International Journal of Economics, Business and Accounting Research (IJEBAR)
Peer Reviewed – International Journal
Vol-6, Issue-2, 2022 (IJEBAR)
E-ISSN: 2614-1280 P-ISSN 2622-4771
https://jurnal.stie-aas.ac.id/index.php/IJEBAR

INVESTMENT OF INSURANCE FUNDS AS AN ALTERNATIVE TO INFRASTRUCTURE FINANCING THROUGH PUBLIC PRIVATE PARTNERSHIP IN THE MIDST OF COVID-19 PANDEMIC

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Abstract: *The existence of covid-19 has an impact on the decline in the economy and investment to finance infrastructure in Indonesia. The government must maintain a favorable investment environment in the face of the covid-19 pandemic. This is essential in order to create a level playing field for investors. Insurance is one possibility to non-bank infrastructure financing; this is related to the insurance industry's ability to generate revenue during a pandemic due to increased public awareness of the significance of self-protection against high healthcare costs if exposed to the 19th plague. As a response, the government must aim to attract investors in the insurance business, who will eventually be engaged to create an alternative investment insurance fund for infrastructure development through a Public Private Partnership.*

Keywords: *Investment, Investors, Infrastructure, Public Private Partnership, Covid-19*

1. Introduction

In Indonesia, infrastructure plays a critical role in the framework of economic growth and development. A country's infrastructure serves as the primary servant in moving the economy and community activities forward, and this is exemplified by the provision of highways, transportation, as well as other services. With so many top priorities in the Covid-19 pandemic, the authorities will have a tough time getting funding to meet the requirements of the entire country at the same time. There must therefore be concerted attempts to assist the state in meeting its financial obligations in significant amounts (Rutherford, 2013).

Massive infrastructure development and expansion throughout Indonesia is necessary to assure the guaranteed availability of infrastructure, which may be a factor in Indonesia's decision to seek advancement into developed countries (Sugiarto, 2019). The importance of infrastructure sustainability is becoming increasingly apparent in the face of economic competition, as infrastructure may help shape the future of a civilization by acting as a catalyst for the movement of a range of economic activity (Edelia & Aslami, 2022). Accelerating infrastructure development uniformly across the country is projected to strengthen regional connectivity, improve community quality of life, and reduce economic inequality between regions in Indonesia (Sugiarto, 2019).

Because of the Covid-19 pandemic, Indonesia's situation has an impact on the country's economic situation. Given the high level of the need, the Indonesian government has decided to open up chances for the private sector to participate in infrastructure development in the country (Soedjito, 1998). One reason is the necessity for the private sector to play a role in infrastructure development since governments frequently lack the funds and human resources necessary to complete projects, especially those involving critical infrastructure (Soedjito, 1998).

Government and private partnership (Public Private Partnership) in infrastructure procurement is not a new phenomenon in Indonesia. Due to the fact that the government has to enhance infrastructure investment through involving the business sector through public-private partnerships, this is being done. Capital investment refers to the financial commitment made by investors, both international and domestic, in a variety of business disciplines that are open to investment with the goal of profiting from the venture (Salim & Sutrisno, 2008). The existence of the Covid-19 pandemic has resulted in greater investment in Indonesia as a result of the risks associated with investment and the increased economic impact created by the uncertainty surrounding when the pandemic would end.

The government needs to maintain the investment environment to remain conducive in the midst of the Covid-19 pandemic to realize the basic investment policy based on Article 4 Law No. 25 of 2007 on investment. This opens up wide opportunities for the entry of direct investors because investor activity is very important to support the economy for financing infrastructure development in Indonesia. Infrastructure projects that are relatively large require the government to use sources of funding that are not included in the State Revenue and Expenditure Budget (hereinafter referred to as APBN) derived from banking and non-banking, both domestically and abroad.

One of the sources of funding for infrastructure projects can be sourced from foreign investment through the Government cooperation program with the Private Sector (Public Private Partnership). The existence of a gap in the midst of this pandemic according to the Indonesian Life Insurance Association (hereinafter referred to as AAJI) can encourage the insurance industry to take a role in financing infrastructure development in Indonesia (Fadli, 2019). This can make it easier for the government in terms of financing to accelerate infrastructure development programs. Insurance companies have the opportunity to earn income in the midst of the Covid-19 pandemic because insurance is the main choice of public awareness of the importance of protection of their health in the event that they become unwell and require hospitalization.

