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THE EFFECT OF GROSS DOMESTIC PRODUCT, EXPORTS, IMPORTS, EXCHANGE RATES, INFLATION AND EXTERNAL DEBT ON INDONESIA'S FOREIGN EXCHANGE RESERVES IN 2017-2020
(Study from an Islamic perspective)

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Article

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Abstract

Indonesia is a country that cannot be separated from international relations. In addition, it also has a major influence in the event iof fluctuations in the world economy caused by adopting an open economic system. By conducting international relations, of course, it can increase foreign exchange reserves which of course provide benefits for the country. Indonesia itself has little foreign exchange reserves available because it is used to pay off the government's foreign debt and high import costs. If a country makes foreign loans continuously, the amount of foreign exchange reserves will decrease, so that the economy becomes sluggish. The purpose of this study was to analyze the effect of gross domestic product, exports, imports, exchange rates, inflation and foreign debt on Indonesia's foreign exchange reserves. The sample in this study is 48 data from 2017-2020. This research method is a quantitative approach with data analysis using classical assumption test, multiple linear regression analysis, hypothesis testing and coefficient of determination test with data processing test equipment, namely SPSS version 16. The results show that partially (1) gross domestic product has a positive and positive effect. significant effect on Indonesia's foreign exchange reserves, (2) exports have a positive and significant effect on Indonesia's foreign exchange reserves, (3) imports *have a negative and significant effect on Indonesia's foreign exchange reserves, (4) the exchange rate has a negative and significant effect on Indonesia's foreign exchange reserves, (5) inflation does not have a significant effect on Indonesia's foreign exchange reserves, (6) foreign debt has a positive and significant effect on Indonesia's foreign exchange reserves, (7) simultaneously gross domestic product, exports, imports, exchange rates, inflation and foreign debt have a positive and significant effect on Indonesia's foreign exchange reserves.*

INTRODUCTION

Today, Indonesia's economic development is increasingly integrated with the world economy. Indonesia gets a big influence when there are fluctuations in the world economy, this is because this country reflects on an open economic system that cannot be separated from the phenomenon of international relations. International trade is one of the important aspects in the economy of every country in the world. The development that was initially centered on the agricultural sector has now changed its direction to the industrial sector. This change was made so that the country would not experience a lot of decline in goods produced by other countries, due to the increasing level of demand in Indonesia. The increase in output from time to time is used as an important indicator to measure the success of a country's development which is a process of economic growth[1].

The slow economic growth is offset by the high level of imports, therefore Indonesia is still said to be a developing country. In conducting international trade, every country needs foreign exchange reserves as a means of foreign payment. Foreign exchange reserves are an important indicator to determine the extent to which a country can conduct international trade and show the strength and weakness of a country's economy as well as a guarantee for achieving the country's monetary stability. Foreign exchange reserves are defined as all foreign assets controlled by the monetary authority and can be used at any time to finance balance of payments imbalances or in the context of monetary stability by intervening in the foreign exchange market and for other purposes. Based on this definition, the benefits of foreign exchange reserves owned by a country can be used to maintain exchange rate stability and can be used to finance a deficit in the balance of payments[2]. Indonesia itself has little foreign exchange reserves

[1] Jalunggono, Gentur dkk. 2020. Pengaruh Ekspor, Impor dan Kurs terhadap Cadangan Devisa Indonesia Periode 2004- 2018. *Jurnal Ekonomi Bisnis dan Akuntansi*: Vol. 22 No. 2 (171).
[2] Gandhi, D.V. 2006. *Pengelolaan Cadangan Devisa di Bank Indonesia*. Jakarta: PSPK BI

available because it is used to pay off the government's foreign debt and high import costs. If a country makes foreign loans continuously, the amount of foreign exchange reserves will decrease, so that the economy becomes sluggish. In addition, Indonesia was also unable to make international payments and stabilized the exchange rate which resulted in a balance of payments deficit and a fall in the value of the rupiah. The small amount of foreign exchange reserves causes a country to be unable to make international payments and the stability of the exchange rate results in a balance of payments deficit.

