APPLICATION OF THE INFLATION CONTROL MODEL IN MAINTAINING FOOD SECURITY DURING THE COVID-19 PANDEMIC IN LANGSA CITY

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Abstract

The economic development of a country generally aims to achieve a high level of economic welfare, which is indicated by the level of full employment. This condition leads to less and less unemployment capacity of production factors in the economy. However, sometimes the use of production factors in the economy has the potential to cause other economic problems, namely inflation. Every region in Indonesia certainly has experienced problems in its economy. Problems in the economy are related to the problem of stabilization, namely how to avoid problems such as inflation, unemployment, and imbalances in the balance of payments. Economic stability is needed in order to keep people's income from being eroded by rising prices (inflation). In this way, society will become more prosperous. Inflation from time to time can undermine the value of money owned by the community. The higher the aggregate price, the lower the value of real money in an economy. This can reduce the welfare of society. Price stability is a barometer of a country's real economic growth. The phenomenon of inflation is an interesting object of study. Various debates or discussion forums around the world, both nationally, regionally, and internationally, especially those organized by the World Bank and the International Monetary Fund (IMF) constantly discuss inflation. Inflation in developing countries that are actively developing, among others, stems from the massive imports of materials for industry that cannot be produced domestically. Political rumors are also not left behind triggering rising inflation. Not to mention the consumerist pattern of society, especially in consumer goods due to the openness of the economy, making the economic performance of the country plagued by inflation even worse. This study aims to formulate a strategy on how to control inflation by referring to the strategic food balance model in tackling inflation. The strategic food balance model has its own output in suppressing inflation, which is much different from other economic systems. The results of this study are expected to suppress inflation by combining monetary and fiscal policies that refer to the strategic food balance model. However, to achieve socio-economic justice norms, efforts need to be made to maintain price stability, through moral improvement strategies, equitable distribution of income and wealth, and the elimination of usury. This type of research is a descriptive quantitative and qualitative descriptive study using a mix method by conducting interviews with the target population, namely 50 respondents, namely 10 government officials from the relevant agencies in Langsa City, as well as 20 small business owners who sell strategic food products and 20 business owners who sell in Langsa City. Traditional Market Center in Langsa City. In this study, a focus group discussion will be held by inviting a number of regional officials from the Langsa City related department, traders of strategic food products and other stakeholders. They are expected to provide input in completing the design of a strategic food balance model and implementing policy recommendations in suppressing inflation in Langsa City.

Keywords: Inflation Control, Food Security, Strategic Food Balance, Covid-19

INTRODUCTION

Every region in Indonesia has experienced turmoil in its economy. The problem in the economy is related to the stabilization aspect, namely how to avoid problems such as inflation, unemployment, and imbalances in the balance of payments. Economic stability is needed in order to keep people's income from being eroded by rising prices (inflation). In this way, society will become more prosperous. Inflation from time to time can undermine the value of money owned by the community. The higher the aggregate price, the lower the value of real money in an economy. This can then reduce the welfare of the community. Price stability is a barometer of a country's real economic growth. Inflation is an interesting issue to study in the long history of the world economy.

Every country always tries to create a controlled and stable inflation rate in its country. Inflation has a positive impact and a negative impact depending on its severity. If inflation is light, it actually has a positive effect in the sense that it can encourage a better economy, namely increasing national income and making people excited to work, save and invest. Various theories have been developed but until now there is no truly comprehensive theory to interpret clearly and provide the right solution to prevent the negative impact of the inflation problem. One of the perceived impacts of inflation is the decline in the value of money that is actually held by the public. Fixed amount of community income that cannot be following the increase in prices will cause the real income of the community to decrease. Inflation also reduces purchasing power, especially for the poor or fixed-income people.

