The Influence of International Trade, Price Stability and Economic Growth on the Stability of the Rupiah Exchange Rate in Indonesia

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Abstract: In general, countries in various parts of the world have an open economic system, resulting in the flow of services and goods between countries. But each country has differences in currency values, these differences are intruders in international trade. Thus, the value in the currency of each country must be recognized in the currency of the other country. This study aims to find out and analyze how export, import, inflation, and economic growth variables affect the rupiah exchange rate in Indonesia. By using the method of data analysis through hypothesis testing using multiple linear regression analysis. The statement of the results in this study is that exports affect the rupiah exchange rate negatively and significantly, imports affect the rupiah exchange rate positively and significantly, inflation affects the rupiah exchange rate positively and significantly and economic growth affects the rupiah exchange rate significantly.

Keywords: *export, import, inflation, economic growth, rupiah exchange rate.*

1. INTRODUCTION

Currently, the reality is that the era of globalization has increased interaction between various countries in the world. The seriousness in this relationship is influenced by the overriding interests of states in meeting their needs. The way a country fulfills its needs depends on the international trade activities of each country. In international trade, of course, it is necessary to use an agreed currency for trade transactions, where the currency used is the US dollar. The reason for using the US currency is the rupiah exchange rate against the dollar.(BR Silitonga, Ishak, and Mukhlis 2019)

Changes in exchange rates have a direct effect on the level of services as well as goods in the country. Fluctuating movements in exchange rates have effects on currencies such as depreciation and appreciation. Currency exchange rates are determined by the relationship between the supply and demand for that currency. If a currency increases while supply decreases, the exchange rate for that currency will increase. If the supply of a currency increases while the demand remains constant or decreases, the currency's value will depreciate. The rupiah usually depreciates when supply is high and demand tends to be low. The existence of an open economy has an impact on a country's balance sheet and involves capital movements and trade flows. The flow of trade can be affected by the existence of an exchange rate policy which has the aim of strengthening competitiveness in exports and suppressing imports in reducing the current account deficit.(Saraswati 2022)

In 1983, the Indonesian economy experienced ups and downs due to the fall in world oil prices. At that time, Indonesia was facing a declining economic condition as well as a current account deficit. The impact of this was that the rupiah exchange rate increased substantially and reduced the competitiveness of Indonesian exports abroad. In order to increase export competitiveness, it is necessary to set an exchange rate policy that includes the devaluation of the rupiah on 30 March 1983 of 38.1% from IDR 702.50 to IDR 970 per US dollar. Then in September 1986, the government also devalued the rupiah by 45% from IDR 1,134 to IDR 1,644 per US dollar.(Istiqomah 2016)

Economic openness is an economy that participates in international trade including imports and exports (services, capital, goods) between other countries. In this open economy, there is also a flow of goods and services from one country to another. Each country has different eyes to use. From this difference, one of the impacts is the difficulty of being used in international trade activities. Therefore, the value of each country's currency must be translated into other countries' currencies in order to facilitate international trading activities.(Nuri Aslami, Nadila Silvia Amanda 2019)

In influencing the movement of the local currency exchange rate against the value of foreign currency, exports have an important role, where an increase in exports reflects the inflow of foreign exchange into each country, both in terms of goods and services transactions, which results in an increase in the amount of domestic foreign exchange. If a country experiences an increase in foreign exchange, this affects the domestic currency to appreciate against foreign currency. Another thing that affects the exchange rate is that there are imports, the movement of the local currency exchange rate against imported foreign currency also has its own role. If imports increase, the flow of foreign currency abroad will increase and the amount of foreign currency available will decrease. The reduced amount of foreign currency in a country results in the appreciation of foreign currency against the domestic currency due to excess demand for foreign currency.(Dewi 2020)

In general, inflation increases imports faster than exports (Sukirno, 2002). Inflation has a negative relationship with exports, but this arises because of the effects of inflation where inflation has an effect on domestic prices to become more expensive than foreign prices, so that inflation tends to increase imports and demand for foreign currency, then inflation makes export prices higher. expensive, so that inflation tends to reduce exports and reduce the demand for foreign currency.(BR Silitonga, Ishak, and Mukhlis 2019)