The development of foreign exchange reserves tends to increase every year. Based on data from Bank Indonesia, Indonesia's foreign exchange reserves in 2017 stood at US$ 130196.38 million. Then in 2018 the position of foreign exchange reserves decreased from the previous year of US$ 120654.27 million. Furthermore, in 2019 the position of foreign exchange reserves increased from 2018 to US$ 129183.28 million. In 2020, the position of foreign exchange reserves increased by US$ 135897 million. This figure shows the highest figure for the last ten years caused by the withdrawal of foreign debt used to deal with the Covid-19 pandemic and efforts to handle the national economy so that the foreign exchange reserves in 2020 remain adequate.

Gross domestic product is a measure of national income for a country's economy. Strong economic growth will be followed by the accumulation of foreign exchange reserves, which is an indicator of significant changes in the world economy[3]. The development of gross domestic product in Indonesia from 2017-2020 tends to fluctuate. Based on data from the Central Statistics Agency, in 2017-2019 the level of gross domestic product has increased. In 2017 gross domestic product was 9,912,928.1 billion, then in 2018 gross domestic product was 10,425,851.9 billion, then in 2019 it was 10,949,037.8 billion. In 2020 the level of gross domestic product decreased from the previous year which was 10,722.442.7 billion.

Exports are the total goods and services sold or shipped by one country to another, including goods, insurance, and services in a given year[4]. Exports have a close relationship with foreign exchange reserves. Based on data from the Central Statistics Agency, exports in 2017-2020 tend to experience a decline. In 2017 exports in Indonesia amounted to 168,828.2 million. Then in 2018 exports increased from 2017 amounting to 180,012.7 million. While in 2019 it was 167,683 million and in 2020 it was 163,191.8 million, which means it has decreased.

In addition to exports, Indonesia also carries out import activities to meet needs that are not produced domestically. Import activities in Indonesia tend to increase, due to the large

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[3] Gilarso, T. 2004. *Pengantar Ilmu Ekonomi Makro*. Yogyakarta: Kanisius
[4] Sutedi, Adrian. 2014. *Hukum Ekspor Impor: Cetakan 1*. Jakarta: Raih Asa Sukses

number of capital goods and raw goods that enter for development as well as goods for daily needs. With high import activity, foreign exchange reserves will decrease because the state pays for imports using its foreign exchange reserves. Based on data from the Central Statistics Agency, imports in 2017-2020 fluctuated. In 2017 imports in Indonesia amounted to 156,985.5 million, then increased in 2018 by 188,711.2 million. In contrast to 2018, in 2019 it decreased by 170,727.4 million. In 2020 imports experienced a significant decline, amounting to 141,568.8 million.

The rupiah exchange rate or foreign exchange rate can be defined as the amount of domestic money needed, namely the number of rupiah needed to obtain one unit of foreign currency[5]. In the theory of purchasing power parity, the exchange rate of a country will tend to balance the cost of purchasing goods at home with the purchase of these goods abroad. When the actual exchange rate is high, foreign goods are relatively cheap, and domestic goods are relatively expensive and vice versa. The more foreign exchange it has, the greater the country's ability to conduct international economic and financial transactions and the stronger the currency's value. Based on data from Bank Indonesia, the position of the exchange rate in 2017-2020 fluctuated. In 2017 the rupiah exchange rate was at Rp. 13,548, then in 2018 it weakened to Rp. 14,481. Furthermore, in 2019 the exchange rate strengthened at Rp. 13,901 and weakened again at Rp. 14,105.

Inflation is an increase in the average level that will occur on two sides, the first from the government side and the second from the supply side[6]. Based on data from Bank Indonesia, the inflation rate in Indonesia every month from 2017-2020 fluctuated. In 2017, the highest inflation was in June which reached a percentage of 4.37%. Meanwhile, the lowest inflation rate occurred in August 2020 with a percentage of 1.32%. The development of Indonesia's foreign debt has increased every year. Foreign debt is used to maximize job development and for other purposes. Based on data from Bank Indonesia, the amount of foreign debt in Indonesia every month from 2017-2020 continues to increase. The highest foreign debt figure occurred at the end of 2020, which was 209,246 million. Meanwhile, the lowest foreign debt occurred in early 2010 amounting to 161,235 million.