A possible source of alternative infrastructure finance is the insurance business, which is currently being considered by the government. Insurance funds have a number of qualities that are in line with the financing of infrastructure project. Insurance funds, which grow year after year in tandem with the growth in total assets of the insurance industry, as well as the presence of people who require insurance as a result of the pandemic, are considered to be an alternative source of funds with long-term financing characteristics that can be used to finance infrastructure projects. With a long time frame, the insurance industry has an asset value that can reach hundreds of trillions of rupiah, which can be used to fund infrastructure projects.

The Covid-19 outbreak, which has an economic and investment impact, is crucial for the government's attempts to diversify infrastructure finance and foster the development of a strong and supporting investment environment. On the basis of the foregoing, this paper explains how

E-ISSN: 2614-1280 P-ISSN 2622-4771
https://jurnal.stie-aas.ac.id/index.php/IJEBAR

to invest insurance funds as an alternative for infrastructure development through government cooperation and self-help (Public Private Partnership), as well as the role of insurance in financing infrastructure development in the midst of the Covid-19 pandemic.

2. Results and Discussion

2.1. The Role of Insurance Funds as Financing Infrastructure Development in Indonesia

The fall in the government's economic ability can have an impact on the poor quality of construction and the delay in the development of infrastructure in Indonesia. Overall, infrastructure development in Indonesia is considered a responsibility of the government, both at the national and local levels (Stievany & Jalunggono, 2022). Finance for infrastructure development in Indonesia is often channeled through the State Revenue and Expenditure Budget (APBN) or the Regional Revenue and Expenditure Budget (APBD). However, the financial conditions in the APBN and APBD are insufficient to finance all infrastructure development needs, especially in light of the fact that the government is required to pay a large number of items in order to cope with the Covid-19 pandemic during this time period.

Infrastructure is needed as a driver of the economy and realizes the welfare of the community. This encourages the government to look for other financing alternatives for infrastructure so that it can meet infrastructure needs in the midst of the pandemic. Some alternative sources of infrastructure financing other than State Budget (APBN) or Regional Budget (APBD) are investment loans in the form of investment loans in the form of investments in banks, Government and Private Partnership (Public Private Partnership), Privatization, restructuring of project financing, financial engineering and community participation in the form of bonds (Purwoko, 2019).

The government must promote private and community involvement in infrastructure construction and management in order to foster the entry of domestic and foreign investors. One potential source of infrastructure finance that the Indonesian government may consider is collaboration with private parties. In the middle of this pandemic, the government may be able to attract foreign investors to the insurance business. This is because the pandemic increases people's vulnerability to contracting the virus, necessitating hospitalization spending. As a consequence, in order to prevent significant payments, individuals will insure themselves with an insurance company in order to transfer the risk and be compensated for the loss.

Understanding of insurance based on Article 246 of the Trade Law Code (also referred to as KUHD) which states that insurance is an agreement between insurers who bind themselves to the insured by collecting a premium in order to compensate him for a loss, damage, or loss of profits that he hopes to suffer as a result of an unexpected circumstance. An insurance company is an institution that has been purposefully planned and formed with the intent of assuming and benefiting from risk. On the basis of insurance companies providing protection services to those who require the next covered party to become the insured party.

So far, insurance in Indonesia has the following legal foundations:

a. Law
    1) Civil Code (BW);
    2) Code of Trade Law (KUHD);
    3) Law No. 40 of 2014 concerning Insurance.
b. Regulations of Financial Services Authority (POJK)

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1) Financial Services Authority Regulation Number 69/POJK.05/2016 concerning The Business Implementation of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies;
2) Financial Services Authority Regulation Number 67/POK.05/2016 concerning Business and Institutional Licensing of Insurance Companies, Sharia Insurance Companies, Reinsurance Companies, and Sharia Reinsurance Companies;
3) Financial Services Authority Regulation Number 71/POJK.05/2016 concerning Financial Health of Insurance Companies and Reinsurance Companies;
4) Financial Services Authority Regulation Number 27/POJK.05/2018 concerning Amendments to Financial Services Authority Regulation No. 71/POJK.05/2016 concerning Financial Health of Insurance Companies and Reinsurance Companies.