Movements in domestic currency exchange rates also have other factors influencing them against foreign currencies, namely economic growth. When the increase experienced by economic growth increases, it shows a prosperous society in the country. Countries with high economic growth will be attractive to foreign investors and therefore are expected to attract inflows of foreign funds and foreign currency. The inflow of foreign currency into this country has increased. Another thing is that when economic growth is high, it proves that there is an increase in the production of goods and services as well. When goods and services experience an increase in domestic production, the effect on the country is that the flow of foreign funds also increases, this makes the commodity of goods and services to be exported abroad. Large foreign funds can increase the amount of foreign funding available domestically, namely domestic foreign exchange stocks, so that the exchange rate between foreign currency and domestic currency depreciates, then this will make a country's currency increase.(Maiti and Bidinger 1981)

This study uses variable novelty, namely the dependent variable using the Rupiah Exchange Rate variable with the independent variables namely Exports, Imports, Inflation and Economic Growth. The object of research is the State of Indonesia in a period of 30 years starting from 1991-2021. The method in this study uses a time series. Many previous researchers have studied so as to show various kinds of results related to the relationship between variables of exports, imports, exchange rates and economic growth. However, it is very unfortunate that several studies have been carried out with a relatively short number of time periods. Over time, it is easy to obtain large amounts of data to examine these four variables. Therefore this research is expected to be able to provide a more actual picture regarding the relationship between the four variables.

2. LITERATURE REVIEW

2.2 *Exchange Rate Theory*

The foreign exchange rate is the unit price of a currency in units of another currency. Foreign exchange rates are determined in the foreign exchange market, namely the market where different currencies are traded (Samuelson & Nordhaus, 2004). In international trade, exchange rates have an important role because they are used to compare the prices of goods and services in various countries. Changes to the exchange rate are referred to as appreciation and depreciation. The exchange rate is said to appreciate when the price of the domestic currency strengthens against foreign currencies but is said to depreciate when the domestic currency weakens against foreign currencies.

The rupiah exchange rate from year to year is always changing where several factors that influence it are direct and indirect factors. Where the direct causal factors on the demand and supply of foreign exchange are influenced by the demand for imports of goods and services that require dollars and other foreign currencies, as well as exports of capital from within the country to abroad. An example is the exchange rate between the rupiah and the US dollar and the rupiah and the yen. In investing, investors need to be careful in doing so where the exchange rate is an important indicator and greatly influences stock activities, especially the stock market and money. The depreciation of the rupiah against foreign currencies, especially the US dollar, had a negative impact on the capital market and the economy.(Maiti and Bidinger 1981)

2.3 Theory Trading International

International trade is trade between or across countries that are export and import activities. International trade is a form of economic cooperation between two or more countries that provides direct benefits, namely as the fulfillment of the needs of each country. The benefits of international trade in terms of exports and imports.

Export is an activity of selling goods products abroad or outside the region where the aim is to obtain needs, namely foreign exchange, by creating jobs in the domestic labor market, obtaining income from export duties and other taxes, and balancing the flow of money and goods that disperse in various countries (Sasono, 2013). However, according to (Hutabarat, 1989), export activities are trading activities in which goods are sent from Indonesia to be issued abroad in accordance with certain requirements before exporting. Initially, only legal entities could carry out export activities because they already had permission from the Ministry of Trade. Exporters who can carry out export activities if they have obtained SIUP (Trade Business License) from sectoral/non-sectoral government agencies in accordance with applicable regulations. Export is also an activity in which entrepreneurs use foreign language advertisements and communications to sell goods or goods under their control, receive payments in foreign currency and send them abroad.(Sabtiadi and Kartikasari 2018)

Imports are included in international trade activities where imports are activities of the production of goods and services in which a country purchases abroad (other countries). In the Republic of Indonesia Law, import is defined as the activity of sending goods into the customs area. Also, imports can be defined as activities in which goods enter from abroad into the customs territory of our country. If imports in a country exceed its exports, this will cause a negative trade balance or a trade deficit. Usually a country is more inclined to import goods and services when they cannot get their products domestically efficiently and cheaply. Even a country can import raw materials or goods that are not available within its borders. The value of imports depends on a country's level of national income. When national income is higher, the production of domestic goods will be lower and imports will also be higher due to leakage of national income.(Hanifah 2022)