Inflation can also reduce people's interest in saving because the value of the currency is decreasing. If people are reluctant to save, the business and investment world will be difficult to develop. Inflation can also widen the income gap between the rich and the poor. Creditors or parties who lend money will also be affected by inflation because the value of the money returned is lower when compared to when borrowing. Inflation causes an increase in production costs so that it can inhibit productive investment by producers, so that producers are reluctant to continue their production.This underlies the need to conduct a study to be able to control and suppress the inflation rate so that later it can help the community and small business actors in surviving the current COVID-19 pandemic. The specific purpose of this research is an effort to suppress the inflation rate in Langsa City, Aceh Province, by providing policy recommendations by adapting the strategic food balance method. Thus, it is hoped that it will create convenience for the community in obtaining basic needs, especially strategic food products so that the purchase price of these products does not soar too high.

LITERATURE REVIEW

Inflation

Ardiansyah (2017) states that inflation can generally be understood as a general or comprehensive increase in the price of goods that occurs within a certain period of time. There are several types of inflation. Types of inflation by nature:

a. Mild inflation is inflation characterized by a low inflation rate, usually in the single digits per year or less than 10%.

b. Moderate inflation is inflation marked by a fairly large increase in prices and double-digit value, namely between 10 < 30% and occurs in a relatively short time.

c. High inflation is the most severe inflation due to price increases of more than 30%.

Inflation in Developing Countries

Many thoughts on inflation in developing countries show that inflation is not merely a monetary phenomenon, but also a structural phenomenon or cost push inflation. This is because the economic structure of developing countries in general is still an agrarian pattern. Thus, economic shocks originating from within the country, for example crop failure (due to external factors that change the seasons too quickly, natural disasters, etc.), or matters related to foreign relations, such as worsening terms of trade, foreign debt country, and foreign exchange rates, can cause price fluctuations in the domestic market. Structural phenomena caused by gaps or structural constraints in the economy in developing countries are often referred to as structural bottlenecks (Rahayu et al. 2021). Structural bottleneck is divided into 3 things, namely:

1. Supply from the agricultural (food) sector is inelastic.

2. Limited (small) foreign exchange reserves as a result of smaller export income than import financing.

3. Limited government spending

Real Sector Monetary Policy

Bank Indonesia's objective is to maintain the value of the rupiah. In controlling the monetary sector, Bank Indonesia is authorized to determine and implement monetary policy (Hasoloan, 2012), policy instruments in the form of:

a. Open Market Operations

b. Statutory Reserve Requirement

c. Discount Facility

d. Moral Appeal

The explanation of these instruments is that open market operations are the process of buying and selling short-term securities. Minimum statutory reserve requirement is a central bank regulation that requires banks to maintain a number of liquid instruments in the amount of a specified percentage. Discount facility is a loan granted to banks in an effort to overcome the liquidity problems of banks in the short term due to mismatches in fund management. moral appeal, this is an effort made by the central bank to encourage and provide input to banks in managing their assets and liabilities, this instrument is only to support the effectiveness of other monetary policies.

METHOD APPROACH

Research Types and Design

This type of research is descriptive quantitative and descriptive qualitative (mixed method). Quantitative and qualitative descriptive, namely observations and critical investigations to obtain precise information on a particular problem and object in the area of a particular community group or location will be studied or described or described a situation as clearly as possible without any treatment of the object under study (Ruslan, 2010).).

Population and Sample

The population of this study are all stakeholders related to inflation control in Langsa City. The sample consists of 10 government officials in Langsa City, as well as 20 small business owners who sell strategic food products and 20 business owners who sell in the traditional market center of Langsa City, with a total of 50 in total.

Data Types and Sources

The type of data used in this study is primary data obtained from interviews and public discussions (Focus Group Discussion) which was carried out by inviting resource persons from agencies/institutions related to Langsa City (Trade Department, Agriculture Service, BPS, etc.), and the personnel who are members of the Langsa City Regional Inflation Control Team. In addition, secondary data is also used in the form of documents and reports from local agencies related to inflation and production, consumption and distribution of strategic food products in Langsa City.