Apart from mitigating risk, insurance is beneficial as a source of investment capital in a variety of industries. Insurance firms raise public cash that can be used to invest in specific industries and benefit the insurance company as well. One example is in the realm of infrastructure, where the insurance sector has developed into a critical instrument for providing a local deposit for infrastructure. Insurance funds have long-term liabilities and engage in infrastructure projects on a long-term basis. The finance requirements for national infrastructure development cannot be met solely by government assistance.

In the context of state finances, the insurance funds function as reserve funds produced by insurance companies through the collection of public funds (premiums). For instance, annual life insurance premiums are paid (Sugianti & Anwar, 2021). Due to the greater likelihood of illness or death during this pandemic, the premiums collected by life insurance companies become more than sufficient to cover the sum insured. Consequently, earnings from excess premiums over and beyond insurance claims paid to the insured are supplemented by compound interest on the insurance company's reserve fund (Citra et al., 2021).

These reserve funds after being reduced by operational financing deposited in banks or invested in certain areas that are considered economically profitable can encourage efforts to increase savings. national and encourages the fulfillment of investment funds through capital market instruments. Investment of insurance funds in infrastructure is regulated in Article 5 paragraph (2) letter ‘u’ POJK No. 27/POJK.05/2018 states that “assets or insurance funds that are introduced in the form of investments can be placed on infrastructure investment funds in the form of collective investment contracts”.

In terms of conducting insurance activities related to insurance fund investments, insurance companies based on Financial Services Authority Regulation No. 71/POJK.05/2016 concerning Financial Health of Insurance Companies and Companies Reinsurance (POJK No. 71/POJK.05/2016) states that “insurance companies must pay attention to the solvency level of insurance companies”. According to Article 1 number 12 POJK No. 71 / POJK.05 / 2016 states that the level of solvency is the difference between the allowed assets and the amount of obligation and the capital of the paid-up company concerned.

The solvency level limit based on Article 3 paragraph (3) of POJK No. 71 /POJK.05/2016 states that the minimum limit amount is 120% of the risk of possible losses. Regarding the placement of investments in POJK No. 71/POJK.05/2016 has been amended in POJK No. 27/POJK.05/2018. Furthermore, the solvency level limit consists of several components, namely:

E-ISSN: 2614-1280 P-ISSN 2622-4771
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a. The failure of assets management;
b. Imbalance between the projection of the flow of assets and liabilities;
c. The imbalance between the value of assets and liabilities in any type of foreign currency;
d. The difference between the burden of claims incurred and the estimated claims load;
e. Insufficiency of premiums due to differences in investment returns assumed in the determination of premiums with the results of investments obtained;
f. Inability of the reassured party to fulfill the obligation to pay the claim.

Indeed, restrictions on each sort of insurance investment are intended to ensure the insurance company's continued existence. Nevertheless, in these types of investments, the investment instruments used to finance infrastructure development are not specifically regulated. As such, the government as a regulator can exert greater control over the type of infrastructure development investment; the government's authority stems from the potential for increased infrastructure development financing, which is supposed to serve as a guide for the foreign insurance industry in investing its funds in infrastructure development in the midst of the Covid-19 pandemic.

Some of the factors that make infrastructure investments sourced from insurance funds can be profitable, namely:
a. Consistent income;
b. Infrastructure projects tend to deliver consistent dividends;
c. Fiscal incentives on dividends through restrictions or delays in tax payments;
d. Reduce portfolio instability;
e. Maturity period in the term of departure; and
f. Infrastructure stocks make a profit in the long run.

This is in accordance with insurance funds that have long-term payment characteristics with the same time period. Insurance funds in insurance companies can be invested in infrastructure development through several ways as follows:
a. Through the acquisition of debt derived from infrastructure operators;
b. Through *joint ventures* with other companies to develop and manage project investments;
c. Through infrastructure funding companies that *go public*;
d. Through investment institutions that do not *go public*;

2.2. Infrastructure Development Financing in Public Private Partnership

In a matter of fact, there is only little role for insurance in long-term financing in Indonesia. For infrastructure projects financed by the government and the private sector, insurance has not played a significant role. As a local deposit for infrastructure, the insurance industry becomes an important tool. Infrastructure projects are long-term investments for insurance companies because of their long-term liabilities. The long-term health and financial sustainability of infrastructure can be positively impacted by domestic funds.