2.4 Theory Inflation

In general, inflation can be interpreted as an increase in the overall price level, including the price of goods and services, and occurs for a long time. Inflation is also an indicator of problems that need to be faced by each country and of course each country must also have a policy to prevent inflation that occurs does not exceed the limits set by the government. In general, continuously rising price levels for goods and services Inflation can be said to be one of the problems faced by every country, and every country certainly has policies to ensure that the inflation that occurs in their country does not exceed the normal limits set by the government. government side. Because inflation plays a very important role in the welfare of the people in the country. Many people do not experience an increase in income due to inflation, so that people's real income will definitely decrease. There are three conditions that must be met for inflation to occur, namely prices must rise, be general in nature and occur continuously.(Mahzalena and Juliansyah 2019)

2.5 Theory Economic growth

For a country, economic growth is one the focuses that must be achieved every year. The rate of economic growth in a country will be one measure of success. This also one of the focuses for the Indonesia state. The progress of an economy is measured by the amount of growth in national output. Economic growth is an attempt to increase productive capacity and achieve additional output as measured by GDP (gross domestic product) or GRDP (gross regional domestic product) in a region (Rahardjo, 2013). Economic growth is an activity that increases in a long time the capacity of a country to prosper its population by providing various types of economic goods. This increase in capacity was due to ideological, institutional and technological developments or adjustments to various existing conditions.(Ahmad Ma'ruf 2008)

3 RESEARCH METHODS

In using the method, namely through a quantitative approach in this study. The data for this research uses secondary data obtained from Country Economy and World Bank sources. While the analysis technique used is Time Series. Analyzing and processing data through Eviews11. Then it is proven by the hypothesis that has been made so that you know the influence between the variables that have been studied. The occurrence of the global economic crisis from time to time in 1991 triggered several factors and became the basis for the initial selection of this research period. This research was conducted in developing countries in 1991-2021, then took a sample, namely Indonesia as the owner of the rupiah currency. The analytical method used is the time series method. The independent variables used in this study are Exports (X1), Imports (X2), Inflation (X3), Economic Growth (X4) while the dependent variable is the Rupiah Exchange Rate (Y). The model in this study is as follows:

The following describes the results of the Time Series data regression analysis. Tests were carried out to find out the relationship between the independent variable and the dependent variable through the influence of Exports, Imports, Inflation, Economic Growth on the Rupiah Exchange Rate in Indonesia in 1991-2021

$$ER = \beta_0 + \beta_1 Ex_t + \beta_2 Imp_t + \beta_3 Inf_t + \beta_4 PE_t + e$$

Where: ER is the rupiah exchange rate per US dollar data source world bank; α is a constant coefficient; Ex is exports obtained from the country economy in the form of percent; Imp is imports obtained from the countryeconomy in percent form; Inf is inflation obtained from the world bank in the form of percent; PE is the economic growth obtained from the world bank in percent; and e is the confounding error in the model.

4 RESULTS AND DISCUSSION

4.1 Assumption Test Results Classic

4.1.1 Normality Test

Table 1. Normality Test

Series	Residuals
Sample	1991 2021
Observations	31
Jarque - Bera	1.625.515

source: processed data, 2023

Based on the output obtained, the p value statistic for the Jarque Bera test is 1.625515, it is stated that the value is more than 0.05 and the Probability test is 0.443633, the value is more than 0.05. So that it can reject H0, thus it can be concluded that the error/residual normality assumption is fulfilled (data is normally distributed).

4.1.2 Autocorrelation Test

Table 2. Breusch – Pagan – Godfrey test

Prob. Chi S- Aquare (4)	0.7339

source: processed data, 2023

On In the test results, the probability number for Godfrey's test is 0.7399. the output of the test results produces a Godfrey test probability number of 0.7399. If according to the hypothesis testing criteria above, it is known that the probability value is 0.7399 which is greater than 0.05.

4.1.3 Multicollinearity Test

Table 3. VIF Multicollinearity Test

Variable	Centered VIF
C	N
Export	4.300307
Import	4.0269 56
Inflation	4.049283
Economic Growth	2.281425

source: processed data, 2023

As previously explained, if the minimum VIF value is below 10, there is no multicollinearity. From the results of VIF testing, the minimum value for exports is 4.300307, imports are 4.026956, inflation is 4.049283, economic growth is 2.281425. All the results above have a value below 10 so that if it is concluded that they can accept H0, so there is no multicollinearity.

