

IMPACT OF COVID-19 ON RUPIAH EXCHANGE RATE MOVEMENT AGAINST DOLLARS AND COMPOSITE STOCK PRICE INDEX IN INDONESIA

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Abstract

The purpose of this study is to analyze the impact of Covid-19 in the Rupiah Exchange Rate on the United States Dollar and the Composite Stock Price Index in Indonesia. The data used are primary and secondary data: the Rupiah Exchange Rate and the CSPI value taken for 66 days starting from October 2019 to March 2020. The data were analyzed descriptively by explaining the impact caused by Covid-19. The results found that the Covid-19 Pandemic harmed the economy both the Rupiah Exchange Rate against the US Dollar and the movement of the Composite Stock Price Index in Indonesia. The findings found that before the Covid-19 Pandemic the value of the Rupiah against the US Dollar and the movement of the Composite Stock Price Index experienced negative sentiment while after the Covid-19 pandemic it moved negatively due to negative sentiment from market participants who were still focused on the spread of the Covid-19 pandemic in Indonesia, as well as many market players who still sell shares because of global panic. Nevertheless, the Indonesian government has anticipated the economic downturn in Indonesia by implementing fiscal policies, to reduce the negative impact of the Covid-19 pandemic.

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1. INTRODUCTION

Corona Virus or often called Covid-19 is a type of virus that attacks the human respiratory system. The virus that was first discovered in the city of Wuhan China, continues to spread throughout the world, and based on the data recorded until March 2020, 201 countries in the world have been infected and 166 countries with local transmissions including several countries like the United States of America (USA), China, Italy, Spain, Malaysia, Japan, South Korea, France and various other countries in the world.

The number of people with Covid-19 until 03 April 2020 reached 1,018,845 confirmed cases worldwide, of which 53,292 cases died and 213,542 cases were cured. From those various cases in the world, it is no exception for Indonesia based on the data updated to April 3, 2020 the number of confirmed cases was 1,986 cases, of which 181 died and 134 recovered.

The spread of the Covid-19 Pandemic has caused the global economy to fall by 1%, hit various economies of countries affected by the Covid-19 Pandemic, such as China, Italy and the United States. In addition to these countries,

Indonesia, which was among the countries infected by Covid-19, is inseparable from the turmoil in the country's economy which is evident from the exchange rate of the Rupiah against foreign currencies as well as the movement of joint-stock prices which continue to experience a downward shift without any symptoms of strengthening.

Various sectors in Indonesia continue to experience negative changes that have an impact on the decline in value in various sectors, such as the tourism sector, banking, manufacturing, and other real sectors.

Hamid (2008) revealed that macroeconomic factors that could affect stock prices, included interest rates, inflation, and exchange rates. So if the condition of the Rupiah exchange rate is expected to deteriorate, it is most likely to be estimated on a stock price index which is likely to decline.

Economic movements in Indonesia that cannot be separated from the Rupiah exchange rate against foreign currencies, especially the United States Dollar or U \$ Dollar which experienced weakening movements, data is taken at the end of the month during the closing session.

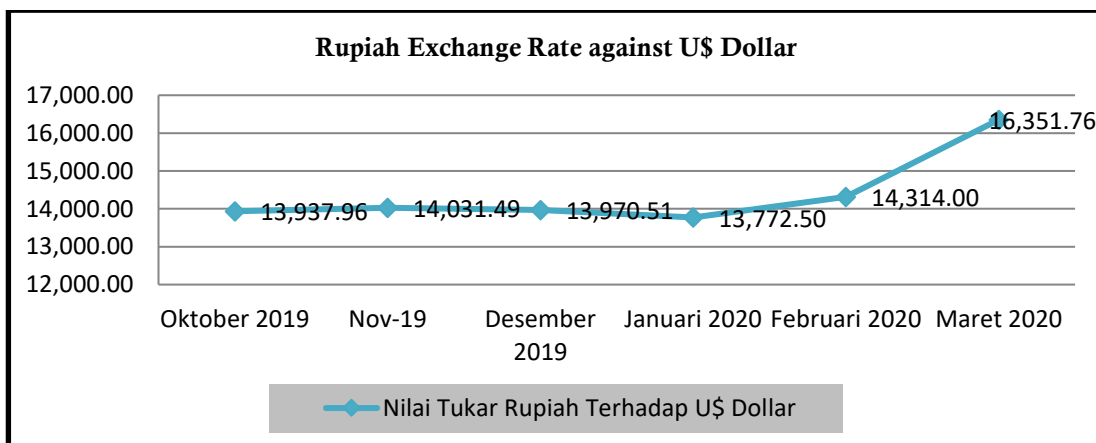


Figure 1: The Exchange Rate of Rupiah against \$ US

(Source: Indonesian Banking, 2020)