Indonesia is a country that cannot be separated from international relations. In addition, it also has a major influence in the event of fluctuations in the world economy caused by adopting an open economic system. By conducting international relations, of course, it can increase foreign exchange reserves which of course provide benefits for the country. Although

[5] Manurung, A.H. 2016. *Cadangan Devisa dan Kurs Valuta Asing.* Jakarta: Kompas Media Nusantara
[6] Mankiw, N. Gregory. 2006. *Makroekonomi Edisi Enam*. Jakarta: Erlangga

foreign exchange reserves within a period of 4 years (2017-2020) tended to increase, in 2018 it still showed a significant decline, amounting to 9,542.11 million. Therefore, foreign exchange reserves must be maintained, so that international transactions can take place stably. Thus, it is hoped that several factors that are thought to affect foreign exchange reserves such as Gross Domestic Product, Exports, Imports, Exchange Rates, Inflation and Foreign Debt can be used as a reference for maintaining foreign exchange reserves in Indonesia. Based on the description above, the researcher is interested in conducting a research entitled "The Effect of Gross Domestic Product, Exports, Imports, Exchange Rates, Inflation and Foreign Debt on Indonesia's Foreign Exchange Reserves in 2017-2020".

METHOD

This study uses associative research with a quantitative approach. The population in this study is data from the Central Statistics Agency and Bank Indonesia. The sample in this study is GDP, exports, imports, exchange rates, inflation, foreign debt and foreign exchange reserves in the last 4 years (2017-2020). The data is processed using SPSS 16 software. The independent variables in this study are GDP (X1), exports (X2), imports (X3), exchange rates (X4), inflation (X5), and foreign debt (X6). While the dependent variable in the study is Indonesia's foreign exchange reserves (Y).

This study uses the classical assumption test, namely the residual normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. The method used in analyzing the data is multiple linear regression analysis. In this study to analyze the effect of gross domestic product, exports, imports, exchange rates, inflation and foreign debt on Indonesia's foreign exchange reserves.

$Y = \propto + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + e$

There are:

Y	: Cadangan Devisa
$\propto$	: Constant
$\beta 1 - \beta 6$	: Regression coefficient of each variable
X1	: PDB
X2	: export
X3	: import
X4	: Exchange Ratio
X5	: inflation
X6	: Foreign Debt
e	: error

From the regression equation, the accuracy of the regression model is carried out on the estimation of the independent variables which are measured using hypothesis tests, namely t-test (partial), F-test (simultaneous), and the coefficient of determination R-Squared.

FINDING

Data Analysis

1. Classical Assumption Test
   a. Residual Normality Test

The normality test of the data used in this study is the One Sample Kolmogorov Smirnov Test. Normality test is used to test whether the residual data is normally distributed or not.

Table 1 Result of Residual Normality Test

Based on the results of the residual normality test with the One-Sample Kolmogorov-Smirnov Test, it shows that the Asymp value. Sig. (2-tailed) of 0.957 0.05 then the residual is normally distributed.

b. Multicolinierity Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		48
Normal Parameters[a]	Mean	.0000000
	Std. Deviation	2.93031663
Most Extreme Differences	Absolute	.074
	Positive	.070
	Negative	-.074
Kolmogorov-Smirnov Z		.511
Asymp. Sig. (2-tailed)		.957
a. Test distribution is Normal.		