The finance requirements for national infrastructure development cannot be met entirely through government revenue (Nisa & Juliprijanto, 2022). The government must work to secure funding for infrastructure development that has been slowed by the Covid-19 pandemic, which has a negative effect on economic growth. Thereby, the private sector, particularly insurance companies, plays a critical role in ensuring the community's survival throughout this pandemic. This is critical in order to create a broad window of opportunity for investors to enter the economy and finance infrastructure development (Prasetyowati & Panjawa, 2022).

Financing is funding provided by one party to another party to support investments that have been planned, both done alone and institutions (Rivai & Arifin, 2010). Thus, financing is funding issued to support investments that have been designed (Rivai & Arifin, 2010). According to Law No. 10 of 1998 on Banking states that financing is the provision of money or bills that are equated with it based on an agreement between one party and another party that requires the financed party to return the money or bill after a certain period of time in exchange or profit sharing.

A project is an activity that can be planned and carried out in a form of unity by using resources to get benefits. Infrastructure is a physical system that enables the movement of people and goods, as well as the construction of buildings and other public amenities necessary to meet fundamental human requirements (Gray et al., 1988) in the social and economic spheres (Kodoatie, 2005). The community's infrastructural system and economic system are inextricably linked. As a result, a solution is required to address the infrastructure requirements necessary for the advancement of people's economic lives.

Meanwhile, infrastructure projects demand significant funding, and the government is obligated to find answers to Indonesia's infrastructure finance challenges. Indonesia has a relatively big demand for infrastructure development funds, given that the quality of Indonesia's infrastructure is still lagging behind that of other Asian countries. The low quality of Indonesia's infrastructure is inextricably linked to budgetary constraints. Indonesia can finance infrastructure projects in a variety of ways. One such method is through project financing.

Large-scale project financing models, such as project financing schemes, are used to encourage private investment in infrastructure development. Infrastructure development is mostly a government responsibility. In most cases, the implementation of infrastructure development is funded by the APBN or the APBD. In contrast, the financial conditions in both the state and regional budgets are insufficient to cover all of the infrastructure development requirements. Even though the existence of this infrastructure is needed as a driver of the economy and improving the welfare of the community. Therefore, investment is one of the things needed for other financing alternatives, so that it can meet infrastructure development financing.

According to Article 1 number 3 of Law No. 25 of 2007 concerning Investment, foreign investment in investment activities to do business in the Territory of the Republic of Indonesia is carried out by foreign investors, both those who use foreign capital fully and those who are in accordance with domestic investors. Some alternative sources of infrastructure financing other than State Budget or Regional Budget, namely government cooperation with private parties in the form of Public Private Partnership (PPP) (Purwoko, 2019).

A Public Private Partnership (PPP) is: “A government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies” (Okere, 2019). These schemes are sometimes referred to as PPP, P3 or P (A federal company of capital between government and private that is funded and operated through a government partnership with one or more private companies).

Public Private Partnership in this regard has opened up private opportunities in the provision of infrastructure facilities. Public Private Partnership are a long-term relationship between sectors where each produces quality products or services and there is a division of risks, costs and benefits (Klijn & Teisman, 2003). In this case, there are two fundamental forms of PPP: (Klijn & Teisman, 2003)

a. PPP is claimed to make the public sector able to sharpen efficiency and expertise that makes the private sector able to deliver certain facilities and services that are traditionally provided, held, and delivered by the public sector.
b. PPP was formed where the public sector sought investments that were not possible through lending. Hence, PPP is created by public sector vehicles in the implementation of projects.

Thus, Public Private Partnership is a form of cooperation between the government as a public party and private as a private party with the following parts:

a. Long contract period between the government and private parties.
b. Private parties conduct financing, design, consensus and operations in the infrastructure project.
c. Payment by the government to private parties as compensation for the use of infrastructure facilities is determined based on the term of the Public private partnership contract.
d. Transfer of private party ownership to the government at the end of the Public Private Partnership contract.