Method of collecting data

This research uses triangulation method. Data triangulation is a technique of checking the validity of data that utilizes something else (Moleong, 2017). This study uses source triangulation by means of researchers comparing and re-correcting the degree of confidence in information or interview results obtained from research interviews (Moleong, 2017). The validity and credibility of the data was achieved by comparing the results of the interview with a document related to the results of the observations that had been made.

DISCUSSION

Geographical Condition

Langsa City was formed through Law Number 3 of 2001 which previously had the status of an administrative city to become a City Government. Langsa City is located in the east of Aceh Province, which is positioned to the north of Sumatra Island, which is at 04°24'35.68"-04°33'47.03" North Latitude and 97°53'14.59"- 98°04 '42.16" East Longitude, and has an area of 262.41 Km². Langsa City is located on a coastal alluvial plain with an elevation of around 8 m above sea level, in the Southwest and South it is bordered by moderately wavy

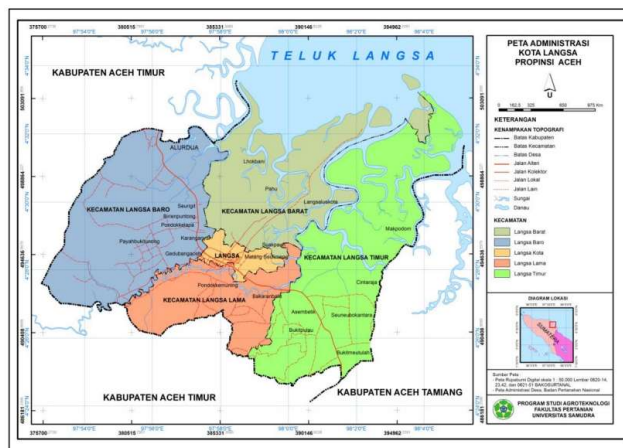folds, with an elevation of 75 m, while in the East it is a swampy area with a fairly wide distribution.

Figure 1: Langsa City Map

The land area of Langsa City is 26,241 Ha and about 62 of the total area of Langsa City in 2002 is built-up area. The main composition of land use in Langsa is housing at 62.5 and green open space at 14.1. While the remaining 11.9 rice fields, 2.8 office buildings, 1.9 forests and so on 6.8 DED Langsa City, 2006. The area of Langsa City with the number of house buildings in Langsa City area in 2011 was 30,067 units. The HPLHGB area in Langsa City is 7,256 Ha, while the slum area is 7,835 Ha.

Langsa City Economic Condition

The main economic activity in Langsa city is from the trade sector with a value of 28.87%. Then the second largest is from the manufacturing sector, worth 23.45%. The processing industry in Langsa City is the wood processing industry, where the raw materials for the timber industry are imported from logging locations such as East Aceh District, Aceh Singkil, North Aceh, Central Aceh, Southeast Aceh and Pidie. The economic potential in Langsa City is still not handled properly. Meanwhile, the Langsa City Government is still prioritizing itself on improving the quality of human resources, both the community and government officials.

Inflation Development

Indonesia's inflation continues to show signs of slowing down. Instead of being grateful, this phenomenon has become a note to watch out for. General inflation on a monthly basis (month-on-month/MoM) in April 2020 was 0.08%. While annual inflation (year-on-year/YoY) is 2.67% and annual core inflation is at 2.85%.Inflation occurred due to rising prices in most expenditure group indices, especially food, beverage and tobacco commodities.Meanwhile, Bank Indonesia (BI) estimates that the inflation rate in November 2021 will be 0.31 percent on a monthly basis (month-to-month/mtm).on a calendar year basis,

namely 1.24 percent (year-to-date/ytd), and on an annual basis by 1.69 percent (year-on-year/yoy).Inflation is the main trigger by rising food commodity prices in the market.
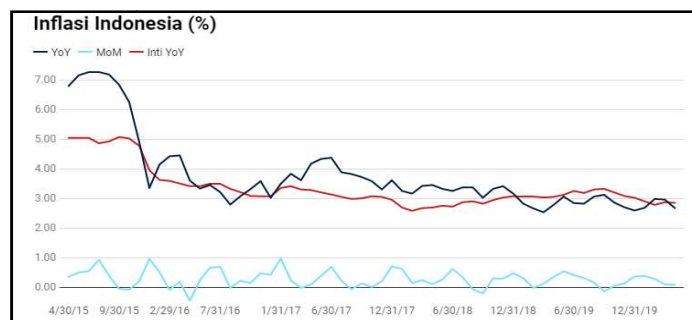

