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The Impact of Government Financing Programme and Inflation on Purchasing Power in South Sulawesi

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Abstract

As a regulator, the Government has a responsibility to enchance welfare and prosperity. Micro, Small, and Medium Enterprises (MSMEs), being the largest contributors to the economy, play a strategic role in improving people's welfare. Therefore, the development of MSMEs should be a priority for the Government. This research aims to analyze the impacts of the Government Financing Programme and Inflation Rate on People's Purchasing Power in the regencies and cities of South Sulawesi Province. This study utilized panel data comprising 126 observations from 24 regencies and cities in South Sulawesi, covering time series data from 2017 to 2022 with secondary data consisting of per capita expenditure, distribution of Kredit Usaha Rakyat (KUR), inflation rate, and a dummy variable for COVID-19. Using a quantitative approach with multiple linear regression, this research applies the Random Effect Model (REM) with Generalized Least Squares (GLS), based on the testing methods and relevant literature. The results of this research show that the Government Financing Programme variable has provide statistically significant benefits or a positive impact on enchancing people's purchasing power, while the inflation rate has a statistically significant negative effect on it.

Keywords:
Crisis; Fiscal Policy; Macroeconomic; Welfare

Introduction

The Covid pandemic has not only caused a crisis in the health sector, but also in the economic sector. Based on research conducted by Gerszon, et al. (2022), in 2020 which was the first year of the Covid-19 pandemic, was the year with the largest increase in inequality and poverty since 1990. This is evidenced by the increase in global inequality by 0.7 points and causing 90 million people to fall into extreme poverty. This is measured by income or nominal daily consumption of less than 2.15 USD (Rp30,325 using BI's middle rate at the end of 2020) per day.

In addition, the impact of the pandemic can also be seen clearly from the level of economic growth in several countries. Even in a study conducted by Maliszewska, et al. (2020) previously predicted that the global economy would experience a contraction of 2.1 percent with a classification of a contraction of 2.5 percent in developing countries and 1.9 percent in high-income countries. The study also explained the prediction that the largest contraction would occur in countries in the East Asia and Pacific region. This is because in the region, there are several countries whose economic sectors are highly dependent on trade and tourists.

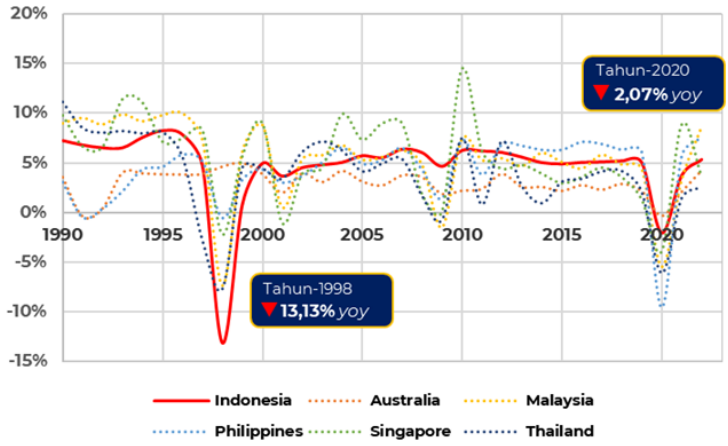


Figure 1. Economic Growth in ASEAN-5
Source: World Bank, 2025

Based on World Bank data as seen in Figure 1, it can be seen that the ASEAN-5 countries and their surroundings experienced quite deep contractions in at least the last 2 (two) decades after the monetary crisis that occurred in 1998. The deepest contraction occurred in the Philippines with a contraction in 2020 of 9.52 percent; Thailand by 6.07 percent; Malaysia by 5.46 percent; Singapore 3.90 percent; and Indonesia by 2.07 percent.

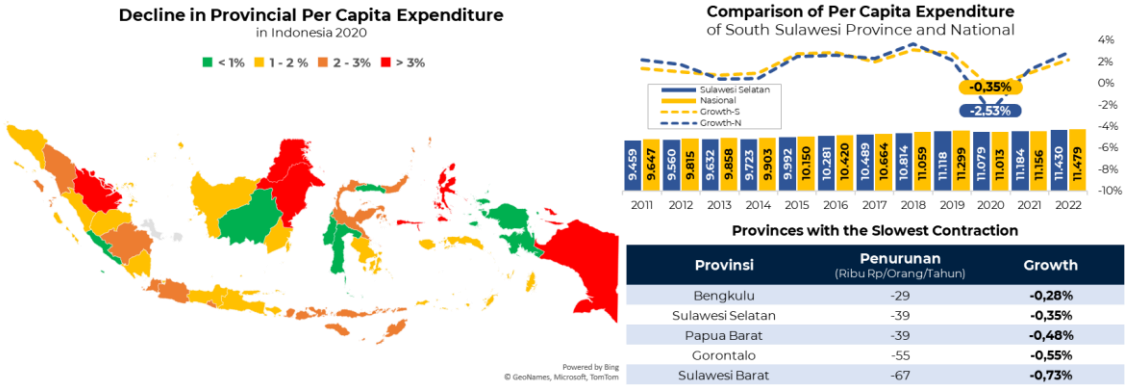


Figure 2. Development of Per Capita Expenditure as measure of Purchasing Power in Indonesia
Source: Statistics Indonesia, 2025

The implementation of social distancing (PSBB) imposed throughout the country to break the chain of transmission of the Covid-19 virus, including in Indonesia, has weakened the economy and people's purchasing power. This can be seen in Figure 2 in the Per Capita Expenditure Decline Map, all provinces in Indonesia experienced a decline in the range of 0.28 - 6.28 percent yoy. The most significant decline occurred in the North Kalimantan Province with a decline of 6.28 percent yoy; Papua by 5.21 percent; Riau by 5.15 percent; East Kalimantan by 5.11 percent; and North Maluku by 3.32 percent.