Meanwhile, according to Richard Webb and Bernar Pulle stated that the Public Private Partnership, namely:

a. The private sector invests in infrastructure facilities and holds such facilities to the government.
b. The government has responsibility for the completion of the procurement of infrastructure facilities within a predetermined period of time.
c. The agreement that occurs between the government and the private party is carried out in a long cooperation contact which explains the provision that the private party must provide facilities in accordance with the standards agreed upon by the parties in the agreement. Payments to private parties are carried out based on the standards that have been achieved by the private party.

Parties to the construction of an infrastructure project through government cooperation with the private sector include:

a. Enterprises
   According to Article 1 number 8 of Presidential Regulation No. 38 of 2015 explained that business entities are those including State-Owned Enterprises (BUMN), Regional Owned Enterprises (BUMD), private business entities formed by Limited Liability Companies (PT), foreign legal entities or cooperatives. This business entity is a legal

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entity that conducts and signs Cooperation Agreements with government contract agencies and obtains a license from the government to provide infrastructure through Public Private Partnership.

b. Ministry of Finance
The Ministry of Finance gives approval to the provision of government guarantees as long as tax incentives that the government can offer in infrastructure projects through Public Private Partnership.
c. Foreign and Domestic Commercial Banks
The role of Foreign and Domestic Commercial Banks is to provide funding in the form of credit for infrastructure projects.
d. Multilateral Development Bank
The Multilateral Development Bank can provide additional credit facilities in the form of risk guarantees to companies and creditors of infrastructure projects.
e. Infrastructure Assurance
Institutions established by the Indonesian government to provide guarantees for government obligations arising under Public Private Partnership agreements.
f. Government Contracting Agency
Government or provincial agencies, districts or us that hold tenders for an infrastructure project and become investor partners for the project. The task of the Government Contracting Agency is to enter into a contract with a Business Entity to carry out the project through a cooperation agreement and issue permits for business entities in managing the project. infrastructure through Public Private Partnership
g. Policy Committee for accelerating infrastructure provision
An inter-ministerial committee chaired by the Coordinating Minister for Economic Affairs is responsible for coordinating policies related to efforts to accelerate infrastructure provision.
h. Central Unit of Public Private Partnership
Units within the National Planning and Development Agency (also referred to as Bappenas) that function as follows:
   1) Provide assistance to the Infrastructure Provision Acceleration Policy Committee to draft policies and conduct assessments on conditional support requests from the government;
   2) Assisting the government to prepare the issuance of Public Private Partnership books that contain a list of projects that have opportunities for private investors
   3) Supporting the Government Contracting Agency to prepare infrastructure projects;
   4) Develop the capabilities of government agencies in the framework of implementing Public Private Partnership.

Foreign Public Private Partnership projects are identified taking into account several factors:
a. Analysis of costs and social benefits;
b. Conformity with national or regional medium-term development plans and strategic plans of the infrastructure sector;
c. Suitability of the project site with the regional spatial plan;
d. Interrelationships between infrastructure sectors and between regions.

In carrying out the identification of infrastructure projects that will be cooperated, the government conducts public consultations related to environmental and social analysis. The policy regarding government cooperation with foreign insurance companies is regulated in Presidential Regulation No. 38 of 2015 concerning Government Cooperation with Business Entities in The Provision of Infrastructure (Presidential Regulation No. 38 of 2015). According to Article 4 of Presidential Regulation No. 38 of 2015 states that government cooperation with business entities is based on the following principles:

a. Partnership, namely cooperation between the government and Business Entities is carried out based on the provisions of laws and regulations and requirements that take into account the needs of both parties;
b. Benefits, namely the Provision of Infrastructure carried out by the government with Business Entities to provide social and economic benefits for the community;
c. Competing, namely the procurement of business entity cooperation partners is carried out through fair, open, and transparent election stages, and pays attention to the principle of healthy business competition;
d. Control and management of risks, namely infrastructure provision cooperation is carried out with risk assessment, development of management strategies, and mitigation against risk;
e. Effective, namely the cooperation of Infrastructure Provision is able to accelerate development while improving the quality of infrastructure management and maintenance services;
f. Efficiency, namely infrastructure supply cooperation to meet the needs of funding on an ongoing basis in infrastructure provision through the support of private funds.

