

The Effect of Foreign Exchange Rate Changes on Indonesia's Import-Export Values

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Abstract: The annual report must be submitted on time and audited by a public accountant to ensure the correctness of the company's annual report according to the company's actual performance. A late annual report will have an impact on delays in the company's annual announcement. The longer the time required, the longer the audit delay. The research aims to examine the influence of firm size, profitability, solvency, company age, and KAP size on audit delay in consumer goods companies listed on the Indonesia Stock Exchange in 2020–2022. The population of this research is consumer goods companies listed on the Indonesia Stock Exchange in 2020–2022, namely 82 companies. The sample in this research was determined based on the purposive sampling method, and a sample of 52 companies was obtained with a research period of 3 years, so the total observations were 156. The analysis technique used in this research is the multiple linear regression analysis technique. The research results show that profitability and KAP size have a negative effect on audit delay, while firm size, solvency, and company age have no effect on audit delay.

Keywords: Economy; Foreign exchange rates; Import exports

How to cite this article (APA)

Dewi, L, G, K., Widiassa, K, A, P., Dewi, N, L, P, S. (2025). The Effect of Foreign Exchange Rate Changes on Indonesia's Import-Export Values. *Journal of Business and Management*, 5(1), 25-33. <https://doi.org/10.52432/justbest.5.1.25-33>

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Journal of Sustainable Business and Management

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Introduction

Foreign exchange rate changes are one of the main elements that influence the dynamics of the global economy, including international trade activities. In Indonesia, the Rupiah exchange rate against major world currencies, such as the US Dollar, plays an important role in determining export and import performance. As a country with an open economy, Indonesia is faced with challenges in the form of exchange rate fluctuations that directly affect the competitiveness of export products in the global market, the cost of importing goods, and the stability of the domestic economy (Iqbal et al., 2022).

The exchange rate is the price of a currency when compared to another currency that is needed to carry out financial transactions, both at the national and international levels, such as in trade or investment activities (Mufidah et al., 2023). The exchange rate is the amount of domestic currency that needs to be paid to obtain one unit of foreign currency. In an open economy, the exchange rate is a crucial factor because it has a major impact on the current account balance and various other macroeconomic variables. As one of the main macroeconomic indicators, the exchange rate plays an important role in maintaining the stability and smoothness of financial activities, especially in international transactions such as trade and investment (Farhanul et al., 2023). According to Ekananda (SarjanaEkonomi.co.id, 2024) The exchange rate is a comparison of the value of a country's currency against the currency of another country. The value of a currency plays an important role in making spending decisions, because the exchange rate allows us to convert prices from different countries into the same measure. Meanwhile, according to Mankiw (SarjanaEkonomi.co.id, 2024) Foreign exchange, or commonly called the exchange rate, is the price level agreed upon by residents of two countries to conduct trade. The exchange rate, also known as foreign exchange, refers to the exchange rate between the currency of one country and the currency of another country. Reported from Gramedia, the types of foreign exchange rates can be divided into 3 (Gramedia.com, n.d.), including: Buying rate is The buying rate is the foreign exchange rate set by a bank or money changer for someone who wants to buy foreign currency or exchange it for Rupiah. For example, when we return from abroad, we usually exchange our foreign currency for Rupiah. Selling rate is The selling rate is the foreign exchange rate set by a bank or money changer for someone who wants to sell foreign currency or exchange Rupiah for foreign currency. For example, when we go abroad, we exchange the money we have for the currency of the country we are going to. Middle rate is The middle rate is an intermediary between the selling rate and the buying rate. The average exchange rate is the sum of the buying rate and the selling rate divided by the total.

Foreign currency in the Big Indonesian Dictionary (KBBI) means foreign currency used in international trade. Foreign exchange is also included in one of the parts of foreign exchange. Foreign exchange functions as a legal tender in international economic or trade transactions. Foreign exchange, or foreign exchange, is a currency used to settle transactions between countries in the foreign exchange market, where the interaction of forex supply and demand occurs by individuals and entities. Foreign exchange includes physical forms such as banknotes and coins, as well as non-physical forms such as checks, money orders, and other intangible payment instruments. There are four types of transactions in foreign exchange, namely spot transactions, forward transactions, swap transactions, and option transactions (Mufidah et al., 2023).

