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MACROECONOMICS IN FOREIGN EXCHANGE RATE REALIZES THE ACCURACY OF A COUNTRY'S CURRENCY

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Abstract

The purpose of this research is to determine the macroeconomics in foreign exchange rates to realize the accountability of a country's currency. This research method uses qualitative research, literature study. Research resultThe exchange rate is the amount of local currency needed to obtain foreign exchange. The value of one country's currency is definitely different from that of other countries. This instability in the exchange rate will have an impact on the amount of money circulating in the country. The exchange rate is an important economic indicator that plays a strategic role in business. Therefore, to maintain the exchange rate, the central bank carries out monetary policy in the form of intervention, buying or selling the exchange rate on the foreign exchange market

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INTRODUCTION

Along with the development of the international economy, economic relations between countries become interrelated and result in an increase in the flow of trade in goods and money and capital between countries. The existence of this trade is of course caused by the limited availability of goods or services in one country and a surplus in other countries. Not only quantity, quality is also a factor that drives international trade. Activities to meet various needs in the economy have encouraged economic actors to carry out buying and selling transactions in foreign currency or foreign currency. In general, people are more familiar with the term buying and selling foreign currency than exchanging foreign currency. However, in Islam the term foreign exchange is more appropriate to use. Money or currency in Islam is a means of payment and is not a commodity so it cannot be bought and sold.

The exchange rate or exchange rate is one of the important prices in the macro economy, because the exchange rate is determined by the balance between demand and supply that occurs in the foreign exchange market, its influence on the current transaction balance and other macro economies. To measure economic conditions, one tool that can be used as a measure is the exchange rate. If the growth in the value of the currency or exchange rate can be stable, it means that the country has a relatively good or stable economic condition.

The need for foreign currency buying and selling transactions of course comes from the differences in the currencies used by each country. Each country uses its own currency as legal tender for its citizens. The place to sell or buy foreign currency is in the foreign exchange market or foreign exchange (Forex) market.

LITERATURE REVIEW

Exchange rate is the price or value of a country's currency which is measured in foreign currency when shopping or buying goods abroad. In essence, the exchange rate is the exchange rate. Meanwhile, foreign exchange is the value of another country's currency. So, the foreign exchange rate is the

ratio of value between the domestic currency and other currencies or in other words the exchange rate shows the comparison of value between two different currencies.

Some changes in currency exchange rates include: Depreciation is a decrease in the price of the national currency against foreign currencies due to the tug-of-war between supply and demand in the market, appreciation is an increase in the price of the national currency against foreign currencies. as a result of the tug-of-war between supply and demand in the market, devaluation is a decrease in the price of the national currency against foreign currencies carried out officially by the government in a country and revaluation is an increase in the price of the national currency against other currencies. foreign affairs carried out officially by the government of a country.[1]while the supply of foreign currency describes the amount of a certain amount of foreign currency offered by residents of a country, the supply of foreign currency comes from exports, in the market for goods, the price is determined in a situation where the supply and demand for goods reach balance.[2] For example, between the Rupiah and the Dollar, initially IDR 11,000/USD became IDR 14,000/USD, meaning that 1 Dollar which was originally worth IDR 11,000 is now more expensive, namely IDR 14,000. It can be said that currently the Dollar is increasing against the Rupiah and the Rupiah is decreasing against the Dollar. To make it easier to understand, the exchange rate is the amount of local currency needed to get foreign exchange.

The value of one country's currency is definitely different from other countries. This determines how big the demand and supply of the currency is. Exchange rates can also be used to determine the economic condition of a country. If the exchange rate is constant then the country's economic condition is also stable.[3] This exchange rate instability will have an impact on the amount of money circulating in the country.

The exchange rate is an important economic indicator that plays a strategic role in business. Exchange rate fluctuations have broad effects on various economic fields, including price developments (inflation), exports and imports which ultimately affect economic performance. Therefore, to maintain the exchange rate, the central bank carries out monetary policy in the form of intervention,

buying or selling the exchange rate on the foreign exchange market. Things that need to be considered in this system are primarily the ability of the central bank to intervene in relation to foreign exchange reserves.

The exchange rate reflects the strength of a country's economy. When a country's economy experiences currency devaluation, it can be said that the country's fundamentals are considered bad and are usually stigmatized, slowing economic growth. The negative effects of the depreciation of the rupiah exchange rate are an increase in the burden of foreign debt in US dollars, a slowdown in Indonesia's economic growth and an increase in the prices of goods and services imported from Indonesia.[4]

Foreign exchange (forex) exchange is an important need that is only carried out if there is a certain need, such as traveling abroad, international buying and selling transactions, or during uncertain international political and economic conditions. Forex can be defined as a means of payment in transactions between countries where Bank Indonesia as the central bank sets the official exchange rate. Foreign exchange cannot be fixed permanently, factors supporting a country's economy can influence the strength of the currency. Fluctuations in the up and down foreign exchange rates influence people's behavior in managing foreign exchange, in addition to interest rates, inflation and other factors.