Meanwhile, the provinces with the lowest rate of decline were Bengkulu Province with a decline of 0.28 percent; South Sulawesi by 0.35 percent; West Papua by 0.48 percent; Gorontalo by 0.55 percent; and West Sulawesi by 0.73 percent. The decline that tends to be more sloping indicates that the dominant GRDP-forming sectors in these provinces are sectors that do not involve much interaction between communities (not in the service sector). The author can convey that the distribution of the dominant sectors forming GRDP in 2020 is in the Agriculture, Forestry, and Fisheries sectors with a distribution of 28.36; 21.70; 38.80;

42.57 percent respectively. Meanwhile, in West Papua Province, the dominant sector forming GRDP in 2020 is the Manufacturing Industry Sector with a distribution of 25.69 percent. In addition, based on historical data, the decline in per capita expenditure in South Sulawesi Province and nationally in 2020 was the most significant decline, at least in the last 20 years.

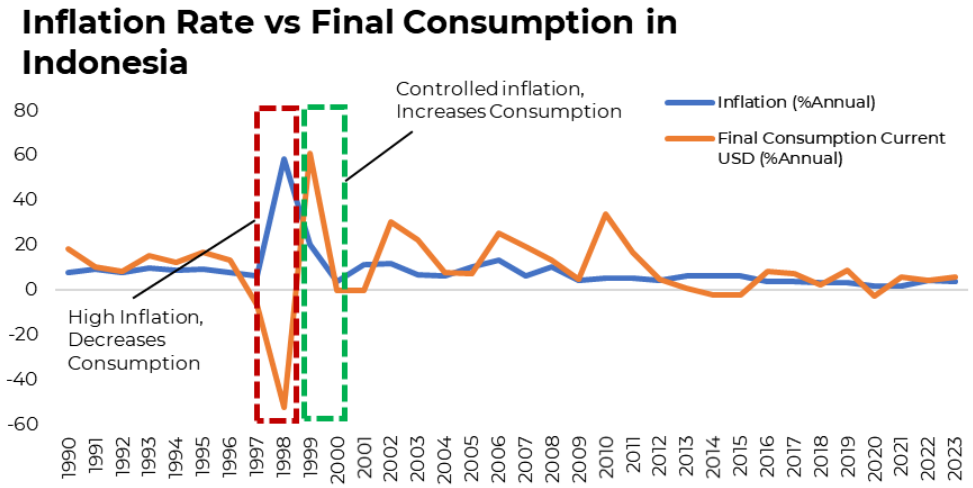


Figure 3. Inflation Rate vs Final Consumption
Source: World Bank, 2025

The weakening of purchasing power is not only seen during the Covid-19 period. Based on World Bank data, Indonesia has experienced a significant weakening of purchasing power when there was a significant increase in inflation in the 1998 period, which was the period of the monetary crisis in Indonesia. Based on the data in the figure, in the period referred to, inflation increased by 58.45 percent annually. At the same time, there was a decrease in spending which is a measure of people's purchasing power by 52.56 percent annually. In addition, in other periods when the inflation rate is quite controlled, it tends to increase people's purchasing power.

In facing various challenges in realizing social welfare, especially in crisis conditions, the government needs to establish various anticipatory or impact mitigation policies, to reduce or overcome the impact of the various challenges as referred to. In dealing with the impact of Covid-19, the government has established a policy package, namely handling Covid-19 and national economic recovery (PC-PEN).

One of the clusters in PC-PEN is support for MSMEs. Based on the Regulation of the Minister of Finance Number 185 of 2020, support for the MSMEs sector consists of interest subsidies, Guarantee Service Fee (IJP) spending, placement of government funds in banks, guarantees for MSMEs credit loss limits, final income tax for MSMEs borne by the government, investment financing for cooperatives, and other support. The steps to determine and implement the PC-PEN policy are very important as a form of government support for the community. This is supported by research conducted by Abidin (2021) which concluded that the PC-PEN Program supports productivity and lightens the burden on business actors, so that they can continue to work and be productive in supporting the economic sector.

The State Budget (APBN) is a strategic and competitive instrument owned by the Government to be able to run the wheels of government while providing services and support to the community. In addition, in its implementation, the Government is required to pay attention to the output and outcome produced. The output as referred to is the product and/or service produced in accordance with the main tasks and functions of each agency or institution. While the outcome is the benefit generated from the product and/or service provided to the

community which can be measured, one of which is with the available macroeconomic indicators, including economic growth, inflation, human development index, poverty, and so on. This study was conducted to analyze the impact/benefits generated from the government financing programme, inflation, and the crisis due to the Covid-19 pandemic on purchasing power, especially in the South Sulawesi region.

