

Effectiveness of Government Policy in Home Ownership Credit Offer Program with Zero Percent Down Payment during the Covid-19 Pandemic

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Abstract

This article discusses the effectiveness of government policies in home ownership credit offering program with zero percent down payment during the covid-19 pandemic. The writing of this article uses a qualitative method through a literature study approach. Data sources are taken from trusted sources and books as references. The data analysis technique was carried out by means of the researcher's interpretation of the data obtained. The results of the discussion showed that in the face of the COVID-19 pandemic, the government issued a monetary policy to restore the national economy and boost the economy in Indonesia which was sluggish due to the COVID-19 pandemic. Monetary policy carried out by the government that is Bank Indonesia issued a home ownership credit offering program with zero percent down payment effective from March 1, 2021 to December 31, 2021. The home ownership credit offering program with zero percent down payment received a positive response from the public, developers and banks and based on data from Central Bureau of Statistics Republic of Indonesia that zero percent down payment program during the covid-19 pandemic grew zero point ninety four percent during the first 3 months of 2021 so that the government's policy in offering home ownership credit programs with zero percent down payment was effective in encouraging the economy in Indonesia, especially in the property sector in the context of recovery national economy. While in Islamic financial institutions, monetary policy is viewed from the financing of home ownership with a murabahah contract.

Keywords: *Government Policies, Home Ownership Credit, Covid-19.*

INTRODUCTION

The spread of the Covid-19 outbreak began at the end of December 2019 in Wuhan City, Hubei Province, China and currently the Covid-19 virus has spread to various countries [NSWF20]. Indonesia has experienced the Covid-19 pandemic since March 2020 until now. Several strategies have been implemented by the government in dealing with the impact of the pandemic. Various policies have been taken by the government as strategic policies in restoring the national economy. In dealing with the Covid-19 pandemic, the government is trying to always stabilize the economy, but in order to maintain inflation, the government needs to issue policies to minimize the impact of the Covid-19 pandemic on the economy in Indonesia.

Before the Covid-19 case broke out in Indonesia, the property market was still experiencing positive growth in 2019. Even at the beginning of the spread of the Covid-19 case, the performance of the property sector was still conducive. However, the Covid-19 pandemic has spread to several major cities and has affected the performance of the property sector. Covid-19 has had an impact on the property business in the form of declining property purchases and demand, and the disruption of homeowner credit distribution [DHN21]. There was slowing demand during the first quarter of 2020, where the first quarter usually experiences an increase in the property supply index on an annual basis.

The policies implemented by the government in the economy consist of fiscal policy and monetary policy. Monetary policy is one of the policies that aims to achieve internal balance and external balance in order to achieve macroeconomic goals [NZ18]. One of the monetary policies issued by the government in Indonesia to improve the economy due to the Covid-19 pandemic that occurred in 2020, the government issued a new policy through Bank Indonesia, namely by issuing a zero percent down payment regulation for KPR applications effective from March 1, 2021 to December 31, 2021. This policy is called discretionary policy, namely a policy that is set from time to time or a policy that always changes each period [Rah94]. This was done by the government to encourage and restore the economy in Indonesia which previously progressed very slowly.

Bank Indonesia relaxed (Loan to Value/LTV) as a policy instrument related to credit control [Mut19]. Loan to value is the ratio between the credit value that can be provided by the bank to the collateral value in the form of property at the time of credit provision [ISA]. Bank Indonesia has changed the provisions of the down payment ratio for home loans (Loan to Value/LTV) or the ratio of loans and property financing from the original 85 percent to 90 percent to 100 percent so that demand for installment loans can be more affordable and down payments can be further reduced.