4.1.4 Heteroscedasticity Test

Table 4. White test

Prob. Chi S- Aquare (14)	0 .8636

source: processed data, 2023

According to the results of the White Test, the Chi S-Aquare Probability value is 0.8636, which is greater than 0.05. So it can be said to accept H0, which means the model contains/receives homoscedasticity or the model does not have heteroscedasticity.

Table 5. Breusch Test - Pagan - Godfrey Hypothesis

Prob. Chi S- Aquare (4)	0 .7339

source: processed data, 2023

According to the results of the White Test, the Chi S-Aquare Probability value is 0.7399, which is greater than 0.05. So it can be said to accept H0, which means the model contains/receives homoscedasticity or the model does not have heteroscedasticity.

Table 6. Glejser test

Prob. Chi S- Aquare (4)	0 .2658

source: processed data, 2023

According to the results of the White Test, the Chi S-Aquare Probability value is 0.265, which is greater than 0.05. So it can be said to accept H0, which means the model contains/receives homoscedasticity or the model does not have heteroscedasticity.

4.2 Estimation Results Regression

Table 7. Regression Results

Variable	Coefficient	t-Statistic	Prob.
C	7732.228	1.969302	0.0597
Export	-22602.14	-1.297334	0.2059
Import	81976.79	2.698083	0.0121
Inflation	-36185.03	-4.297051	0.0002
Economic Growth	-109537.1	-5.059209	0.0000
R-squared	0.542506		
Adjusted R-Squared	0.472123		
SE of regression	2988.064		
Sum squared residue	2.32E+08		
Log likelihood	-289.3346		
F-statistics	7.707851		
Prob (F-Statistic)	0.000310		

source: processed data, 2023

From the results linear regression above, is obtained equality as following:

$$ER : 7732.228 - 22602.14 + 81976.79 - 36185.03 - 109537.1 + e$$

The meaning of the econometric model is that the Export, Import, Inflation and Economic Growth variables have an effect on the Rupiah Exchange Rate in 1991-2021. Based on the results of the regression coefficient value for the Export variable it shows a negative sign, which is equal to -22602.14. This shows that if there is an increase in exports of 1%, the rupiah exchange rate in Indonesia will decrease by -22602.14. The Import variable shows a positive sign, which is equal to 81976.79. This shows that every 1% increase will increase the rupiah exchange rate by 81976.79. The results of the inflation variable show a negative sign that is equal to -36185.03. This means that if inflation is 1% USD then the rupiah exchange rate for Indonesia in 1991-2021 will decrease -36185.03. The regression coefficient value for the economic growth variable shows a negative sign of -109537.1. This shows that if economic growth increases by 1%, the rupiah exchange rate in Indonesia will decrease by -109537.

4.3 Statistical Test Results

4.3.1 Coefficient Determination (R^2)

The overall R-square coefficient of determination (R^2) is 0.472123 or 47.21%. This indicates that the independent variables, namely Exports, Imports, Inflation, Economic Growth, state that the dependent variable is the Rupiah Exchange Rate of 47.21% and the remaining 52.79% can be explained by other variables.

4.3.2 Statistics Test

To determine the effect of the independent variable on the dependent variable simultaneously. Where the value of F-table, df1 = 4 and df2 = n-k-1 = 30 at $\propto$ = 0.05 found that the value of F table is 2.69, then the calculation of f count = 7.7077851 then the calculated f value is 7.7077851 > the value of f table is 2.69, the result will reject H0 and Accept H1. So that the variables X1, X2, X3, X4 are related through the simultaneous model on variable Y.

4.3.3 Statistical t-Test

Based on the regression results, it can be seen that the t-statistic value of the export variable is -1.297334 with a probability value (sig) of 0.2059 which is significant at a = 5%, so it can be said that it is negatively insignificant to the exchange rate because it exceeds 0.05. based on the results of the t-statistic for the import variable is 2.698083 with a probability value (sig) of 0.0121 which is significant at a = 5%, it can be said that it has a significant positive effect on the exchange rate because it does not exceed 0.05. Based on the results of the t-statistic variable inflation is -4.297051 with a probability value (sig) 0.0002 significant at a = 5%, it can be said to be significantly negative to the rupiah exchange rate because it does not exceed 0.05. Based on the results of the t-statistic variable for economic growth is -5.059209 with a probability value (sig) of 0.0000 which is significant at a = 5%, it can be said that it has a significant negative effect on the rupiah exchange rate because it does not exceed 0.05.