The movement of the rupiah exchange rate amid the Covid-19 pandemic continued to decline or was corrected until it reached the Rp. 16,351.76 at the close of trading on the

Indonesia Stock Exchange on March 30, 2020. The correction in the rupiah exchange rate is also in line with the correction in the composite stock price index in Indonesia.

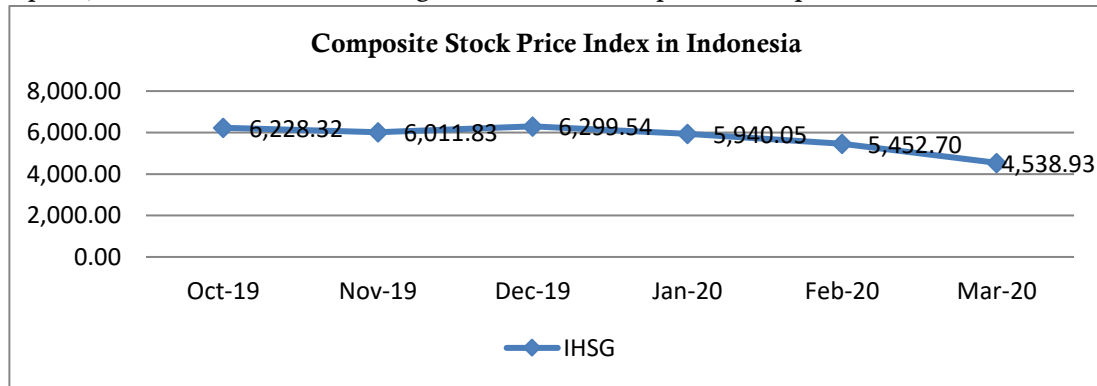


Figure 2: Composite Stock Price Index in Indonesia
(Source: idx.co.id, 2020)

If you see the movement of the Composite Stock Price Index in Indonesia was pretty much corrected by the trading of shares in October 2019 amounting to 6,228.32 corrected by 27% until the end of March 2020. Many things caused the movement of the rupiah exchange rate and the Composite Stock Price Index in Indonesia to decline, things This is the concern of the writer so he is interested in taking a study of the impact of Covid-19 on the movement of the Rupiah and IHSX in Indonesia.

The weakening of the rupiah against foreign currencies allows a negative change in the movement of stock prices in Indonesia as having been stated by Fenta et al. (2015). The impact of the decline in the Rupiah exchange rate on stock prices on the money market is indeed possible, given that

2. METHOD

Types of Data

The type of data used is primary data that is data that researchers collect directly

most of the companies that have (Go-Public) on the Indonesia Stock Exchange have foreign debt in the form of foreign exchange.

It was, as stated by (Ang, 2007), because the weakening of the Rupiah against other currencies is a negative signal for investors so that it will affect the value of these shares. The results of research conducted by (Fauziyah, 2017) shows that the period 2008-2014 several factors examined such as inflation, bank interest rates, and the balance of payments in Indonesia, and exports have decreased, while the GDP variable has increased and with multiple linear regressions shows that the variable interest rates and gross domestic product also have a significant effect which leads to a positive exchange rate of the rupiah against the US dollar in 2008-2014.

from the data source. Such as Stock data, Rupiah Exchange Rate and IHSX data. While the type of secondary data used and obtained from Bank Indonesia and the

Indonesia Stock Exchange is needed in processing research data.

The Method of Data Collection

The data collection used is documentation as stated by (Arikunto, Suharsimi, 2013) that "the documentation method is used to obtain data about things or variables such as, newspapers, notes, books, magazines, inscription transcripts, agendas, minutes of meetings and so on ". This method is used to collect some data such as Rupiah Exchange Rate, CSPI, and so on.