According to Budiardjo (2007), the policy taken is the result of making choices among several alternatives. This opinion is supported by Mack's opinion (1971) which explains the stages or cycles of policy making starting from problem recognition, formulation of several alternatives and criteria, decision making, and so on. Furthermore, according to Hoogerwerf (1972), general policy means building a society in a targeted manner by using the use of power. The same thing has also been done by the Government in formulating policies, including fiscal policies. Especially during times of crisis where the Government together with the legislature need to produce policies that are truly solution-oriented and measurable. This is considering the fiscal limitations of the government, so it is hoped that the output and outcome resulting from each policy implementation can be felt directly by the community as well as being a medium to alleviate issues or problems that develop (including various impacts or crises experienced by the community). The implementation of fiscal policy in the form of KUR distribution which is distributed directly to business actors, especially MSMEs actors, is expected to be able to maintain, secure, and increase production activities of goods and services produced during times of economic uncertainty. In addition, by maintaining the production of the required commodities, it is expected to be able to better maintain the affordability and access of the community in meeting their life needs. Based on the explanation as mentioned above, this study tries to answer various research hypotheses, including the following:

1. Government financing programme can have a significant impact on increasing people's purchasing power in regencies/cities in South Sulawesi Province;
2. Increased inflation can have a significant impact on people's purchasing power in regencies/cities in South Sulawesi Province;
3. The occurrence of the Covid-19 Crisis or Pandemic can have a significant impact on people's purchasing power in regencies/cities in South Sulawesi Province.

There are various studies that discuss the impact of policy implementation, both in the fiscal and monetary sectors, on people's purchasing power. However, none have specifically discussed the impact of government intervention on MSMEs on people's purchasing power, especially at the district/city level in South Sulawesi. In addition, research on the impact of inflation on people's purchasing power, especially at the district/city level in South Sulawesi, is considered important as a consideration for policy in the process of controlling inflation in order to protect and improve people's welfare, especially in the indicator of people's purchasing power.

Literature Review

According to Schabas (2013), humanity has reached a stage of development where everyone's efforts, actions and struggles against poverty must be coordinated in order to achieve guaranteed progress and prosperity. In 1941, the 32nd President of the United States, Franklin D. Roosevelt, delivered a speech before Congress on basic human freedoms or what are now known as the Four Freedoms. The freedoms referred to in the speech included freedom of speech, freedom of religion, freedom from fear, and freedom from want. However, as Laquer and Rubin (1979) point out, there can be no freedom for humans without economic security and independence. Still related to this, according to Bergh and Nilsson (2014), poverty can be reduced if purchasing power increases.

Based on several opinions as stated above, it is important to make various efforts to increase purchasing power. However, the problem is the use of indicators as a measuring tool for purchasing power. As stated by Vries (1994) who emphasizes purchasing power on income distribution (between social classes). However, the author tends to argue that the approach that should be more emphasized is on the consumption side. This is because the income received by the community cannot or will not be fully consumed for goods and/or services, so that the income cannot be used as a reference for the community's purchasing power. The advantages of the consumption approach as a reference for purchasing power are also conveyed by Caroll et al. (2014) who explain that consumption is an economic response to income fluctuations. This opinion is also supported by the life cycle theory put forward by Franco Modigliani which states that consumption increases with increasing wealth.

Furthermore, the consumption approach as a measure of purchasing power is also supported by the opinion of Guesalaga and Marshall (2008) who stated that one of the important elements in purchasing power is the level of expenditure/consumption. This opinion is also supported by research conducted by Kumalasari and Poerwono (2011) who stated that per capita expenditure is a picture or measure of purchasing power.

According to the United Nations Development Program (UNDP), MSMEs are the backbone of the global economy and a major driver of development. Based on data from the World Bank's 2019 analysis notes, MSMEs contribute to 63 percent of total employment and 57 percent of added value, with details of 66 percent of total employment and 37 percent of added value in upper-middle income countries; 91 percent of total employment and 77 percent of added value in lower-middle income; and 81 percent of total employment and 87 percent of added value in low-income countries. The notes also state that countries with higher-than-average per capita incomes also have higher formal MSMEs densities. Based on data from the UNDP Report on the Southeast Asia region, MSMEs contribute to 97 percent of business units; 85 percent of the workforce; 45 percent of regional GDP; and 10-30 percent of exports.

Given the large role of MSMEs in the economy, placing MSMEs in a strategic sector can maintain their sustainability and development. Especially during the Covid-19 pandemic, most MSMEs in the ASEAN region stopped operating. The shutdown has the potential to increase unemployment which has an impact on increasing poverty rates and decreasing people's purchasing power. The need to develop MSMEs as a strategic sector is certainly faced with several challenges. According to Liu (2018), one of them is access to financing. This is based on data that 70 percent of MSMEs (especially in developing countries) do not yet have access to financing.