According to the book Exchange Rate Systems and Policies (2004) by Iskandar Simorangkir and Suseno, the currency exchange rate is the price of one unit of foreign currency in domestic currency or the price of domestic currency against foreign currency. Currency exchange rates are also known as exchange rates. For example, the exchange rate (NT) of the rupiah against the American dollar (US) is the price of 1 US dollar in rupiah (Rp), it can also be interpreted the other way around, namely the price of Rp. 1 against 1 US dollar.

Meanwhile, according to Paul A Samuelson and William D. Nordhaus (1996:450), in simple terms the foreign exchange rate is the price of a foreign country's currency in domestic currency units. The exchange rate that we know in the everyday sense as described above is in the nominal sense (nominal exchange rate). In analyzing exchange rates we also know what is called the real exchange rate. The real exchange rate is the nominal exchange rate that

has been corrected for relative prices, namely domestic prices compared to prices abroad.

Types of Exchange Rate Systems

There are three types of exchange rates in the world of currency exchange that you should know and understand because these types apply throughout the world. The three types are the exchange rate or selling, buying and middle exchange rates.

1. Selling rate

This exchange rate is used by banks, forex traders, or money changers to sell the foreign currency they own. One example of using this type of selling value is when you exchange Rupiah for another country's currency, such as dollars or ringgit. This selling rate is used when someone wants to go on holiday to another country. In order to be able to carry out transactions in that country, the person of course needs to use the currency that applies there. When going to America, you must first exchange Rupiah into USD, either through a bank, foreign exchange trader or money changer.

2. Purchase rate

In this type, the exchange rate is usually used by banks, foreign exchange traders, or money changers when buying foreign currency. As the name suggests, this type of exchange rate can be referred to as the purchase price of currency and the value is determined by the parties. In other words, this purchase value is used to buy currency from other countries using local currency. This means that when foreign currency purchasing activities occur in Indonesia, payment is made using Rupiah. For example, an American tourist is on holiday in Bali. Having USD currency, the tourist plans to exchange it into Rupiah so that it can be used for transactions while in Bali
with a nominal value of 5 thousand USD.

3.Center Rate

As the name suggests, the middle rate means the exchange rate that is between the buying and selling exchange rates. You can get this exchange rate by adding up the buying and selling rates and then dividing the result by two. Or in other words the middle rate is the average value of the two previous types of exchange rates. However, this type of exchange rate is rarely used. Usually, foreign

exchange traders use this type of exchange rate to gain profits from the currency exchange difference between the buying exchange rate and the selling exchange rate.

METHODSE RESEARCH

The research method used in this research is a qualitative research method. Qualitative research methods are approaches used to understand social phenomena in natural contexts. Several related articles and journals provide an overview of qualitative research methods. One of them is an article that discusses the use of library research as a method for collecting data by understanding and studying theories from various sources. According to Zed (2004) there are four stages of library study, namely preparing the necessary equipment, preparing a working bibliography, organizing time and reading and recording research material. Collecting data by searching for sources and constructing them from various sources such as books, journals and existing research. Library materials obtained from various reference sources are analyzed critically and in depth in order to support proportions and ideas (Mubarok & Abadi, 2020)

MEETN AND DISCUSSION

1. Foreign exchange

There are 2 types of foreign exchange, namely physical foreign currencyand non-physical foreign currency. Physical foreign currency is foreign money in physical form, such as currency or coins used for international economic transactions. Different from physical foreign currency, non-physical foreign currency is in the form of demand deposits or securities. Examples include money orders, checks, traveler's checks, etc.

2. Foreign Exchange Market

Some of the main functions of the foreign exchange market in assisting international payment traffic are:

a. Makes it easier to exchange foreign exchange and transfer funds from one country to another. The process of exchanging or transferring funds can be done using a clearing system as is done by banks and traders.
b. Because there are often international transactions that do not require

immediate payment or delivery of goods, the foreign exchange market makes it easy to carry out sales and purchase agreements or contracts on credit.

c. Allows hedging to be carried out. A trader performs hedging when he at the same time carries out buying and selling transactions in different foreign currencies, to eliminate/reduce the risk of loss due to changes in exchange rates. Characteristics of Foreign Exchange Trading

There is no uniformity in the foreign exchange market. With transactions outside the trading exchange (over the counter) as a traditional market for foreign exchange trading.

3. Foreign Exchange Transactions

Usually transactions involving international standard trade are not always possible to deliver at the time of the transaction, due to time differences, very long distances and considerations of the large transaction volume. There are 3 types of transactions that can be carried out in foreign currency. The three foreign exchange transactions are as follows:

1. Spot Transactions

The first foreign exchange transaction is a spot transaction. Delivery of foreign currency in this type of transaction is usually determined on H+2 or the next two working days. We can take an example, the closing of foreign exchange buying and selling is on the 10th, therefore 4 deliveries will be made on the 12th. However, if by chance the 12th is a holiday in the country of origin or a Sunday, the delivery of foreign exchange transactions will occur on the following day. . The term delivery date is usually referred to as the value date. You can choose 3 ways to submit spot transactions, the three ways to submit spot foreign exchange transactions are as follows:

Value tomorrow, which means the foreign currency is handed over on the next working day, is usually referred to as one day settlement. For example, on May 3 you make a foreign exchange transaction, then on May 4 the foreign exchange transfer has been

made. Value Today. In this type, the submission of foreign exchange transactions is on the day of the transaction, or on the same day. The handover process is known as cash settlement. This means, if on May 5 you make a foreign exchange transaction, the date of submission of the foreign exchange transaction is on that date or on the same day.