2.3. Constraints on Utilizing Insurance Funds as Financing Infrastructure Development Through Public Private Partnership

A part from the Covid-19 pandemic, which has had a negative impact on the economy and infrastructure development in Indonesia, there are additional roadblocks to overcome. An effort by the Indonesian government to close the funding gap by enlisting the participation of the private sector, particularly the insurance business, in infrastructure development in the country. This is accomplished through collaboration between the government and the business sector. Insurance companies have the option of investing insurance funds to help finance infrastructure development projects in Indonesia.

According to the Analytical Hierarchy Process, there are a number of barriers that the government and insurance business entities must overcome in order to make infrastructure investments. Following this, the government and corporate sector, particularly the insurance industry, must work together to support infrastructure development in the middle of the Covid-19 pandemic. The following are some examples of these constraints:

a. The tendency to invest insurance funds in insurance investment portfolios is more towards short-term investments. Funds invested by the community in insurance efforts are reinvested by insurance in the form of stocks, bonds, deposit, building land and other things. This is because of the fear of private parties, especially insurance companies to invest their funds in the long term, especially infrastructure development. Therefore, the government must have a way that can attract private parties to play a role in infrastructure investment by providing certainty of long-term financing incentives.

b. Changes in insurance company assets that are not constant because they consider public confidence in insurance cannot be fully used as a reference for insurance companies to make an estimate of future assets.
c. In terms of insurance regulation in infrastructure financing that is not yet clear. Then the government needs to create sustainable investment opportunities, especially through Public Private Partnership. The government should try to better understand the need in investment and the desire of investors in taking advantage of investment opportunities.
d. The problem between risk and rate of return with the view or perception of the insurance industry when investing funds in infrastructure and opportunities that exist in the market. According to Article 18 of Law No. 25 of 2007 concerning Investment states that there are investment facilities. Then the government in this case can carry out incentive policies in the form of taxes, and tariff adjustments and risk transfers that must be prepared to attract investment opportunities for foreign investors in the midst of the Covid-19 pandemic.
e. Government policies that often change are an influential obstacle in the wishes of investors, especially the insurance industry in their involvement in infrastructure development in Indonesia. Investors need a clear understanding of the Government's infrastructure development plans outside the political cycle. Long-term planning in infrastructure made in a ten- to twenty-year strategic plan that has been planned and set by the Government is essential to provide certainty and clarity to the private sector. The Government's long-term strategic plan in infrastructure can provide considerable benefits for decision makers who have hopes for the future and have a vision and mission for the long term.
f. Limited knowledge and information by the insurance industry in financing infrastructure development in Indonesia. Based on reports by insurance funding managers, insurance companies are still not optimal regarding quality information and data.

3. Conclusion

Based on the research findings and discussion previously, the following conclusions may be taken into account:

The decline in the government's economic capacity as a result of the Covid-19 pandemic resulted in a decline in the quality of infrastructure services and a delay in new infrastructure development, which impacted investment in Indonesia by making it riskier for investors to invest in a country even if the economy continued to grow positively. Damage to infrastructure networks can increase user fees, obstruct economic mobility, raise the cost of commodities, and limit the efforts to enhance people's wellbeing in the face of the Covid-19 pandemic.

Basically, development funding for infrastructure entails high expenses that exceed the capacity of the government to finance. At the moment, the government can finance only efforts to repair and maintain existing infrastructure. Consequently, the government must foster private sector and community participation in the creation and maintenance of infrastructure during the Covid-19 pandemic. The government must foster a supporting environment for investment.

One of the government's efforts is to attract investors in the insurance sector, as the opportunity to grow life insurance in the midst of the Covid-19 pandemic is the primary means of raising public awareness of the high importance of protection, as if the community is affected by the Covid-19 outbreak, it will be difficult to pay for the high cost of hospitals. Insurance funds act as reserve funds formed by insurance companies through the collection of public monies provided to insurance companies in the form of annual premiums paid. Due to the greater likelihood of illness or death during this pandemic, the premiums collected by life insurance companies become more than sufficient to cover the sum insured.

Thus, funds from excess premiums on top of insurance claims to the insured are supplemented by compound interest which is a reserve fund at the insurance company. After being reduced by operational financing, these reserve funds can be deposited in banks or invested in economically successful sectors, thereby encouraging efforts to expand national savings and the fulfillment of investment funds through capital market instruments. Consequently, insurance funds may be a viable alternative to financing infrastructure development through public-private partnerships during the Covid-19 pandemic.

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