Data Analysis

Based on the problem studied, the method used is a descriptive method with a quantitative approach. Research that has a descriptive nature is research that can give as detailed a picture as possible about something whether it is a situation, an individual, a symptom or some specific group. This research is also a research that

has the aim to explain the existence of phenomena by using numbers or values to provide standard characteristics of individuals or groups.

3. RESULTS AND DISCUSSION

3.1 The Results of the Study

The results of the study consisted of two types of data, namely the Rupiah Exchange Rate against the U \$ Dollar and the IHSG value in Indonesia before the occurrence of the Covid-19 Virus Outbreak, which took data for the last 3 Months in 2019, namely October to December and after the Covid Virus Outbreak. -19, the data of which are taken from January to March 2020. Based on data obtained for the Rupiah Exchange Rate against U \$ Dollars from October 2019 to March 2020, are as follows:

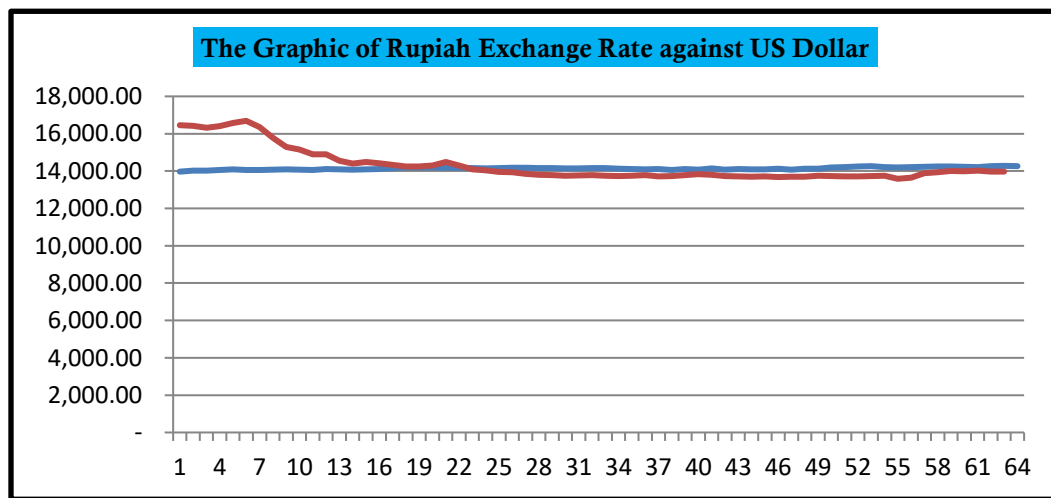


Figure 3 The Graphic of Rupiah Exchange Rate against US Dollar before And when the Covid-19 Pandemic Happened

The data describes the movement of the Rupiah exchange rate against US \$ which changes are significant if seen from before the Covid-19 Pandemic between October to

December 2019 moving in the range of Rp. 14,267.00 in October 2019 and at the end of December touched the figure of Rp. 13,970,51. Whereas at the time of the

Pandemic that spread to almost all countries in the world, especially in the State of Indonesia, the movement of the Rupiah exchange rate continued to weaken, which was recorded at the beginning of January 2020, recorded at Rp. 13,964.48 and on March 31, 2020 touched the figure of Rp. 16,448.84. Which does the highest movement occur on March 23, 2020 that is touching the figure of Rp. 16,691.04.

The weakening movement of the Rupiah has an impact on the weakening of the Composite Stock Price Index (CSPI) on the Indonesia Stock Exchange, which this study also looked at the graph of JCI changes prior to the Covid-19 Pandemic and at the time of the Covid-19 Pandemic with data collection for 66 days, which is illustrated in the following graph.