Value Spot, which allows submission of foreign exchange transactions to occur H+2 working days after the transaction. So, if the foreign exchange transaction date is May 7, for example, the foreign currency will be handed over on May 9.

2. Forward Transactions

   Forward transactions or also called futures transactions, in principle, are transactions of a certain amount of currency with a number of other currencies with delivery at a future time. The exchange rate is determined at the time the contract is made, but payment and delivery are only made when the contract matures.

3. Swap Transactions

   A swap transaction is a transaction where two foreign currencies are exchanged through a spot purchase or sale and a forward sale or repurchase. The dealer buys a currency with a spot transaction and simultaneously sells the same amount back to another bank with a forward contract. This transaction is a combination of spot transactions and forward transactions.

4. Factors Affecting Foreign Exchange Rates

There are several factors that can influence foreign exchange rates, namely (1) inflation rate (2) value of exports and imports of goods (3) interest rates (4) tariffs and quotas (trade barriers), and (5) productivity. According to the Puchasing Power Parity (PPP) theory, in the long term if the price of goods in Indonesia increases, relative to the price of goods from abroad will cause the Rupiah to tend to depreciate and conversely, if the price of goods in Indonesia falls, the Rupiah will tend to appreciate. An increase in demand for exports will cause the value of the country's currency to appreciate, and conversely,

an increase in demand for imports will result in the value of the currency depreciating. If domestic interest rates are relatively higher compared to other countries, then the value of that country's currency will appreciate. This is because high interest rates will be attractive to foreign investors, so they will be interested in investing their capital in that country, so that demand for that country's currency will increase and will subsequently experience appreciation. The existence of tariffs or quotas (trade barriers) on goods from other countries will increase demand for the same goods from that country. This causes the value of the country's currency to appreciate. So an increase in trade barriers in the long term will result in the value of a country's currency appreciating. If a country becomes more productive than another country, domestic prices of goods will fall and there will still be profits. This will result in an increase in demand for domestic goods and will further increase the country's currency to appreciate.

Meanwhile, the monetary approach believes that the factors underlying the demand and supply function of money are the main explanation for movements in foreign exchange rates. According to this approach, foreign exchange rates are determined by the money supply, income, and interest rates.

5. **Forex Exchange Rate Determination System**

The nature of foreign exchange rates depends greatly on the nature of the market. If foreign currency buying and selling transactions can be carried out freely on the market, then foreign exchange rates will change according to changes in supply and demand. If the government implements a policy of exchange rate stability, but does not influence private transactions, then this exchange rate will only change within small limits, although these limits can be changed from time to time. The government can also fully control foreign exchange transactions (exchange control). In the gold standard monetary system foreign exchange rates are relatively fixed or only change within limits determined by the cost of transporting gold.

6. **Yang Exchange SystemFickle**

In a free market, exchange rate changes depend on several factors that influence the demand and supply of foreign exchange. Demand for foreign exchange comes from imports, namely derived from debit transactions in the international balance of payments. Meanwhile, foreign exchange offers come from exporters, namely from international balance of payments credit transactions. A currency is said to be "strong" if autonomous credit transactions are greater than autonomous debit transactions (balance of payments surplus), conversely it is said to be "weak" if the balance of payments experiences a deficit. Next, autonomous debit and credit transactions

KESCONCLUSION

Foreign Exchange Rates Exchange rate is the price or value of a country's currency which is measured in foreign currency when shopping or buying goods abroad, while foreign exchange is the value of another country's currency. So, the foreign exchange rate is the ratio of value between the domestic currency and other currencies or in other words the exchange rate shows the comparison of value between two different currencies. Some changes in currency exchange rates include: Depreciation is a decrease in the price of the national currency against foreign currencies due to the tug-of-war between supply and demand in the market, appreciation is an increase in the price of the national currency against foreign currencies. as a result of the tug-of-war between supply and demand in the market, devaluation is a decrease in the price of the national currency against foreign currency carried out officially by the government in a country and revaluation is an increase in the price of the national currency against other currencies. foreign affairs carried out officially by the government of a country. while the supply of foreign currency describes the amount of a certain amount of foreign currency offered by residents of a country, the supply of foreign currency comes from exports, in the market for goods, the price is determined in a situation where the supply and demand for goods reach balance.

Exchange Rates and Foreign Exchange in an Islamic Perspective Al-sharf (foreign exchange) is the buying and selling of currency. Initially the currency

was only gold and silver, gold money was called dinars, and silver money was called Dirhams. Foreign currency means currency originating from abroad such as the American dollar, Ringgit from Malaysia, and British Pound Sterling and other currencies. In several Arabic dictionaries, foreign exchange transactions are called al-sharf, which means buying and selling foreign currency or in English, namely money changer. Buying and selling currency is permitted according to sharia when the legal conditions are met.

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