The relaxation applies to all types of property, including landed houses, flats, and shophouses or shophouses and has a Non-Performing Loan (NPL) and Non-Performing Financing (NPF) or problematic financing credit of less than five percent. By providing a minimum down payment and cutting interest rates, it is hoped that the upper middle class can also divert their savings into other forms of assets, one of which is property, because with low interest rates, people are looking for investments with higher returns. But in reality, banks also need to review debtors who are entitled to a zero percent down payment offer for home purchases and the decision to provide a zero percent down payment is entirely the policy of the bank as a credit provider because each bank has different risk management but banks are allowed to provide home loans with a zero percent down payment.

METHOD

This article is written using a qualitative method through a literature study approach. Data sources are taken from reliable sources and books as references. Data collection techniques are carried out by quoting from reliable publication sources, both online and in printed publications. Data analysis techniques are carried out by means of researcher interpretation of the data obtained.

RESULTS AND DISCUSSION

Government Policy in the Mortgage Offering Program during the Covid-19 Pandemic

The economy in Indonesia has declined due to the long-lasting Covid-19 pandemic, various efforts have been made by the government to deal with the economic downturn. Indonesia's economic growth in 2020 was originally estimated at 5.3 percent, but this figure was corrected as a result of the pandemic and some groups predicted growth below 2 percent [Had20]. The economic downturn is due to the very low increase in the amount of money in circulation.

To that end, the government or monetary authority needs to control the amount of money in circulation. The activity of controlling the amount of money in circulation is called monetary policy, which is basically an integral part of the macroeconomic policy taken by the monetary authority [W+17]. The monetary policy taken by the central bank in influencing money circulation and interest rates is one aspect that determines macroeconomic stability, especially controlled

inflation rates and stable exchange rates [Juh21].

Corona virus or Corona virus disease 2019 (Covid-19) has caused the Indonesian economy to contract [FR20]. The weakening economy in Indonesia due to the Covid-19 pandemic has caused many industrial sectors to experience a drastic decline. One of them is in the property sector where before the pandemic the property sector grew every year. On the other hand, public interest in investing in the property sector is still high. However, soaring prices and stagnant incomes make it increasingly difficult for people to invest, especially during the pandemic. To overcome the impact of the Covid-19 pandemic, the government continues to strive to restore the economy while increasing economic growth in Indonesia by issuing monetary policies.

Monetary policy is very important to implement because it is related to the proposition that money circulation has a close relationship with the goods and services sector or the real sector [SS17]. The monetary policy implemented by the Indonesian government is an expansionary monetary policy by implementing an Easy Money Policy or loose money policy. In the literature review, two types of monetary policies are known, namely expansionary monetary policy and contractionary monetary policy. Expansionary monetary policy is a monetary policy aimed at encouraging economic activities, which is done by increasing the amount of money in circulation. In contrast, contractionary monetary policy is a monetary policy aimed at slowing down economic activities, which is done by reducing the amount of money in circulation [W+17].

Easy Money Policy (EMP) is a policy carried out if the central bank wants to increase the amount of money in circulation (liquidity) to achieve stability in the economy by lowering interest rates [Tan08].

The purpose of this policy is to revive sluggish economic conditions. When money supply rises, the interest rate trend will tend to decline.

Low interest rates will trigger investment (due to the low cost of capital), and will ultimately increase aggregate demand.

Expansionary monetary policy is issued by the government through the monetary authority, namely Bank Indonesia. Bank Indonesia's task is to maintain monetary stability, circulate money and develop the banking system as well as carry out several commercial bank functions [WIQN19].

In general, it can be said that monetary policy affects the circulation of money in the economy, which is reflected in the development of the money supply, interest rates, credit, exchange rates and various other economic and financial variables [War17]. Monetary policy can use both direct and indirect instruments. Direct instruments are monetary control instruments that can directly influence the operational targets desired by the central bank.

While indirect instruments are efforts to control monetary amounts by influencing the central bank's balance sheet. The forms of direct instruments that are widely used are interest rate ceilings, credit ceilings, and central bank program/special credits (directed credits). While the main forms of indirect instruments are open market operations (OPT), primary reserves (reserve requirements), and short-term funding facilities or discount facilities [B+17].

