



## Paper 36

What factors are affecting ethical finance in Investment during the COVID-19 pandemic in Indonesia?

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# ICMEM

## The 7th International Conference on Management in Emerging Markets

**Abstract**—Since March 2020, the world has been officially facing the COVID-19 Pandemic. This pandemic has heavily affected the world economy drastically since it affected people's mobilization and interest of the people to invest their money. Which resulted in declining stocks and value of the company, because of the increased unexpected factor that increased risk for companies

**Index Terms**—COVID-19, Ethical Finance, Indonesia, PESTEL, and SWOT

### I. INTRODUCTION

#### A. Hows the COVID-19 pandemic has changed the world

Coronaviruses are a family of viruses that can cause infections varying from the common cold to more serious illnesses such as Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory Syndrome (SARS-CoV). The coronavirus (COVID-19) outbreak is a novel strain that has never been seen before in humans [1]. This disease is easily spread by air-borne due to droplets and has affected the global economy drastically [2]. Millions of people around the globe have been affected by the Global COVID-19 disease outbreak, which has spread at an astounding level. [3]. Furthermore, the restrictive policies intended to stop the transmission of the virus, such as travel bans, quarantines, lockdowns, transport limits, social isolation, and the closure of public gatherings and public spaces, harmed economic development and social health in other ways. [4]

COVID-19's unexpected economic decline is not only damaging, but it also has consequences because it triggered demand and supply fluctuations in nearly any human activity. On the supply side, the outbreaks caused supply shortages by reducing labor productivity and supply. Mobility constraints, social distancing, and market failures all threatened the flow of goods and services. Travel bans, mortality rates, and unemployment decreased firms' investments and domestic consumption, and deteriorated economic prospects reduced firms' investments and household consumption [3]. Since the pandemic has affected global economy supply and demand, it is not only a medical issue, but also a socio-economic concern that is constraining the global sustainable development goals [5].

The effect on the international stock exchange was the most obvious result of the COVID-19 crisis on the stock market. As shown by S&P Dow Jones Indices, global financial markets lost \$6 trillion in six days between February 23 and February 28. The S&P 500 index declined by 28% (from 3,373 to 2,409), the FTSE 250 stock dropped by 41.3 percent (from 21,866 to 12,830), and the Nikkei sank by 29% between February 20 and March 19 (from 23,479 to 16,552). Citigroup's stock price dropped by 49 percent (from US\$78.22 to US\$39.64), JP Morgan Chase's share price dropped by 38 percent (from US\$137.49 to US\$85.30), and Barclays' share price declined by 52 percent (from 181.32 to 86.45) over the same timeframe [2].

#### B. Ethical Finance

Integrating investment decisions with environmental and societal considerations is what ethical investing implies. It refers to the prudent use of financial capital in order to optimize financial gains while simultaneously enhancing social and environmental values. In the last few years, the ethical behavior of financial institutions has come into heightened scrutiny [6].

### II. METHODOLOGY

#### A. SWOT

SWOT analysis is a commonly utilized tool for analyzing internal and external situations in order to develop a precise approach and support for a decision-making process [7]. According to Zavadskas, Turskis, and Tamosaitiene (2011) SWOT is a situational appraisal technique used by strategic planners of a project or business enterprise to determine current position and select the best options for the potential course [8].

##### 1. Strength

One of the strengths that Ethical Finance has is maintaining a reputable image to the society and clients. With a great reputation and image, a brand or company builds, it is able to obtain a great corporate image. It is also able to minimize the chance of decreased financial risks since it is basically done ethically based on the culture.

##### 2. Weakness

It needs a lot of research to be done to be able to align the strategy and interest of the investors and clients of

the company. Not every company has the same goal and the same company culture as the investor has. Hence, an investment that is done by applying ethical finance has changed to give a lower optimal number rather than basic investment since there was not any obstacle in creating a strategy to be able to match cultural goals that need to be obtained

### 3. Opportunities

Many people understand that building the image of a brand is important. Therefore, there is still potential for growth in the future.

### 4. Threat

Measurement of ethical is very subjective.

## B. PESTEL

### 1. Political

For politicians and economists, ethics is a big rule; once all people practice ethics, they will be able to understand how people use ethics in their everyday lives, making it possible for them to develop existing policies and create new ethical business policies [9]. Level of corruption in Indonesia is quite high. Taxation in Indonesia itself is very tight and strict. However, Indonesia itself is a country where the government is very open to investment, therefore, in term of law, it is not very strict

### 2. Economic

Indonesia experience resection during the pandemic. IHSG is decreasing quite dramatically during the period

### 3. Social

Demographic and skill level of the population of Indonesia is dominated by productive ages (18-65 years old). The class gap between them is quite big.

### 4. Technology

AI and machine learning is quite developed currently in Indonesia. Many applications to open stocks are able to be reached in Indonesia.

### 5. Environmental

Climate change and direct impact to the natural environment is overlooked. However, it is handled by the government by AMDAL.

### 6. Legal

Investment in Indonesia is very supported by the government. Investors are very welcome to invest in Indonesia and will be made easy and be helped during the implementation.

## III. CONCLUSION

An ethical finance is recommended to be applied in Indonesia, but on during the pandemic. During the pandemic many people are decreasing their investment since there are many more factors that are unexpected and need to be calculated.

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