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. A good regression model should not have a correlation between the independent variables

Table 2 The Result of Multicolinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	PDB	.177	5.658
	Ekspor	.348	2.877
	Impor	.306	3.265
	Nilai_Tukar	.412	2.429
	Inflasi	.197	5.071
	ULN	.118	8.500

Dependent Variable: Cadangan_Devisa

Based on the results of the multicollinearity test, the VIF value for the Gross Domestic Product variable (X1) is 5.658, the VIF for the Export variable (X2) is 2.877, the Import variable (X3) is 3.265, the Exchange Rate variable (X4) is 2.429, the Inflation variable (X5) of 5.071, and the variable of External Debt (X6) of 8,500. So, it can be concluded that the variables of Gross Domestic Product, exports, imports, exchange rates, inflation and foreign debt have a VIF value of 10, so there is no multicollinearity.

c. Heteroscedasticity test

Heteroscedasticity test used in this study is the Glejser test. Heteroscedasticity test is used to determine whether in a regression there is an inequality of variance from the residuals of one study to another study.

Tabel 3 Result of Heteroscedasticity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	25.365	11.917		2.128	.039
	PDB	-2.236E-6	.000	-.052	-.152	.880
	Ekspor	-9.747E-5	.000	-.073	-.298	.767
	Impor	1.221E-5	.000	.016	.059	.953
	Nilai_Tukar	.000	.001	-.118	-.522	.605
	Inflasi	-1.066	.736	-.472	-1.449	.155
	ULN	-.065	.056	-.485	-1.150	.257

a. Dependent Variable: Abs_RES

Based on the results of the heteroscedasticity test with the Glejser test, the significance value of the GDP variable is 0.880 0.05, the export variable is 0.767 0.05, the import variable is 0.953 0.05, the exchange rate variable is 0.605 0.05, the inflation variable is 0.155 0.05. and the foreign debt variable is 0257 0.05. So it can be concluded that GDP, exports, imports, exchange rates, foreign debt inflation have a significant value (sig.) 0.05, so there is no heteroscedasticity.

d. Uji Autokorelasi

Autocorrelation test is used to determine whether there is a correlation in the independent variable in a period with the previous period.

Table 4 Result of Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.854[a]	.729	.689	3.137412	.965

a. Predictors: (Constant), ULN, Ekspor, Nilai_Tukar, Impor, Inflasi, PDB

b. Dependent Variable: Cadangan_Devisa

Based on table 4.11, it can be seen that the Durbin-Watson value is 0.965. With the number of samples n = 48 and the number of variables k = 6, then the obtained dL value is 1.2709 and dU is 1.8265 (seen from the Durbin-Watson table. Thus, the results of the autocorrelation test are d dL, which means there is an autocorrelation. Due to a problem, there is a problem. autocorrelation, it is necessary to retest by using a run test to be free from autocorrelation symptoms.The following are the results of the autocorrelation test with the run test.

Table 5 Autocorrelation Test Results with Runt Test

Runs Test

	Unstandardized Residual
Test Value[a]	-.33594
Cases < Test Value	24
Cases >= Test Value	24
Total Cases	48
Number of Runs	19
Z	-1.605
Asymp. Sig. (2-tailed)	.109

a. Median

Based on the results of the Autocorrelation Test with the Runt Test, it can be seen that the Asymsp value. Sig. (2-tailed) of 0.109 0.05. So it can be concluded that there is no autocorrelation.

2. *Multiple Linear Regression Analysis Test*

Multiple linear regression test is used to test the effect of two or more independent variables and one dependent variable.

Table 6 Result of Multiple Linear Regression Analysis Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	131.536	22.191		5.927	.000
	PDB	6.568E-5	.000	.463	2.394	.021
	Ekspor	.001	.001	.335	2.431	.020
	Impor	-.001	.000	-.493	-3.356	.002
	Nilai_Tukar	-.002	.001	-.267	-2.103	.042
	Inflasi	-.309	1.370	-.041	-.226	.822
	ULN	.445	.105	1.009	4.255	.000
a. Dependent Variable: Cadangan_Devisa						

Based on the table above, the regression model can be made as follows:

Y = + b1X1 + b2X2 + b3X3 + b4X4 + b5X5 + b6X6 + e

Foreign Exchange Reserves = 131.536 + 6.568E-5 X1 + 0.001 X2 – 0.001 X3 – 0.002 X4 – 0.309 X5 + 0.445 X6