In 2007, the Indonesian Government had an initiative to intervene in the form of a financing program intended for MSMEs to be able to develop their business activities, namely the People's Business Credit (KUR) which began with the issuance of Presidential Instruction Number 6 of 2007. In 2020, there was a special policy in order to handle the impact of the Covid-19 pandemic. As regulated in the Regulation of the Coordinating Minister for Economic Affairs Number 6 of 2020, special policies or relaxations applied to business actors affected by the Covid-19 pandemic include exemption from payment of KUR interest/margin installments and/or provision of postponement of KUR principal installments for a maximum period of 6 (six) months; extension of the KUR term; addition of the KUR ceiling limit; postponement of fulfillment of administrative requirements in the restructuring process.

According to research conducted by Cruz, et al. (2023), it is argued that intervention in MSMEs will result in economic prosperity. This intervention is considered very important, because based on research by Liu (2008), the rapid growth of MSMEs in China has made an increasingly strong contribution to economic growth in China. In addition, according to

research conducted by Beck, et al. (2005), it was concluded that there is a strong positive relationship between the development of MSMEs and economic growth. Even according to Subawa, et al. (2022), the development of MSMEs is a solution to reviving the economy after the Covid-19 pandemic.

Furthermore, according to Mankiw (2009), simply and in accordance with general understanding, inflation is an increase in the average price level originating from some or all types of commodities. Inflation is calculated using the Consumer Price Index (CPI) indicator collected from all types of goods and/or services. The CPI itself is a form of transformation of the prices of various goods and/or services into overall price levels.

According to Cassel (1918), inflation can reduce people's purchasing power. A similar opinion can also be obtained from Romer and Romer's research (1998), which states that if there is an increase in inflation, it will reduce income. If there is a reduction in income, it will potentially reduce people's spending/purchasing power.

Furthermore, according to research by Ursua and Werner (2023), Covid-19 has provided a 'special surprise'. First, Covid-19 is a natural disaster with a very severe economic impact. This (the Covid-19 pandemic) destroys human resources like other disasters and causes policy making and/or changes in people's behavior to minimize transmission. Second, the impact of the Covid-19 pandemic crisis shows the vulnerability of economic conditions and their policies to factors outside the economic sector and this has never happened before (apart from geopolitical events). Third, the crisis adds to the bad record of the economy that has not only occurred at the regional level or in some countries, but throughout the world.

As quoted from the Asia Times media (2020), the Covid-19 virus seemed to open a 'Pandora's box'. According to the opinion of the Minister of Finance of the Republic of Indonesia, Sri Mulyani Indrawati, as quoted from CNBC Indonesia, who stated that at that time the world was not ready to face the pandemic. This unpreparedness caused the impact of the crisis to spread, which was initially a crisis in the health sector, but spread to other sectors, including the economic sector. This impact has been previously explained in the research of Schmidhuber, et al. (2020), who argued that the Covid-19 pandemic slowed overall economic growth, thereby reducing purchasing power. In addition, a similar opinion was also expressed by Jia, et al. (2021), who in their research stated that Covid-19 significantly reduced people's purchasing power, starting from 7.12 to 7.24 percent.

Research Method

In this study, a quantitative analysis method with a linear regression method was used on panel data generated using Eviews13 software. The data used in this study include cross-sectional data from 24 regencies/cities in the South Sulawesi Province and time series data with a selection of periods, namely from 2017 to 2022. From this dataset, 144 observation data were produced.

The data used in this study are secondary data consisting of Government Interventions for MSMEs, namely the distribution of People's Business Credit (KUR) obtained from the KUR Program Credit Information System (SIKP-KUR), Directorate General of Treasury; inflation data at the district/city level in the South Sulawesi region, which is then mapped and generalized by regions based on geographical proximity and the scope of APBN distribution from the State Treasurer's General Authority in the Region; and per capita expenditure data as an indicator of measuring people's purchasing power obtained from the Central Statistics Agency. In addition, categorical/dummy variable data is used in the form of the year period when the Covid-19 pandemic was determined. However, to facilitate data interpretation,

transformation into logarithmic form was carried out for the purchasing power and government intervention variables. The following are details of the use of the data as intended:

Table 1. Data use details

Variables	Notation	Time-series	Cross-section	Data Form
Purchasing Power	Y	2017-2022	24	Logarithmic
Government Intervention	X1	2017-2022	24	Logarithmic
Inflation Rate	X2	2017-2022	24	Numeric
Covid-19	X3	2017-2022	24	Categorical

This study was conducted by analyzing data using multiple linear regression methods on balanced panel data. Balanced as intended is that all data used in conducting observations has fulfilled all components, both cross-sectional data and time series, so that there is no symptom of unbalanced data and the study can provide balanced results.

The first step that must be done is to conduct a descriptive statistical analysis. Descriptive statistical research needs to be done because, according to Mishra et al. (2019), the descriptive statistical analysis method is the initial stage or first order in the analysis process before further analysis stages are carried out. Furthermore, as stated by Starbuck (2023), in conducting descriptive statistical analysis there is a method in the form of measuring central tendency. The measure of central tendency is carried out using the results of the analysis in the form of minimum, median, maximum, and mean values on a variable. The value derived from the measure of central tendency is then used in conducting further analysis tests in the form of correlation tests and t-tests.