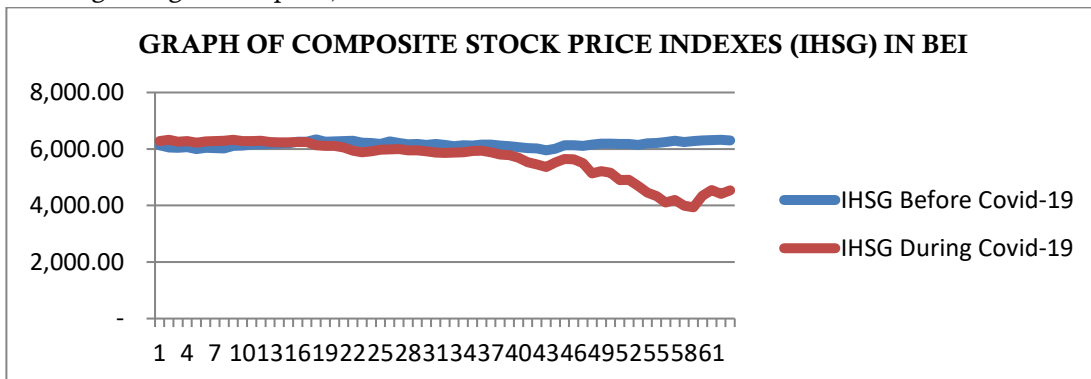


Figure 4. Graph of composite stock price indexes before and during the Covid-19 Pandemic

Covid-19 pandemic which plagues to Indonesia made changes or movements that weakened the value of the CSPI on the Indonesia Stock Exchange where the CSPI from before the Covid-19 Pandemic was in the range of 6,138.25 data as of October 1, 2019 and at the end of the year that was 6,299.54 as of December 30, 2019, while at the time of the Covid-19 Pandemic the JCI moved downward at the opening on the 02 January 2020 6.238.58 weakened to the value

of 4,538.93 as of March 31, 2020 the data is seen to be decreasing where on March 23 it reached 3,937.63 so that the JCI was corrected to a decrease of 36.88% from January to the end of March 2020.

As a whole, the Rupiah exchange rate against the US \$ Dollar and CSPI from before the pandemic to the time of the pandemic has decreased as seen in Figure 5 below:

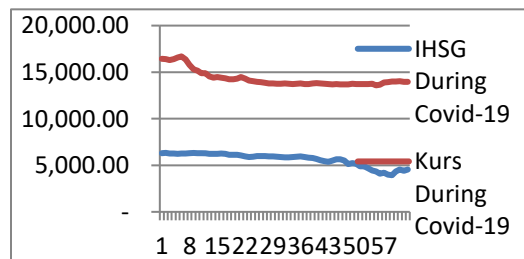
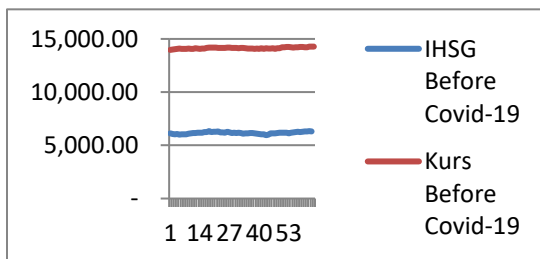


Figure 5. Graph of Changes in the Rupiah Exchange Rate Against U \$ Dollar and CSPI Before And During the Covid-19 Pandemic

3.2 Discussion

The Covid-19 virus outbreak that struck the entire world, including Indonesia which not only had an impact on social life but also had an impact on the weakening of the rupiah and the Composite Stock Price Index on the Indonesia Stock Exchange. More than that, the Covid-19 Virus Plague has also disrupted the economy in Indonesia.

The weakening of the Rupiah against the U \$ Dollar Exchange Rate and the Composite Stock Price Index in Indonesia is inseparable from the existence of the Covid-19 Pandemic that plagued up to Indonesia that occurred from January to March 2020 so that many factors caused the weakening, where the economic fundamentals in Indonesia are not able to withstand the continued weakening of the Rupiah and the Composite Stock Price Index in Indonesia which continues to weaken amid the Covid-19 Pandemic in Indonesia.

According to the results of research by ((Harahap et al., 2020) other factors that determine exchange rates are other economic factors or non-economic factors. Finally, it can be concluded that except for the money supply, most exchange rate movements are influenced by other factors, such as economic or non-economic factors.

The main factor determining the weakening of the Rupiah and the Composite Stock Price Index is the development of the Covid-19 pandemic which is attacking Indonesia, while there are several other economic fundamentals that should have strengthened the rupiah and were ignored by market players in Indonesia and abroad. In the last few months, there has been a decline in world oil prices which should have strengthened the Rupiah and the Composite

Stock Price Index did not affect the positive assessment of market players because it was still focused on the development of the Covid-19 pandemic.

