on: OECD (2020) is as follows:

- a. on Transportation and Travel Services: (1) airlines that have to stop their operations; (2) shipping companies face a double challenge to ensure the safety of visitors and workers, because some cruise ships are unable to dock and return clients, as well as suffer losses due to booking cancellations.
- b. railway transportation which experienced a significant decline in revenue, as well as restaurants

#### **4.3 *Economic Recovery Strategy Through the Tourism and Transportation Sector***

The Covid-19 pandemic has greatly impacted the economy of a country so that in the process of economic recovery at this time of course we have to do several strategies, especially in the process of developing the tourism sector, such as changing business strategies through various innovations. Such as presenting new services or products while maximizing digital technology. This strategy aims to deal with the declining occupancy rate due to the Covid-19 pandemic. The government has also implemented strategies from the transportation sector to accelerate the recovery process due to the Covid-19 pandemic, such as the construction of a number of airports, ports, terminals, stations and other transportation facilities. Then must improve the quality of service to the community. After being released from outside activities with the re-enactment of PSBB and other policies during the pandemic, the economic recovery from the Tourism and Transportation sector has begun to improve, judging by the large number of requests for travel tickets by the public, the hope is that the economy will improve. During the Covid-19 pandemic, almost all businesses experienced a huge impact. This prompted the government to provide solutions for companies affected by the Covid-19 pandemic, one of which was to provide various economic stimuli to reduce pressure and improve the economy in Indonesia. One form of stimulus that is given in the form of fiscal stimulus is the provision of tax incentives. Tax incentives are part of tax policy which is one of the strategies in taxation (Hartini & Suwandewi, 2022).

Instruments in the field of taxation, especially tax incentives, have been issued by the government to respond to Covid-19, namely:

- a. PMK Number 23/PMK.03/2020 regarding tax incentives for taxpayers affected by the corona virus outbreak (has been revoked and replaced with PMK Number 44/PMK.03/2020 regarding tax incentives for taxpayers affected by the 2019 corona virus disease pandemic).
- b. Perpu No. 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Corona Virus Disease 2019 (COVID-19) Pandemic and/or In Facing Threats That Endanger the National Economy and/or Financial System Stability (has been stipulated as Law of the Republic of Indonesia Number 2 Year 2020 concerning the Stipulation of Perppu Number 1 of 2020 to Become Law).
- c. PMK Number PMK Number 28/PMK.03/2020 concerning Provision of Tax Facilities for Goods and Services Necessary in the context of Handling the 2019 Corona Virus Disease Pandemic.
- d. PMK Number 44/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic (has been revoked and replaced with Minister of Finance Regulation Number 86/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the 2019 Corona Virus Disease Pandemic).

- e. Law of the Republic of Indonesia Number 2 of 2020 concerning Stipulation of Perppu Number 1 of 2020 to Become Law on Forms of Incentives in the Taxation Sector: adjustment of Income Tax rates for domestic corporate taxpayers and permanent establishments. Adjustment of Income Tax rates for domestic corporate taxpayers and permanent establishments as referred to in Article 4 paragraph (1) letter a in the form of a reduction in rates of Article 17 paragraph (1) letter b of the Law on Income Tax to:
  1. in the amount of 22% (twenty two percent) applicable in Fiscal Year 2020 and Fiscal Year 2021; and
  2. 20% (twenty percent) which will come into effect in the 2022 Fiscal Year.
- f. Government Regulation Number 29 of 2020 concerning Income Tax Facilities in the context of Handling Corona Virus Disease 2019 (COVID-19)

## 5. Conclusion

The impact of the COVID-19 pandemic is the existence of social restrictions (lockdowns) that reduce community mobility, resulting in a decline in the performance of several sectors, especially in the fields of tourism, restaurants, and hotels. (Pambudi et al., 2020). The real evidence that now we can see the impact of this pandemic is when the price of air transportation is expensive. Ticket prices soared after the pandemic on airlines. This is being done to increase the company's revenue. So that the income of the transportation sector is increasing. Therefore, this article aims to analyze the economic recovery strategy in the tourism sector. The solutions provided in this article are: (1) we carry out several strategies, especially in the process of developing the tourism sector, such as changing business strategies through various innovations. Such as presenting new services or products while maximizing digital technology. This strategy aims to deal with the declining occupancy rate due to the Covid-19 pandemic; (2) The government has also implemented strategies from the transportation sector in encouraging the acceleration of the recovery process due to the Covid-19 pandemic, such as the construction of a number of airports, ports, terminals, stations and other transportation facilities; (3) One form of stimulus that is given in the form of fiscal stimulus is the provision of tax incentives.

## Limitations and Recommendation

The limitations of this study are the lack of references related to articles on economic sector recovery so that the results obtained are less than optimal and there is limited time in the study. Future research is expected to find and add more references and extend the research time. So that researchers can get better and maximum results. Then it is hoped that it will make the readers of the article easier to understand. It is hoped that future researchers can also provide more solutions than research.

## Gratefulness Phrase

Thank you to various parties who have been involved in this research, hopefully this article can be useful for various parties in the future.

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