Furthermore, according to Gujarati (2003), panel data regression is divided into 2 (two) large groups, namely fixed effects and random effects. In the fixed effects group, there are two models, namely the Common Effect Model (CEM) with the Fixed Effect Model (FEM). CEM is applied using the Ordinary Least Square (OLS) method where the coefficients and constants are the same or constant. Furthermore, FEM is applied using the Least-Square Dummy Variable (LSDV) method. In this method, dummy variants are used to capture differences in the constants of each individual.

Meanwhile, the use of random effects or REM (Random Effect Model) assumes that there are variations between individuals and between times that are depicted through residuals. Differences in coefficients between individuals are accommodated into error terms. The method used when conducting linear regression using REM is the Error Component Model or Generalized Least Square (GLS).

There are several tests that must be carried out to determine the best model to use in analyzing the observational data of this study. These tests include the Chow Test, the Haussman Test, and the Lagrange Multiplier Test. The following are various assumptions regarding the test results as referred to:

Table 2. Determining Best Regression Model

Types of Testing	Assumptions	Result
Chow	*Prob. Cross-section Chi-square* > 0.05	CEM
	Prob. Cross-section Chi-square < 0.05	FEM
Haussman	*Prob. Cross-section Random* > 0.05	REM
	Prob. Cross-section Random < 0.05	FEM
Lagrange Multiplier	*Cross section Breusch-Pagan* > 0.05	CEM
	Cross section Breusch-Pagan < 0.05	REM

After obtaining the results of the model determination test, the next step is to test for violations of classical assumptions on the selected model. Tests for violations of classical assumptions consist of Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test. The Normality Test is conducted to test the normality or evenness of the distribution of observation data. The Multicollinearity Test is conducted to test the fairness of the level of correlation between independent variables so that they do not have a high or even perfect correlation. The heteroscedasticity test functions to detect the presence of inequality in the variance of the residuals from one observation to another. Finally, the Autocorrelation Test is conducted to detect the presence of residual correlation symptoms in serial or time elements. According to Gujarati (2003), testing for violations of classical assumptions needs to be carried out to ensure that the estimation results obtained from research modeling are free from the possibility of bias or Best Linear Unbiased Estimator (BLUE). However, in practice, not all types of tests for violations of classical assumptions must be carried out on every type of research. This is because the type of test for violations of classical assumptions is highly dependent on the modeling used in a study.

Results and Discussion

Table 3. Descriptive Statistical Analysis Result

Variabel	Min	Med	Max	Mean	Std. Dev	Skewness	Kurtosis
Y	8.825	9.285	9.765	9.274	0.183	0.158	3.345
X1	24.369	26.543	28.377	26.533	0.775	-0.276	3.007
X2	1.210	3.195	6.660	3.343	1.427	0.494	2.266
X3	0.000	0.500	1.000	0.500	0.502	0.000	1.000

Source: Data Analysis

Based on the results of the descriptive statistical analysis test. the following results were obtained:

1. The Per Capita Expenditure/Public Purchasing Power variable has a minimum value of 8.825 and a maximum value of 9.765 with a median value of 9.285. The mean value is 9.274 with a standard deviation of 0.183. indicating that most of the data is in the range of 9.091 to 9.457. The skewness value is 0.158. indicating that the data distribution is slightly skewed to the left.
2. The Government Intervention variable has a minimum value of 24.369 and a maximum value of 28.377 with a median value of 26.543. The mean value is 26.533 with a standard deviation of 0.775. indicating that most of the data is in the range of 25.578 to 27.308. The skewness value is -0.276. indicating that the data is slightly skewed to the right.
3. The Inflation Rate variable has a minimum value of 1.210 and a maximum value of 6.660 with a median of 3.195. The mean value is 3.343 with a standard deviation of 1.427. indicating that most of the data is in the range of 1.916 to 4.770. The skewness value is 0.494. indicating that the data is slightly skewed to the left.
4. The dummy variable for the period of the Covid-19 pandemic crisis has a minimum value of 0.000 and a maximum value of 1.000 with a median value of 0.500. The mean value is 0.500 with a standard deviation of 0.502. indicating that most of the data is in the range of -0.002 to 1.002. The skewness value is 0.000. indicating that the data distribution is symmetrical.