Description::

a. The constant of 131.536 states that if the variables of GDP, exports, imports, exchange rates, inflation and foreign debt are fixed, the value of foreign exchange reserves in Indonesia will increase by 131.536%.
b. The X1 regression coefficient (GDP) of 6.568E-5 states that for every increase of one unit of GDP, it will increase foreign exchange reserves by 6.568E-5%.
c. The regression coefficient X2 (Exports) of 0.001 states that for every increase of one unit of export, it will increase foreign exchange reserves by 0.001%.
d. The regression coefficient X3 (Imports) of -0.001 states that for every increase of one unit of import, it will decrease foreign exchange reserves by 0.001%.
e. Regression coefficient X4 (Exchange Rate) of -0.002 states that for every increase of one unit of exchange rate, it will decrease foreign exchange reserves by 0.002%.

f. Regression coefficient X5 (Inflation) of – 0.309 states that every one unit increase in inflation will decrease foreign exchange reserves by 0.309%.
g. The regression coefficient X6 (Foreign Debt) of 0.445 states that for every increase of one unit of foreign debt, it will increase foreign exchange reserves by 0.445%.
h. The positive sign indicates the direction of the unidirectional relationship, while the negative sign indicates the direction of the inversely proportional relationship between the dependent variable and the independent variablevariabel *independen*.

3. Uji Hipotesis
   a. T Test

   Based on table 6 it can be concluded that:

   1) Variable Gross Domestic Product (X1)

      In the GDP variable (X1) obtained a significance value of 0.021 0.05 then H1 is accepted. So it can be concluded that gross domestic product partially has a significant positive effect on foreign exchange reserves in Indonesia.

   2) Export Variable (X2)

      In the export variable (X2), a significance value of 0.020 0.05 is obtained, then H1 is accepted. So it can be concluded that exports partially have a significant positive effect on foreign exchange reserves in Indonesia.

   3) Import Variables (X3)

      In the import variable (X3) obtained a significance value of 0.002 0.05 then H1 is accepted. So it can be concluded that imports partially have a significant negative effect on foreign exchange reserves in Indonesia.

   4) Exchange Rate Variable (X4)

      In the exchange rate variable (X4) obtained a significance value of 0.042 0.05, then H1 is accepted. So it can be concluded that the exchange rate partially has a significant negative effect on foreign exchange reserves in Indonesia.

   5) Inflation Variable (X5)

      In the inflation variable (X5) obtained a significance value of 0.822 0.05 then H1 is rejected. So it can be concluded that inflation partially has no significant effect on foreign exchange reserves in Indonesia.

   6) Variable External Debt (X6)

      On the foreign debt variable (X6) obtained a significance value of 0.000 0.05 then H1 is accepted. So it can be concluded that foreign debt partially has a significant positive effect on foreign exchange reserves in Indonesia.

b. F Test

The F test is used to determine whether all of the independent variables simultaneously affect the dependent variable

.

Table 7 F Test Result

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1084.128	6	180.688	18.356	.000[a]
	Residual	403.578	41	9.843		
	Total	1487.706	47			

a. Predictors: (Constant), ULN, Ekspor, Nilai_Tukar, Impor, Inflasi, PDB

a. Dependent Variable: Cadangan_Devisa

Based on the table above, it can be seen that the significance value is 0.000, then 0.000 0.05 means that H1 is accepted. So it can be concluded that GDP, exports, imports, exchange rates, inflation and foreign debt simultaneously (simultaneously) have a significant effect on Indonesia's foreign exchange reserves.

c. Coefficient of Determination Test

The coefficient of determination test is used to find out how big the percentage of the contribution of the independent variable's influence simultaneously on the dependent variable

Table 8 Coefficient of Determination Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.854[a]	.729	.689	3.137412

a. Predictors: (Constant), ULN, Ekspor, Nilai_Tukar, Impor, Inflasi, PDB

Based on the table above, it can be seen that the R Square number or the coefficient of determination is 0.729 or 72.9%. The value of R Square ranges from 0-1. This figure shows that GDP, exports, imports, exchange rates, inflation and foreign debt in explaining the dependent variable, namely foreign exchange reserves of 72.9% while the remaining 27.1% is influenced by other variables not explained in this study.