To increase the amount of money, the government lowers the central bank's interest rate, and conversely increases the interest rate in order to reduce the money in circulation. The borrowing cost (interest) from the loan is called the discount rate or discount facility [Kar15]. The monetary policy implemented by Bank Indonesia in February 2021 was the issuance of a regulation on a

Down Payment or down payment of zero percent for home purchases in Indonesia which was effective from March 1, 2021 to December 31, 2021.

This is done by the government not only to encourage economic growth but also to increase the effectiveness of the implementation of prudential relaxation that was issued in 2018 which has not been optimally implemented to support the one million houses program. Of course, the zero percent down payment program for home purchases is the best offer for the community to buy cheap houses for families who do not yet have one. The government has released a policy on housing by providing a zero percent down payment on mortgages through the Monetary Authority, namely Bank Indonesia. In addition to supporting the realization of one million houses for the MBR or low-income community [Par18], the monetary policy carried out by the government also aims to increase efficiency and productivity in increasing people's purchasing power, especially in the property sector during the Covid-19 pandemic.

This is also focused on the target of accelerating infrastructure development encouraged by the government in the Nawacita program conceptualized by President Jokowi since 2014. So that this program can boost economic performance. Through this government policy, it is hoped that it can absorb more workers and can significantly increase economic growth so that economic growth can move positively and increase consumption and people's purchasing power in the property sector. However, the government needs to maintain a balance in terms of supply and demand. For example, in terms of supply, simplifying regulations in providing housing permits so that the government's target in the one million houses for the community program can be realized. Meanwhile, in terms of demand, more supervision is needed in its installment credit.

The KPR offering program with a zero percent down payment is based on Bank Indonesia Regulation (PBI) No. 23/2/PBI/2021 concerning the Third Amendment to PBI No. 20/8/PBI/2018 on the LTV Ratio for Property Credit, FTV Ratio for Property Financing, and Down Payment for Motor Vehicle Credit or Financing (PBI LTV/FTV and Down Payment). Bank Indonesia provides relaxation of LTV and FTV so that demand for installment credit can be more affordable and down payment can be further reduced. Bank Indonesia Relaxes the Loan to Value or Financing to Value (LTV/FTV) ratio for Property Credit or Financing to a maximum of 100 percent for all types of property (landed houses, flats, and shophouses/shophouses), for banks that meet the criteria of NPL (Non Performing Loan) or NPF (Non Performing finance) and eliminates the provisions for gradual disbursement of indent property to encourage credit growth in the property sector while still paying attention to the principles of prudence and risk management. The NPL (Non Performing Loan) or NPF (Non Performing Finance) ratio for total credit/financing is grossly less than five percent.

The zero percent down payment mortgage program has been welcomed positively by the public, developers and banks. The public can take advantage of buying a house with a minimal down payment for the purpose of living or investing, while developers are again in an enthusiastic condition in offering house sales, both ready stock houses (ready to live in) and indent houses (not yet built). This program is also used by banks as an important momentum to prepare a special program in offering Home Ownership Credit (KPR).

However, the details of the zero down payment payment will be calculated by the banks which have their own policies. Because in reality there are other costs that need to be taken into account by the bank, including bank fees consisting of appraisal fees, provision and insurance fees and notary fees consisting of the costs of the Sale and Purchase Deed, Transfer Fee, SKMHT Deed (Power of Attorney to Encumber Mortgage Rights), APHT Deed (Deed of Granting Mortgage Rights), HT Agreement (Mortgage Rights), ZNT Certificate Check (Land Value Zone), PNBH HT (Non-Tax State Revenue).

Effectiveness of Government Policy in Offering Zero Percent Down Payment Program during the Covid-19 Pandemic

In implementing monetary policy to achieve economic development, the effectiveness of this policy needs to be known so that its efficiency can be known. So that the question arises whether the implemented government policy has made a positive contribution to its community, it can be done by examining and evaluating the effectiveness of the policy [Ann17].