Figure 2: Indonesia's inflation chart in 2020

Aceh's inflation in October 2021 was recorded at 0.43% (mtm) and was the highest since the last five months. In contrast to previous months, inflation in November experienced an upward trend in line with increasing public consumption. This is the impact of increasing the national economy. The source of Aceh's inflation in November 2021 mainly came from the increase in tariffs for raw materials for food and ready-to-eat food. This is shown by the annual graph of Aceh from 2004 to 2020, where the inflation rate decreased due to Covid 19.

Figure 3: Aceh inflation chart for 2004-2020

Inflation Countermeasures

In essence, the government has set the inflation target as stated in Act No. 23/1999 on Bank Indonesia. Bank Indonesia has already decided on the inflation goal. Meanwhile, after the law, the government set an inflation target in order to increase the credibility of Bank Indonesia. The purpose of Bank Indonesia's monetary policy is to regulate the price point of the accumulated application portion (application management). In this situation, monetary policy is not intended to react to rising inflation caused by volatile events which will disappear by themselves. The Consumer Price Index is often used to determine the inflation rate (CPI). At the coordination meeting of the Essential Inflation Supervision Team (TPIP) February 11, 2021,

Among the important measures targeted to protect inflation in Langsa City within the range set by the government with a target of 3.0 percent to 1% in 2021 are the following:

1. Maintain volatile food inflation in the range of 3.0% to 5%. Efforts are underway to improve the four main pillars of the future: Affordability, Reserve Availability, Easy Dispensing and Efficient Communication (4K). The Covid-19 pandemic is listed as confirming the availability of reserves and the smooth distribution before the National Faith Day (HBKN). The implementation of the strategy is centered on ensuring sustainable supply and smooth distribution across the region, among others through the use of data technology and increased regional cooperation;

2. Efficient distribution by increasing national food security through increased production, including through the food estate program, as well as optimizing infrastructure and preparing for the impact of natural disasters;

3. Protecting the availability of Government Rice Supplies (CBP) as part of the Supply Availability and Price Stabilization (KPSH) program to help strengthen the Separation of Citizen Activities (PPKM).

4. Strengthening local government coordination in inflation resolution by holding a Coordination Meeting on efforts to empower food cooperatives and MSMEs through Optimizing Digitalization to Support Economic Healing and Stable Food Prices.

Cooperatives and micro, small and medium enterprises (MSMEs) are the basis of the people's economy and occupy a strategic position in an effort to encourage the city's economy, expand employment, and improve the welfare of city residents. Behind the fairly good contribution of MSMEs to the national economy, of course, this sector still has a myriad of very basic problems. MSMEs are still weak in business management capabilities, the quality of human resources is still limited, as well as weak access to financial institutions, especially banks. Langsa City is one part of the Aceh region which consists of 5 sub-districts, however, the distribution of small business locations is not evenly distributed in all districts,

CONCLUSION

Based on the data obtained, it is known that the population of Langsa City in 2020 reached 191,005 people with a male population of 96,000 people and 95,005 women. Langsa City is located in the east of Aceh Province, which is positioned to the north of Sumatra Island, which is at 04°24'35.68"-04°33'47.03" North Latitude and 97°53'14.59"- 98°04 '42.16" East Longitude, and has an area of 262.41 Km². Efforts to overcome inflation in Langsa City are to follow government regulations in maintaining food security in Langsa City by strengthening local government coordination in inflation resolution by holding a Coordination Meeting on efforts to empower food cooperatives and MSMEs through Optimizing Digitization to Support Economic Healing and Stable Food Prices.

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