4.4 Discussion

4.4.1 Influence export to mark exchange rupiah

The first hypothesis, do the analysis through t-test or partial test, when the probability value (sig) is 0.2059. In the table the results of the regression have no significant effect because the value exceeds 0.05, indicating that exports are said to influence the exchange rate not significantly. Furthermore, the regression results table shows that the coefficient of the export variable is negative. A coefficient with a negative direction does not imply that exports have a significant negative impact on the exchange rate. A negative coefficient indicates that an increase in exports causes an appreciation in the rupiah exchange rate. In determining the exchange rate, the trade approach or the elasticity approach states if the exchange rate differs between the two countries with the volume of trade between the two countries. If a country with a higher export volume will increase the demand for its currency, which will then strengthen or appreciate the country's currency. In other words, if it is concluded with the increasing volume of Indonesian exports, the rupiah exchange rate against the US dollar will also get stronger.(Ribka BR Silitonga1 2017)

The Effect of Exports on the Rupiah Exchange Rate In influencing the rupiah exchange rate, exports are also an indicator. With regards to the theory of balance of payments where exports tend to be a determinant in pushing up and down the value of a country's currency. A surplus or increase in the trade balance can make a currency depreciate. However, when exports experience a trade balance deficit that causes currency appreciation. If you look at the table, the export coefficient value of 0.2059 implies that an increase in changes in exports causes depreciation. Previous research also produced consistent results which stated that exports had a negative effect on the rupiah exchange rate.(Goddess 2020)

4.4.2 Influence import to mark exchange rupiah

The second hypothesis, through the t-test or partial test, obtains results indicating that imports affect the exchange rate significantly with a probability value (sig) of 0.0121 which can be seen from the regression results table. This significant value is less than 0.05. According to the elasticity approach or the trade approach to determining the exchange rate, it can be defined that the exchange rate has differences in the two countries which are influenced by trade volume, so it will weaken the exchange rate and vice versa. According to the view of trade access, import activities can have an impact on the exchange rate in a country. when import activity increases, the demand for the currency of the importing country also increases. An increase in demand for other countries' currencies will cause the currency of the country of origin to depreciate and the currency of other countries to appreciate. The probability value of 0.0121 for imports means that imports have a negative impact on the rupiah exchange rate.(BR Silitonga, Ishak, and Mukhlis 2019)

4.4.3 Influence inflation to mark exchange rupiah

The third hypothesis, through the t-test or partial test, inflation affects the exchange rate significantly with a probability value (sig) in the regression table of 0.0002. This significance value is less than 0.05. Because domestic prices will be more expensive than abroad, this condition causes inflation. So that the country will import goods and this will make the country's currency fall. Inflation has a strong attachment to exchange rates in currencies. Shifts in the inflation rate affect the demand for domestic currency, which in turn will affect the pattern of inter-trade. The increase in the inflation rate which continues to rise will cause domestic prices to also increase thereby causing exports to decrease. Domestic companies and consumers increase their imports, tending to substitute domestic goods that are affordable and expensive. If you look at both of them, the impact on the country's currency will weaken. It is explained in the theory which states that inflation and exchange rates between countries and exchange rates between countries are purchasing power parity theory put forward by Levi, 2001. In theory, it is stated that a balanced exchange rate will adjust to the small difference in the inflation rate in the country concerned. So this has an impact on consumers in purchasing power where domestic products purchased are the same as imported products. In the table it is known that the import probability value is 0.0002 which means that inflation has a positive effect on the rupiah exchange rate.(Alawiyah, Haryadi, and Vyn Amzar 2019)

4.4.4 Influence growth economy to mark exchange rupiah

The fourth hypothesis, through the t-test or partial test, economic growth affects the exchange rate significantly. The results of the analysis with a probability value (sig) of 0.000 where the significance value is less than 0.05. The fact that the coefficient is negative does not mean that the economic growth variable has a significant negative effect on the exchange rate. The coefficient in a negative direction shows that when economic growth increases this causes the rupiah exchange rate to also strengthen. If a country's economic growth is high, it can attract foreign investment, thereby increasing the flow of foreign funds into that country. Foreign capital that enters the country in large quantities gives the potential for the amount of foreign capital available in the country to also increase. as well as depreciating foreign currency exchange rates against domestic currencies or it can be said that domestic currency exchange rates have appreciated.