The effectiveness of government policy in offering the KPR (Home Ownership Credit) program can be measured by the extent to which the policy has resulted in a positive increase in the property sector in Indonesia. The increase can be seen through the zero percent cash program during the Covid-19 pandemic issued by Bank Indonesia as the monetary authority in February 2021. However, the policy is effective from March 1, 2021 to December 31, 2021. So this policy is still continuing until the end of 2021. The Central Statistics Agency (BPS) stated that real estate is a business sector that grew throughout the first quarter of 2021. Real Estate is among the sectors that grew positively throughout the first 3 months of 2021. Real estate grew 0.94 percent throughout the first 3 months of this year yoy (year on year).

The growth of the property sector grew along with other sectors including the information and communication sector, trade, water supply, health services, agriculture, and gas electricity supply. This proves that the economic growth in the property sector is due to one of the regulations issued by Bank Indonesia in the implementation of zero percent down payment for home ownership loans. Although zero percent down payment can be given to customers depending on the policies of each bank. Another thing that improves the property sector is also supported by the VAT (Value Added Tax) incentives that have started since March 2021.

So that the offer of mortgages with zero percent down payment can maximize the program provided by the government. On the other hand, Bank Indonesia has also suppressed the benchmark interest rate and issued a policy that encourages banks to also lower home ownership credit (KPR) interest. So that people can take advantage of the program and increase their purchasing power in the property sector with the aim of investing or for housing. Meanwhile, developers focus more on the construction of landed houses because the project has high interest during the pandemic and many developers also offer indent houses that have not been built to minimize losses if their projects are not sold.

Bank Indonesia stated that the interest rates on home ownership loans (KPR) imposed by banks have decreased over the last 2 months, namely March and April 2021 because Bank Indonesia asked banks to be transparent about credit interest rates. The basic credit interest rate (SBDK) lowered by banks has given a positive sentiment to the public. However, not all banks have lowered KPR interest rates because they have their own policies and even KPR approval has become stricter during the Covid-19 pandemic, this has become a complaint for developers in offering KPR to consumers. So banks are advised not to withhold the distribution of home ownership loans because it could potentially make it difficult for developers to sell houses.

The reason is that banks are also very selective in providing KPR facilities because banks will have problems if consumers make bad installments in the future so that banks will be considered to have poor performance which can increase NPL (Non Performing loans) or the bad credit ratio to more than five percent. And

this will affect the LTV (Loan to Value) ratio of Bank Indonesia's lending to banks will decrease.

So if consumers experience bad credit and so that developers do not have problems in getting

home ownership credit from banks, the only way is for the developer to buy back the consumer's house so that the bank can easily provide KPR distribution again. This is an anticipation so that the developer is not seen as a problematic developer and the developer's good reputation is maintained.

In this case, it can be seen to what extent the government's policy in offering a KPR program with a zero percent down payment during this pandemic can stimulate the public to increase home purchases, although it again depends on the policies of each bank. However, based on data from the Central Statistics Agency which has been explained above, the business sector in the Real Estate sector grew 0.94 percent throughout the first 3 months of 2021 yoy (year on year). With this, it is clear that the government's policy in the program has enabled an increase in the property sector. However, although the data on the increase in the property sector is positive, it does not yet describe the whole thing considering that the program is still running and will end on December 31, 2021. So this program is a very important momentum to be utilized by the community, developers and banks.

Review of Zero Percent Down Payment for Mortgage in an Islamic Perspective

In submitting a home purchase application, there are several payments offered by the developer, namely hard cash payments, cash installments or installments and the KPR (Home Ownership Credit) system through conventional banks or Islamic banks. Previously, Bank Indonesia changed the provisions of the down payment ratio for home loans (Loan to Value/LTV) and property financing from the original 85 percent to 90 percent to 100 percent. The relaxation applies to all types of property, both landed houses, flats, and shophouses or shophouses, and has a Non-Performing Loan (NPL) and Non-Performing Financing (NPF) rate of less than five percent. The government's policy of providing zero percent down payment for home purchases is certainly an advantage for the community.