Export and import are an integral part of the Indonesian economy. According to (Wikipedia) Export is the process of transporting goods or commodities from one country to another. This process is often used by small to medium-sized businesses as the main strategy to compete internationally. Meanwhile, based on Law Number 7 of 2014 concerning Trade,

export is the activity of removing goods from the customs area. Physical export can be interpreted as the activity of producing and selling goods made in a country to be sent and sold to other countries (Puspita & Nurlatipah, 2022). According to H Banu Santoso (2003), export is trade by removing goods from within the Indonesian customs area based on applicable provisions. Meanwhile, according to Amir (2004), export is an effort to sell commodities that we have to other nations or foreign countries, expecting payment in foreign currency, and carrying out commodities using a foreign language. Meanwhile, Import is the process of buying or bringing goods or services from other countries into the country. According to Customs Law No. 17 of 2006 concerning imports, Import of goods is defined as the entry of goods into the customs area. In general, large-scale imports are usually subject to customs duties by both the sending and receiving countries. According to Marolop Tandjung (2011:379), import is a trading activity carried out by bringing goods from abroad into the Indonesian customs area in accordance with applicable laws and regulations. Susilo Utomo (2008:101) argues that import is the activity of bringing goods from abroad to the domestic customs area carried out by individuals or companies from both countries. Meanwhile, Astuti Purnamawati (2013:13) defines import as the activity of buying goods from abroad where payment is made using foreign currency in accordance with government regulations. In the export sector, Indonesia is highly dependent on superior products such as agricultural products, mining products, palm oil, and manufactured goods to obtain foreign exchange. These products are traded in the global market at prices that are greatly affected by changes in exchange rates. When the Rupiah weakens against the US Dollar, the price of export products becomes more competitive in the eyes of international buyers, thus increasing demand. However, the weakening of the Rupiah also has an impact on the increase in the cost of importing goods, including raw materials, capital goods, and consumer goods needed to support domestic economic activities. As a result, this condition can trigger inflation and increase the burden of production costs. Conversely, when the Rupiah strengthens against the Dollar, the cost of imported goods becomes lower, which can help reduce production costs and keep inflation under control. However, the strengthening of the exchange rate can make Indonesian export products lose their competitiveness because prices become more expensive in the international market. Therefore, changes in the exchange rate have a double-edged effect on Indonesia's international trade, depending on the direction of its movement. The fluctuation of the Rupiah exchange rate is influenced by various internal and external factors. Reported from (Liputan6.com) Stable global economic conditions, monetary policy, inflation rates, and market sentiment are some of the main factors that shape exchange rate movements. Internal factors include the inflation rate, domestic interest rate policy, political stability, and national economic growth. Meanwhile, external factors include global commodity price movements, monetary policies of trading partner countries, and dynamics of international financial markets (Panjaitan, 2024). For example, increases in benchmark interest rates in the United States often encourage capital outflows from developing countries such as Indonesia, which ultimately weakens the Rupiah exchange rate. This shows that the relationship between foreign exchange rates and international trade is complex.

Currency fluctuations have a very complex impact on exports and imports. On the one hand, exchange rate fluctuations can provide advantages for exporters and encourage export growth. When the domestic currency weakens, the price of export products becomes more affordable in the international market, increasing competitiveness and demand. This can lead to economic growth, additional income for the country, and new job opportunities. However, on the other hand, sharp and unstable changes in exchange rates can be a threat to international traders. Excessive fluctuations can disrupt business planning, harm exporters' and importers' profits, and disrupt trade relations between countries (Matondang et al., 2024). In the context of Indonesia's international trade, exchange rate fluctuations have different impacts

in the short and long term. In the short term, exchange rate volatility can create price uncertainty, which affects exporter and importer decisions. In the long term, exchange rate changes can shape trade patterns and affect the competitiveness of Indonesian products in the global market. Exchange rate fluctuations can be caused by internal and external factors originating from within the country or from abroad that have an impact on the exchange rate (Panjaitan, 2024). The following are internal and external factors that affect exchange rate fluctuations:

Internal factors come from the economic conditions and domestic policies of a country, including: 1) Inflation. The domestic inflation rate affects the purchasing power of the local currency. High inflation reduces purchasing power and lowers the exchange rate. 2) Interest Rate Level. The interest rate policy implemented by the central bank can attract or reduce the flow of foreign investment, thereby affecting the exchange rate. Interest rate increases tend to strengthen the exchange rate. 3) Money Supply (JUB). Too much money in the domestic market can cause currency depreciation if not balanced by economic growth. 4) Foreign Exchange Reserves. The availability of foreign exchange reserves allows the central bank to intervene in the foreign exchange market to maintain exchange rate stability. 5) Political and Economic Stability. Stable political conditions and good economic policies increase market confidence in the local currency.