If a country has good and high economic growth, this is very attractive to foreign investors and is expected to attract greater inflows of foreign capital. Production of goods and services has also increased as an indicator that economic growth is in a high position. Meanwhile, slower economic growth led to unstable economic conditions and uncertain political conditions, which in turn led to a decline in economic activity, including production and investment activities. When production falls, countries cannot meet domestic demand and are forced to import, which increases demand for foreign currency. In addition, a decrease in investment results in a lower inflow of funds from abroad or a higher outflow of funds from abroad, then this causes the appreciation of the foreign currency and the depreciation of the national currency. The probability value of 0.000 for economic growth means that economic growth has a positive influence on the rupiah exchange rate.(Goddess 2020)

The SDGs program in Indonesia is a very important program to be realized considering that economic conflicts are very high and have the potential to continue to change from time to time. The economic conflict in question is the struggle for resources which is one of the causes of economic inequality. The struggle for natural resources, high inflation and the lack of employment opportunities in Indonesia have had a major impact on the pace of the Indonesian economy where growth is still below 6%. Moreover, Indonesia is a country in the developing category, so it really needs hard work in efforts to increase economic development through various clear and directed programs. The increase in Indonesia's economic changes can be said to be running fast. The success of a world program called the Sustainable Development Goals (SDGs) in the economic growth sector is indeed very difficult and has many challenges, especially in Indonesia. Not to mention because of the influence of political economy policies which are still debatable today because they often change according to global economic conditions which make the State do not have strong authority in determining the pace of its own economic growth. This of course greatly impacts the country's economy which only comes from taxes and export proceeds. This undeveloped economy is due to very binding global policies. In the midst of very uncertain economic conditions due to the impact of the current pandemic, almost all countries are experiencing significant degradation in their economic pace. Like a puzzle, the current world economy must be structured one by one to create an economic culture that is stable and in accordance with what is expected.(Islam & Moyeed, 2020)

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion

Based on the results of this study, it was found that: (1) the export variable has a negative and insignificant effect on the rupiah exchange rate variable over the USD, with a coefficient value of -22602.14 and a probability of 0.2059 at a significant level a = 0.05 and a statistical value of - 1.297334; (2) the import variable has a positive and significant effect on the rupiah exchange rate against the USD, with a coefficient value of 8197.79 and a probability of -0.0121 at the significance level a = 0.05 and a statistical value of 2.698083; (3) the inflation variable has a significant negative effect on the rupiah exchange rate against the USD, with a coefficient value of -36185.03 and a probability of 0.0002 at a significant level of a = 0.05 and a statistical value of -4297051; (4) economic growth has a negative and significant effect, with a coefficient value of -109537.1 and a probability of 0.0000 at the significance level a = 0.05 and a statistical value of -5.059209.

In this study, it can be said that the results are consistent with the three hypotheses used, meanwhile according to the results in the test it is known that exports have no significant effect on the rupiah exchange rate in Indonesia. This might happen when exports cannot affect the rupiah exchange rate because according to the balance of payments theory, as a factor driving the fluctuations in the rupiah exchange rate, exports are said to be one of the main indicators. A surplus or an increase in the balance in world trade tends to depreciate the currency.

5.2 Suggestion

This study has several limitations, namely that the use of years in this study is very small so that it is problematic in the autocorrelation test and requires handling and the four independent variables in this study are limited which makes the coefficient of determination at 52.79%.

Based on the conclusions, there are suggestions that I can submit in this research so that future researchers can improve and refine again, namely:

a. It is hoped that future researchers can use additional other variables related to this research such as foreign debt, interest rates. so that this research is expected to be more complex with the supporting variables.
b. Future researchers also hope to increase the population and expand the sample in this study with a period of years over a long period of time in order to produce perfect research.

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