Now the community can take advantage of zero percent down payment to own a house without any capital, especially for people who do not yet have a place to live without having to think about the minimum down payment that must be paid. And the zero percent down payment mortgage facility can be an opportunity for property investment without initial capital for purchasing property. However, this is a concern for banks because even though the policy has been implemented, banks need to be careful in providing credit to prospective customers. The reason is, if prospective customers make problematic loans in the future, it will have an impact on the performance of the bank. The banking and money systems play an important role in the Islamic economy, as in other economies.

However, to play this role, according to Islamic teachings, there needs to be reform and reorganization in such a way that it is in line with the Islamic ethos and is able to meet the aspirations of the people. Every reform program that is needed must include two main components, namely targets and strategies. Targets in Islam are an inseparable part of ideology and faith. One of the main characteristics of the Islamic money and banking system is to stabilize the value of the currency. Stability in the value of the currency should be the primary goal of the Islamic frame of reference because of Islam's strong emphasis on honesty and justice in human interactions. The Quran firmly emphasizes honesty and justice in all measures of value [Cha00].

And one of Islam's strategies is the existence of a socio-political system that prevents injustice and exploitation through various means, including prohibiting usury and morally requiring individuals, society, and the state to extend material support to the weak and those in distress [Cha00]. The application of zero percent down payment on mortgages in Islamic financial institutions, commonly called PPR (Home Ownership Financing), can be viewed from murabahah

financing where the determination of margins in murabahah financing must contain values of justice and not be exploitative.

The determination of the murabahah contract margin can use the mark-up pricing method and with consideration of the Direct Competitors Market Rate (DCMR), namely the average profit margin level of Islamic banking, or the average profit margin level of several Islamic banks set by a bank and the Indirect Competitors Market Rate (ICMR), namely the average interest rate of conventional banking, the average interest rate of several conventional banks which in the company meeting are determined as indirect competitor groups or the average interest rate of certain conventional banks which in the meeting are determined as the closest indirect competitors. The rules for applying the murabahah contract margin are inseparable from the reference (benchmark) to the margin levels of other banks.

CONCLUSION

From the results and discussions above, we can conclude that the government's policy in offering a KPR program with a zero percent down payment during the Covid-19 pandemic has received a positive response from the public, developers and banks, although there are several obstacles complained about by developers in getting disbursements due to stricter regulations than the regulations before the Covid-19 pandemic.

This is done by banks because banks must be careful in risk management because banks need to maintain their good performance towards Bank Indonesia as the monetary authority which will affect the level of Non Performing Loans (NPL) and Non Performing Financing (NPF) and will result in a decrease in Loan to Value (LTV) for these banks. Overall, the government's policy in the zero percent down payment program has enabled an increase in income in the property sector.

Based on data from the Central Statistics Agency, the business sector in the Real Estate sector grew 0.94 percent throughout the first 3 months of 2021 yoy (year on year), meaning that the monetary policy issued by the government through Bank Indonesia in offering zero percent down payment mortgages has effectively driven the wheels of the economy in Indonesia in the property sector. However, this increase cannot yet fully describe the program considering that the program is still running and will end on December 31, 2021, so this will continue to be researched and reviewed.

However, with the zero percent down payment mortgage program offered by the government through Bank Indonesia, the property sector can be the Vanguard in National Economic Recovery. Meanwhile, when viewed from an Islamic perspective, the implementation of zero percent down payment mortgages in Islamic financial institutions, commonly called PPR (Home Ownership Financing), can be viewed from murabahah financing where the determination of margins in murabahah financing must contain values of justice and not be exploitative.

The determination of the murabahah contract margin can use the mark-up pricing method and with consideration of the Direct Competitors Market Rate (DCMR) and Indirect Competitors Market Rate (ICMR). The rules for applying the murabahah contract margin are inseparable from the reference (benchmark) to the margin levels of other banks..

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