After conducting descriptive statistical tests. the next step is to select the type of modeling in stages as a basis for using quantitative analysis methods on all observation data. The results of testing or selecting models are as follows:

Table 4. Selection of Regression Analysis Models

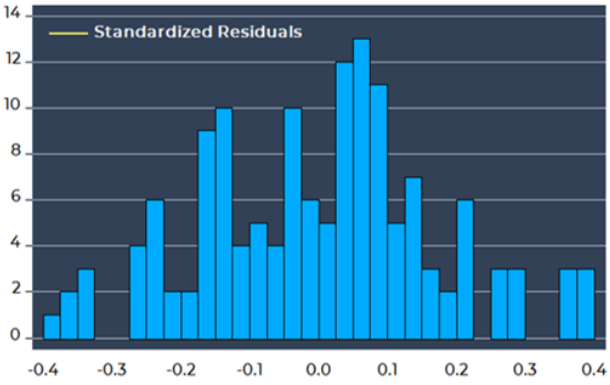
Type of Test	Result			
Chow	Effects Test	Statistic	d.f.	Prob.
	Cross-section F	801.251968	(23.117)	0.0000
	Cross-section Chi-square	729.478719	23	0.0000
Haussman	Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
	Cross-section random	0.40292	3	0.9396
Lagrange Multiplier			Type Hypothesis	
	Breusch-Pagan	353.1867	2.937057	356.1237
		(0.0000)	(0.0866)	(0.0000)

Source: Data Analysis

Based on the test as seen in Table 4. the results of the chow test show the Probability value in the Cross-section Chi-square shows a value of 0.000 or <0.05. so it can be concluded that the use of the FEM model is better than the use of the CEM model in this study. Furthermore. based on the results of the Haussman test. the Probability value in the random Cross-section shows a value of 0.940 or> 0.05. so it can be concluded that the use of the REM model is better than the use of the FEM model in this study. The last stage is to conduct a Lagrange Multiplier or LM test to determine whether the use of the REM or CEM model is better for use in this study. Based on the results of the Lagrange Multiplier test. the Breusch-Pagan Cross-section shows a value of 0.000 or> 0.05. so it can be concluded that the use of the REM mode is better than the use of the CEM model in this study. This also shows that the use of the most appropriate model to analyze all observation data in this study is to use the REM model. The results are in accordance with the research of Thadewald and Büning (2004). that the GLS method is more suitable for regression parameters compared to OLS. However. before interpreting the data. a test was first carried out for several possible violations of the classical assumptions in all observation data.

After determining the best type of modeling through a series of tests. the next step is to conduct a classical assumption test. However. because the best model used in this study is REM or GLS. there is no need to test for heteroscedasticity and autocorrelation. This is because. according to Rosadi (2012). the GLS method itself is a method used when there is a heteroscedasticity problem. This is certainly supported by the opinion of Kariya and Kurata (2004). which states that the GLS estimator (GLSE) can be used because of its theoretical and practical advantages. if in practice the Gauss-Markov estimator (GME) cannot be carried out. which is not uncommon due to heteroscedasticity problems. In addition. according to Lusompa's research (2021). it was concluded that the autocorrelation process can be corrected using GLSE.

In this study. 2 (two) testing methods were used. namely Jarque-Bera and Shapiro-Wilk. to conduct normality testing. The use of these 2 (two) methods is to ensure that the residuals are truly normally distributed. In addition. the normality test is carried out to accommodate differences of opinion. According to Jarque and Bera (1987). the normality testing method using the Lagrange Multiplier in the Pearson distribution family is simple to do and has good performance. However. based on research conducted by Hernandez (2021). it shows that Shapiro-Wilk is the best method for conducting normality testing on regression models.



Test	Statistic	Prob.
Shapiro-Wilk	0,9818	0,0533
Shapiro-Francia	0,9856	0,1333

Figure 4. normality test using the Jarque-Bera and Shapiro-Wilk methods
Source: Data Analysis

Based on the results of the normality test as seen in Graph 9. the Jarque-Bera Probability is 0.809 and the Shapiro-Wilk Probability shows a value of 0.053 or the test results using the 2 (two) methods are > 0.05 which indicates that the residuals have been normally distributed. The next step is to conduct a multicollinearity test.

The use of the Variance Inflation Factor (VIF) method to detect multicollinearity symptoms has been presented and recommended in several books and literature. According to Lin and Foster's research (2009). it was concluded that VIF is substantially as accurate and faster than other algorithms. In addition. according to Vu et al.'s research (2015). VIF is an effective approach to assessing multicollinearity symptoms because it overcomes the shortcomings of other methods because it is easy and comprehensive. This opinion is also emphasized in the research of Vörösmarty and Dobos (2020). which states that the VIF method can clarify the linear relationship between variables and because of its simplicity.

In the research of Murray. et al. (2012). it was stated that the upper limit of the VIF value for the condition of not having symptoms of multicollinearity is 5 (five). Even according to Hair, et al. (2010). the tolerance limit of VIF is 10. Based on the test of violations of the classical assumptions. namely in the aspect of multicollinearity as seen in Table 7. the Centered VIF on all dependent variables is in the range of 1.0145 - 1.3861. Based on this. it can be concluded that in all dependent variables. no symptoms of multicollinearity were found.