External factors come from abroad and involve global interactions, including: 1) Balance of Trade. A trade surplus (exports exceeding imports) usually strengthens a currency, while a deficit weakens it. 2) Changes in Global Commodity Prices. Countries that rely on commodity exports (such as oil) are often affected by fluctuations in commodity prices on the global market. 3) Global Monetary Policy. Policies from other countries' central banks, such as the US Federal Reserve, can affect the value of a domestic currency, especially if they involve increases in global interest rates. 4) Market Expectations. Investors' expectations about the international economic or political situation, such as changes in global trade policies, can create volatility in the foreign exchange market. 5) International Capital Flows. Global political or economic instability, such as a financial crisis, can trigger capital outflows from a country, weakening its currency.

Internal factors relate to domestic aspects that can be managed by the government or financial authorities, such as fiscal and monetary policy, inflation rates, interest rates, and the money supply. These instruments serve to maintain domestic economic stability. Meanwhile, external factors include international dynamics that are beyond a country's direct control. These include changes in foreign exchange rates, fluctuations in global commodity prices, economic policies of trading partner countries, and the global political and economic situation. These factors have great potential to affect the national economy, both positively and negatively, depending on the pattern of interaction and response to these global changes. This study aims to explore more deeply the influence of foreign exchange rate fluctuations on Indonesia's export and import values, and to identify the various factors that play a role in this relationship, using the latest data and comprehensive analysis methods. The results of this study are expected to provide relevant strategic recommendations to support economic stability and improve Indonesia's international trade performance.

Method

The method used in this study is a qualitative method with a content analysis and scoping review approach. Content analysis is a technique for examining and analyzing the structure and relationships between words, phrases, themes, and other concepts (Maretanidanini et al., 2023). Meanwhile, scoping review is an exploration technique that

analyzes literature on a particular topic by systematically identifying key concepts, theories, and supporting evidence that informs field practices (Istiqomah & Rahmah, 2022). This content analysis approach is intended to examine and present the effect of changes in foreign exchange rates on Indonesia's import and export values. Where the data used is secondary data obtained from previously existing related journals.

Meanwhile, the scoping review approach is used to review and identify further research data sourced from various research journal articles regarding the effect of changes in foreign exchange rates on Indonesia's import and export values. Where the data obtained will be presented in narrative form. The stages carried out are: Data collection, Data Processing, Presentation, Analysis, Drawing conclusions.

Results and Discussion

Changes in foreign exchange rates have a significant impact on Indonesian exports. First, when the exchange rate weakens against the Indonesian currency, it can increase the competitiveness of exported products. When the Indonesian currency exchange rate weakens against foreign currencies, products exported from Indonesia will become more competitive because their prices become cheaper in the international market. This can increase the attractiveness of the product, thus encouraging increased demand. As a result, export volume tends to increase, which ultimately contributes to the growth of state revenue from the international trade sector. Second, changes in the exchange rate that strengthens against the Indonesian currency. If the Indonesian currency exchange rate strengthens against foreign currencies, the price of products in the international market will become more expensive. This can reduce the competitiveness of exported products and can reduce export demand. As a result, export volume can decrease, which can reduce Indonesia's sales volume. Third, fluctuations in foreign exchange rates have a significant impact on revenue from export activities. When foreign currencies strengthen, the price of export products in the currency of the destination country becomes cheaper. This can increase the competitiveness of products in the international market and encourage high buyer interest. Which ultimately results in greater income in domestic currency. This condition contributes to increasing the country's foreign exchange reserves, while supporting overall economic growth. Conversely, the weakening of the foreign exchange rate causes the price of export products in the recipient country's currency to become more expensive, which ultimately reduces the competitiveness of products in the global market. The impact is a decrease in demand and export volume, thereby reducing the income earned in local currency. This decline can put pressure on the economy, which will reduce the country's ability to import the necessary goods and services, and affect the balance of trade. In conditions like this, Indonesia must face more complex economic challenges and must immediately seek strategic steps to maintain economic stability amidst the dynamics of foreign exchange rates. Based on previous research (Panjaitan, 2024) states that depreciation of the domestic currency exchange rate can lower the price of export products in the international market, thereby increasing export competitiveness and volume. Conversely, appreciation of the domestic currency makes the price of export products higher in the global market, which has the potential to reduce export competitiveness. Thus, changes in foreign exchange rates are an important factor influencing Indonesia's export performance in the international arena. Another study by (Iqbal et al., 2022) also stated something similar that exchange rate depreciation causes the price of export products in the international market to become cheaper. Conversely, exchange rate appreciation makes the price of export products tend to increase due to the increase in the value of the currency. These price changes affect consumer preferences, which ultimately contribute to fluctuations in export volumes.