Meanwhile, the results of research by (Arifin & Mayasya, 2018) which shows that inflation, interest rates, openness and volatility of the exchange rate of the rupiah against the USD are positive and a significant influence on the exchange rate of the rupiah against the US dollar and research by (Triyono, 2008) found that the variable inflation, SBI interest rates, and imports have a significant influence with a positive direction on the exchange rate. While the JUB variable has a negative influence on the exchange rate.

Although in many major countries in the World have announced the existence of a stimulus package to anticipate the economic impact that is declining due to the Covid-19 pandemic, but the stock selling action still continues in the global market which is due to panic from money market players after the announcement by the World Health Organization which said that Covid-19 is a global pandemic.

On the contrary the Indonesian Government has actually prepared several fiscal policies to anticipate the negative impact of the Covid-19 pandemic, which includes the facility of delaying payment of taxes, the implementation of the acceleration of the import process for approximately 500 importers to maintain supply stability and the efficiency of logistics activities, in addition to the relaxation of import duties and reduced VAT rates as well as tax subsidies. but it also did not have a positive impact on the movements of the Rupiah Exchange Rate and the Composite

Stock Price Index so that it weakened the Rupiah and CSPI which on March 23, 2020 the Rupiah touched Rp. 16,691.04 and on March 24, 2020 the Composite Stock Price Index touched 3,937.63. This decline was also driven by market psychology that was disrupted by Covid-19 where the financial market was concerned about the spread of the virus which would further expand so that it would suppress the planned economic growth of Indonesia by growing by 6% during the years 2020-2024.

The government must immediately break the chain of distribution of Covid-19 in order to strengthen the exchange rate of the Rupiah against the US Dollar and the Composite Stock Price Index to strengthen again in the global market. If there is no serious supervision and it is not enough that it can quickly affect the market psychology, so the rupiah will be much weaker than before.

Furthermore, if the decline in the Rupiah and CSPI is not immediately anticipated eating will have a significant impact and quite alarming for the Indonesian economy, because at this time the Indonesian economy is under considerable pressure from the global market, which allows the Rupiah to be depressed and the CSPI will continue to weaken . This also has an impact on debt payments dominated by the United States dollar, both government debt and private debt will continue to swell. As long as the global market continues to experience panic due to the Covid-19 Pandemic, the Rupiah and CSPI will always be in a very vulnerable position. Where this is in line with research (Nuraeni & Ismiyatun, 2021) which states that the rupiah exchange rate decreased in February - March 2020 caused by external factors, namely changes in the global economic system and internally caused by inflation, interest rates and the amount of money in circulation. from the Composite Stock Price Index in accordance with research from (Fatmasita, 2021) which

states that the increasing number of cases of the COVID-19 pandemic in Indonesia will have an impact on the decline in the Composite Stock Price Index.

Global financial market uncertainty is increasing, this is impact on the exchange rate of the rupiah against the United States dollar. So that the rupiah exchange rate depreciated or weakened. At the end of February 2020 there was a capital outflow in the stock market and Indonesian government securities. And finally the exchange rate depreciates or weakens. Pressure on the rupiah exchange rate against the United States dollar continued until March 2020.

Referring to the research written by (Widodo, 2018) the stock price index abroad is not the only factor affecting the stock price index in Indonesia. Even so, the existence of the MEA will certainly have a big impact on the Indonesian CSPI which is a state of Southeast Asia and ASEAN. Thus, this condition affects the interest of the Indonesian people in investing.

In addition to the tax cut policy, Bank Indonesia has also issued a policy of cutting the benchmark interest rate to 4.5% but still shows a positive impact on the movement of the rupiah exchange rate and the Jakarta Composite Index.

4. CONCLUSION

The global epidemic of the Covid-19 pandemic had a negative impact on the movement of the Rupiah against the US Dollar and the Composite Stock Price Index. This can be seen by the decrease in the Rupiah exchange rate from Rp. 13,000 to touch the number Rp. 16,000, while the Composite Stock Price Index of the number 6,000 now touches the number 4,000. The main factor causing this is the Covid-19 Pandemic which resulted in market participants having a negative sentiment on the

Indonesian economy and the global economy. The government has also tried to anticipate the worst things that might happen in the future, so that nothing bad happens that causes the Rupiah Exchange Rate and Composite Stock Price Index to continue to decline.

The government must try as much as possible in overcoming various kinds of problems arising from the Covid-19 Pandemic so that the Indonesian economy will be better, so that future economic growth can be achieved in accordance with planning.

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