After testing for violations of several classical assumptions. the next step is to test the coefficient of determination, simultaneous-f, and t. The following are the results of panel data regression modeling used in this study:

Table 5. Regression Results Using REM or GLS Modeling

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.4406	0.1551	47.9862	0.0000
X1	0.0696	0.0058	12.0271	0.0000
X2	-0.0021	0.0009	-2.3595	0.0197
X3	-0.0138	0.0053	-2.6292	0.0095
Weighted Statistics				
R-squared	0.757411	Mean dependent var	0.313675	
Adjusted R-squared	0.752213	S.D. dependent var	0.029628	
S.E. of regression	0.014748	Sum squared resid	0.030451	
F-statistic	145.702498	Durbin-Watson stat	1.113060	
Prob(F-statistic)	0.000000			

Source: Data Analysis

Based on the data in Table 5. the Determination Coefficient Test on R^2 and Adjusted R^2 shows the acquisition of 0.757411 and 0.752213 respectively so that all independent variables are able to explain and provide an overview of the dependent variable. Furthermore. based on the results of the Simultaneous F-Test. with the F-Statistic Probability result of 0.000000 <0.05. it shows that all independent variables together or simultaneously have a significant effect on the dependent variable. Furthermore. based on the results of the t-Test. it shows that the Probability of all independent variables has a value of <0.05. indicating that all independent variables separately or partially have a significant effect on the dependent variable.

Based on the modeling results as seen in the table above. the final equation can be obtained as follows:

$$Purchasing\ Power = 7.4406 + 0.0696 \times Gov.Intervention - 0.0021 \times Inflation - 0.0138 \times Crisis$$

Government intervention statistically has a significant impact on people's purchasing power in the districts/cities of South Sulawesi Province. If the government increases intervention, in this case KUR financing, to MSMEs by 1 percent, it will increase people's purchasing power by 0.0696 percent ceteris paribus.

The government always pays attention to MSMEs, considering that MSMEs have a major role in the national economy. The implementation of ceiling clustering and types of financing is expected to reach all MSMEs, so that it can facilitate MSMEs to develop innovation and business. The development and expansion as intended are expected to provide a multiplier effect on the community's economy, especially on the indicator of people's purchasing power.

There are things that need to be considered in the implementation of government intervention in the form of financing. This is because there is a distribution that is carried out, but does not touch the substance of the purpose of implementing the government intervention, especially in the development of MSMEs. There is financing distributed which is actually used for consumptive spending by debtors.

Inflation statistically has a significant impact on people's purchasing power in the districts/cities of South Sulawesi Province. If there is a 1 percent increase in the inflation rate, it will reduce people's purchasing power by 0.0021 percent against people's purchasing power ceteris paribus.

Inflation has been the focus of government attention. The establishment of a coordinated Inflation Control Team at the central and regional levels is a form of the government's seriousness in controlling inflation. The implementation of strategic activities in maintaining the availability of community commodities has been implemented and implemented together with stakeholders at all levels.

In the implementation of strategic activities, it is deemed necessary to be determined through a joint decision of several Ministries/Institutions as a manifestation of the government's seriousness in controlling inflation that occurs (which until now, policies and monitoring related to inflation control are still under the Ministry of Home Affairs). Comprehensive monitoring and evaluation of the effectiveness of the implementation of the inflation control program is needed. Moreover, in government intervention to provide various facilities and infrastructure. As one example, the provision of flight subsidies connecting Masamba District with Seko and Rampi Districts. The three districts are in the same 1 (one) district, with the distance between Masamba-Seko and Masamba-Rampi if drawn in a straight line is only 62.55 km and 44.12 km respectively. However, until now, there have been no land route facilities that facilitate the distribution of various logistics and commodities to these locations.

The regression results in the modeling show that Covid-19 which emerged from 2020 to 2022 has had a significant impact on reducing people's purchasing power in the districts/cities of South Sulawesi Province. The presentation of various indicators and socio-economic conditions in the introduction and literature references have explained in detail the multidimensional impact of Covid-19. However, the government's hard work through the establishment of the PC-PEN policy that reaches all affected sectors and active collaboration from all entities has succeeded in restoring people's purchasing power in 2021 with an increase of 0.95 percent yoy and gradually returning to the growth pattern in the period before the Covid-19 pandemic.

Conclusion

Government Financing

MSMEs as a vital point of the country's economy, must be maintained and continuously developed. The government has a great responsibility to be able to continue to increase the economic potential of MSMEs actors, because MSMEs are the closest economic partners to the community. The government can intervene through cooperation activities and collaborate with the private sector in the framework of MSMEs development programs as a form of quasi-fiscal implementation.

Government intervention towards MSMEs actors is not only limited to financial or subsidy aspects. According to Rossow's research (2022), one of the steps that can be taken is the digitalization of MSMEs. The first step is of course the provision of a platform/marketplace that can be managed by the Regional Government or the Central Government. The next step is to provide digitalization facilities for MSMEs actors who access financing provided by the government (KUR and/or UMi) which is directly integrated with the platform/marketplace managed by the Government. However, the implementation of digitalization is not only for MSMEs actors who access government financing programs, but in the second stage it is applied to all MSMEs actors in each region. Digitalization is considered very important because the implementation of digitalization has included marketing; provision of infrastructure; as well as providing data or mapping of economic potential in each region. In addition, digitalization is expected to reduce/eliminate the potential for mafia practices in the distribution of all community needs commodities.

For additional information, the Directorate General of Treasury of the Ministry of Finance has taken the initiative to develop innovation in the form of developing a digital payment platform which was officially launched under the name digipaysatu. Digipaysatu is a digital payment platform for the Government which can currently be used by vertical agencies of the Central Government in conducting state transactions/spending using the cash supply mechanism.