Foreign exchange rate fluctuations also have a significant impact on Indonesian imports. First, a strengthening foreign exchange rate against the Indonesian currency can make import prices more expensive. When the foreign exchange rate strengthens against the Indonesian currency, import costs increase significantly because more domestic currency is needed to buy goods from abroad. This condition can reduce the purchasing power of imports and encourage local companies to develop similar products domestically. In the long term, this effect not only reduces dependence on imported products but also strengthens domestic industries, creates new jobs, and encourages innovation. In addition, lower dependence on imports can help the country build a more stable economic independence. Second, the foreign exchange rate weakens against the Indonesian currency. The weakening of the foreign exchange rate against the domestic currency makes imported goods cheaper. With a weaker exchange rate, the amount of domestic currency needed to buy imported goods becomes less, so that purchasing power for imports increases. This phenomenon can encourage a surge in import volumes, which benefits consumers through access to more affordable goods. In addition, industries that rely on imported raw materials will feel a positive impact in the form of reduced production costs, which can ultimately increase the competitiveness of their products in domestic and international markets. Third, Impact on Import Structure and Policy. Exchange rate changes also have an impact on a country's import structure. When the rupiah exchange rate weakens, imported goods become more expensive. This will encourage the search for local alternatives to reduce dependence on imports, or seek trading partners with more competitive prices. On the other hand, if the rupiah exchange rate strengthens, imported goods become cheaper, so that countries tend to increase import volumes, especially for consumer goods and industrial raw materials. Research (Panjaitan, 2024) also states something similar that the weakening of the domestic currency can cause the price of imported goods to become more expensive in domestic currency, which in turn can reduce import volumes and reduce the trade deficit. Conversely, the strengthening of the domestic currency will make imported goods cheaper in domestic currency, thereby increasing import volumes. Thus, fluctuations in foreign exchange rates have a significant impact on imports in Indonesia.



Figure 1. Rupiah Exchange Rate Against the US Dollar

The figure above shows that the rupiah exchange rate against foreign exchange rates (Dollar) has fluctuated from year to year, which once touched almost IDR 16,500/USD. This uncertain fluctuation will certainly affect Indonesia's export and import activities. For example, when the USD weakens against the rupiah, export prices will become more expensive, resulting in a decrease in market demand. However, on the contrary, import prices

will become cheaper, with a weaker exchange rate, the amount of domestic currency needed to buy imported goods becomes less, so that purchasing power for imports increases. So that exchange rate fluctuations greatly affect both Indonesia's exports and imports.