The task of intervening in MSMEs actors is not only borne by the Central Government, but must also be carried out by the Regional Government as the front guard and closest to the community. Based on Liu's research (2008), the Regional Government must pay attention and provide policies that can support the development of MSMEs in its region. The allocation of the APBD which has so far been considered centralized into Operational Expenditures, for the development of MSMES so that it can be used as one of the allocations that have been determined for use (specific grant) and given clear and detailed technical instructions for the use of the allocation.

In addition, adjustments are needed to the restrictions on KUR distribution to each debtor on 1 (one) type of the same ceiling. This takes into account the conditions of each

MSMES, especially after the pandemic crisis. This flexibility is very important for MSMEs, considering the impact of the pandemic on the financial side of MSMEs actors.

Inflation

As is well known, inflation can reduce people's purchasing power. This is because the increase in the price of a commodity can limit or reduce people's access to make transactions or purchases of the commodity. However, it should be noted that inflation also has a significant impact on other economic indicators which are the result of a decrease in people's purchasing power. According to Easterly and Fischer (2001), high inflation tends to increase poverty. One of them is according to Powers' research (1978), which states that inflation can have a more serious impact on poverty.

Based on this, it is necessary for the government to take price control measures to maintain the prices of commodities needed by the community. Maintaining commodity prices can increase people's purchasing power. One thing that the government can do is to determine policies related to subsidies. This is in accordance with Smith's opinion (1776), who argued that when subsidies are implemented, the price of a commodity can be more maintained (in the domestic market). However, in terms of distributing subsidies, further monitoring and evaluation are needed regarding consumers who are entitled to receive subsidy facilities based on certain commodity groups. One of the commodities that receives government subsidy allocations is gasoline. Based on data submitted by Abdullah, et al. (2023), the Special Assignment Pertalite enjoyed by the 5-10 decile group is 63.1 percent with a total compensation value for inaccurate targeting of IDR 39.46 trillion.

There have been several general theories that convey methods of controlling inflation by setting interest rates, issuing securities, setting maximum commodity prices. Dewald's opinion (1980), reveals a method of controlling inflation by reducing the level of money supply, which is further explained that this can cause an increase in unemployment. Similar to Dewald's opinion, according to Smithies' opinion (1975), steps to control inflation include creating conditions for increasing the number of unemployed, increasing tax rates on consumer commodities, reducing the level of disparity in the growth rate of total output with the growth rate of output capacity, etc. However, inflation cannot be controlled only by setting regulations, especially since there are several risks that arise to the welfare of society due to the determination of these regulations.

In addition, the use of information technology can also be done in order to control inflation. One example is the implementation of the analysis of the potential of commodity resources in a region using technology such as remote sensing. This can certainly facilitate and reduce costs in the commodity production process, both from the green economy and blue economy sectors, so that the supply chain can be maintained and controlled, especially commodities in volatile food.

Crisis

There have been many studies that provide opinions related to preparedness in facing future crises. According to research by McConell and Drennan (2006), high preparedness for potential crises is not impossible. There are conservative and reformist methods that can be adopted in taking preparatory steps to face potential crises. According to Boin, et al. (2005), although there is no guarantee of successful crisis management, there is an opportunity to provide new ideas or policies that can be applied to face crisis conditions.

The power of national economic independence/independence must be increased. This can be achieved by establishing policies that can encourage increased investment in the

development of innovation and the quality of human resources. Moreover, in realizing Indonesia as a developed country and 'escaping' from the middle income trap. Although it has abundant wealth and natural resources, these are limited. As stated in the Human Development Report, the United Nations Development Program (UNDP) in 1990 which stated that the main wealth of a nation is the people or citizens of the nation itself. In relation to this, it can be concluded that a country's greatest investment is in its people. A productive society can participate in realizing economic progress in a country. This is in accordance with List's opinion (1841), which emphasizes that the ability to produce in a country is much more important than the production results in that country. This also emphasizes that the welfare of a country is not solely assessed from the amount of wealth or natural resources owned by a country, but rather on the production power in a country.

Increasing the capacity of human resources and facilities that can support the increase in domestic production of goods and/or services is very necessary in order to reduce the dependency of the Indonesian economy on foreign economies. Although at present there is high economic interdependence between many countries, if this can be reduced and the country's production capacity increases, then the country will be more resistant to the impact of the crisis. When the country has become more resistant to the impact of the global economic crisis, it is hoped that people's purchasing power will be better maintained. This is in accordance with the opinion of mercantilism as quoted in the book by Jackson and Sorensen (2013), which states that economic dependence on other countries should be avoided as far as possible. Dependence as referred to is a condition where a country does not have a strong foundation or fundamentals for its own economy, so that it relies on cooperation or economic activities with other countries as a 'foothold'.

In addition, the use of big data can be utilized in early detection of the possibility of a crisis. On a micro scale, the use of big data to estimate the possibility of default on prospective debtors has been carried out massively by various financing institutions. Therefore, the use of big data must be applied and continuously developed so that it can be implemented on a macro scale, especially in estimating the possibility of a crisis and the solutions or alternatives that must be implemented.

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