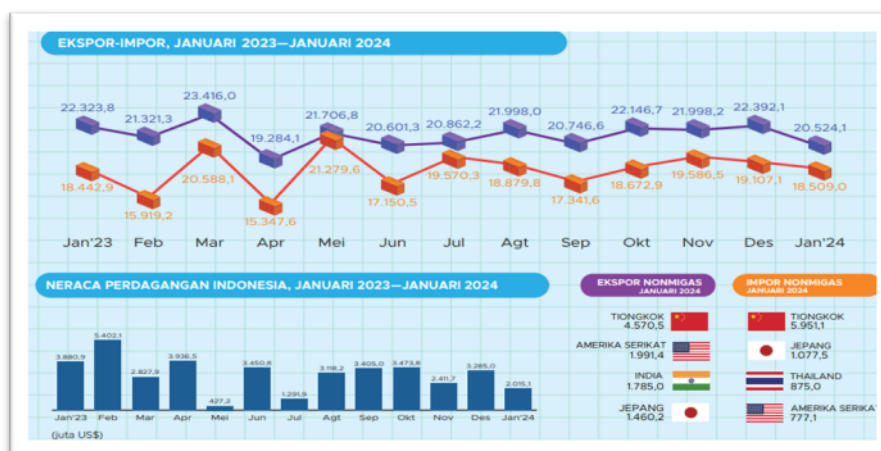


Figure 2. Value of Indonesian Exports and Imports in 2023-2024

Based on data from the Central Statistics Agency (BPS), the value of Indonesian exports in January 2023 reached USD 22.32 billion. This figure decreased by 6.36% compared to December 2022 of USD 23.82 billion. Here are some important points related to the value of Indonesian exports in January 2023, Non-oil and gas exports in January 2023 reached US\$ 20.83 billion, down 6.84 percent compared to December 2022, while increasing by 13.97 percent when compared to non-oil and gas exports in January 2022. The decline in non-oil and gas exports was driven by increasing prices and demand for commodities such as coal, crude palm oil, tin, copper ore, and rubber. The main export destination countries are China, the United States, Japan, and India. Based on an initial report from the Central Statistics Agency (BPS), Indonesia's export value in January 2024 reached US\$20.52 billion or decreased by 8.34 percent compared to exports in December 2023 and compared to January 2023 the export value decreased by 8.06 percent. This decline was due to the instability of the exchange rate and world market prices. The main export destination countries are still dominated by China, the United States, Japan, India and a number of ASEAN countries. Changes in the rupiah exchange rate against foreign currencies, especially the USD, have a significant impact on Indonesia's export performance, considering that many international trade transactions are carried out in USD. Fluctuations in this exchange rate can affect the competitiveness of Indonesian products in the global market as well as the income of domestic exporters. When the rupiah depreciates (weakens against the US dollar), Indonesian export products become more competitive because their prices become cheaper on the international market. This situation often increases demand for Indonesian products, especially in commodity sectors such as palm oil, coal, or manufactured products. In addition, exporters will get more rupiah from the conversion of income into US dollars, providing an incentive for them to increase production and export volume. This increase ultimately supports economic growth through a greater contribution to the country's foreign exchange reserves. Conversely, when the rupiah appreciates (strengthens against the US dollar), the price of Indonesian export products in foreign currencies becomes more expensive (Matondang et al., 2024). This can reduce the attractiveness of Indonesian products in the global market, especially if buyers have alternatives from other countries with lower prices. This condition can reduce export volumes and affect the balance of trade. Although exporters will receive fewer dollars for each unit of goods sold, they still face fixed production costs in rupiah, which can reduce their profit

margins. In addition to the direct impact on product competitiveness and exporter income, exchange rate fluctuations also affect related sectors, such as logistics, transportation, and distribution. Exchange rate stability is very important to maintain the sustainability of Indonesian exports, because fluctuations that are too extreme can create uncertainty for business actors.

Foreign exchange rate fluctuations are caused by several factors, namely inflation rates, interest rates, money supply, state foreign exchange reserves, changes in commodity prices, and global monetary policy. These can cause the rupiah exchange rate to fluctuate, which can affect the Indonesian economy. When a country's currency exchange rate weakens significantly, this can create strategic opportunities for the export sector. Domestic products become relatively cheaper in the international market, thus attracting interest from foreign buyers. As a result, the competitiveness of export products increases, which has the potential to expand the global market share. In the long term, this increase in export activity can make a positive contribution to the country's economic growth, create jobs, and increase Indonesia's national income. Conversely, if the currency exchange rate strengthens significantly, the impact can be the opposite. Export products become more expensive in the international market, which can reduce their attractiveness to foreign consumers. This decline in competitiveness can have a negative impact on export volumes, which can ultimately hamper economic growth. This condition can also affect export-supporting sectors, such as manufacturing and logistics, which depend on global demand. Thus, exchange rate fluctuations have direct implications for economic stability, and need to be managed with wise policies.

Conclusion

Based on the results of the study, it can be concluded that Profitability and KAP size have a negative effect on audit delay. The higher the company's ability to generate profits, the shorter the audit delay tends to be. According to Dewi, Ni Luh Putu Sandrya, et al., (2024) in their research stated that Profitability is classified by return on assets, namely the comparison between net profit and total assets. Profitability has a negative effect on audit delay, because companies with higher profitability tend to want to immediately provide good news to the public so that they can announce audit reports on financial statements faster and experience a shorter audit delay.

Changes in foreign exchange rates have a significant effect on the value of Indonesia's exports and imports. The following are conclusions regarding the effect of changes in foreign exchange rates on the value of Indonesia's exports and imports:

- Exports increase when the foreign exchange rate strengthens against the rupiah: When a foreign currency strengthens (appreciates), exported goods will become cheaper in foreign markets. This will encourage increased export demand and increase foreign sales volume.
- Imports become more expensive when the foreign exchange rate strengthens against the rupiah: When a foreign currency strengthens, imports will become more expensive. This will reduce the volume of imports and reduce the trade deficit.
- Exports decrease when the foreign exchange rate weakens against the rupiah: When a foreign currency (depreciates) will make export products more expensive for the international market, thereby reducing export competitiveness
- Imports become cheaper when the foreign exchange rate weakens against the rupiah:

When a foreign currency weakens against the rupiah, it will make imports cheaper in rupiah, thereby increasing import volume.

- Factors that cause fluctuations in the foreign exchange rate against the rupiah: Changes in the foreign exchange rate are caused by several factors, including the inflation rate, interest rates, money supply, the country's foreign exchange reserves, changes in commodity prices, and global monetary policy as well as other factors that affect the competitiveness and demand for Indonesian export and import products.

The exchange rate has a significant impact on Indonesia's export and import activities. Exchange rate stability is a very important factor for exporters, so that exported products can compete in international trade.

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