DISCUSSION

The Influence of Gross Domestic Product on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic perspective

Based on the research results, it is known that Gross Domestic Product has a significant positive effect on foreign exchange reserves in Indonesia. It has a significant positive effect, meaning that every increase in Gross Domestic Product will increase foreign exchange reserves, if every decrease in Gross Domestic Product will reduce foreign exchange reserves. The results of this study were supported by Fuji Astuty [7], that Gross Domestic Product has a significant positive effect on foreign exchange reserves. The increase in Gross Domestic Product was able to affect foreign exchange reserves due to the increasing volume of international transactions. An increase in each component of GDP, such as the need for household consumption, government consumption, investment, and exports will cause the total GDP to also increase. This increase in GDP will lead to foreign exchange reserves through the international trade process.[8]

However, the results of this study contradict the research conducted by Dewa Ayu Made Yessi Ardianti and Wayan Yogi Swara [9] in the results of his research states that GDP does not have a significant effect on foreign exchange reserves. received. Gross domestic product is one method for calculating national income. An increase in income will increase the tendency to increase consumption of goods and services. In Islam, the essence of man is in his spirit. Therefore, all worldly activities, including in this case the economic aspect, are not only directed to fulfill the physical body but also to fulfill spiritual needs where the spirit is the essence of man. Therefore, in addition to having to include fallah elements in analyzing welfare, the calculation of GDP based on Islam must also be able to recognize how the interaction of waqf, zakat, and alms instruments in improving the welfare of the people[10].

[7] Fuji Astuty, "*Pengaruh Domestik Bruto…,* hal. 311
[8] Elisa Stefani dkk, *Analisis Pengaruh Nilai Tukar…*, hal. 1062
[9] Dewa Ayu dan Wayan Yogi, "*Pengaruh Ekspor Neto…*, hal 1199
[10] Nurul Huda dkk, *Ekonomi Makro Islam Pendekatan Teoritis*, (Jakarta: Prenadamedia Group 2018), hal 27

The Effect of Exports on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic Perspective

Based on the research results, it is known that exports have a positive effect on foreign exchange reserves in Indonesia. It has a significant positive effect, meaning that every increase in exports will increase foreign exchange reserves, if every decrease in exports, it will reduce foreign exchange reserves. The results of this study are supported by the Jhingan theory, namely the export function through foreign trade is a country that will benefit and increase national income, basically increasing the amount of output and in the rate of economic growth. With a higher level of output the cycle of poverty can be broken and economic development can be increased.[11]

This research was supported by Indro Suwarno, I Made Wianto Putra and I Nyoman Sutapa.[12] That exports have a significant positive effect on foreign exchange reserves. If Indonesia often exports goods to other countries, Indonesia will earn foreign exchange from importing countries, so the more goods exported, the more foreign exchange will be obtained. With the increasing value of exports, it shows that the country is receiving more and more imports from foreign countries, or commonly referred to as receiving foreign exchange or foreign exchange which is one of the sources of state income.[13]

According to Ibn Khaldun, the wealth of a country is not determined by the amount of money in that country. Thus a prosperous country is a country that is able to produce more than needed, so that the excess of the production is exported, and does not depend on imports from other countries, so that in the end it will increase prosperity in the country[14].

The Effect of Imports on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic Perspective

Based on the research results, it is known that imports have a significant negative effect on foreign exchange reserves in Indonesia. It has a significant negative effect, meaning that every increase in imports will reduce foreign exchange reserves, if every decrease in imports, it will increase foreign exchange reserves. Imports are an important part of international trade. The amount of imports is influenced by the number of requests for goods to meet the needs of the community. As quoted by Gentur, according to Manurung, imports are a factor that can

[11] M.L. Jhingan, *Ekonomi Pembangunan dan Perekonomian,* (Jakarta: PT. Raya Grafindo Persada, 2003), hal. 6
[12] Indro Suwarno, dkk, *Pengaruh Inflasi, Nilai Tukar Rupiah, Suku Bunga dan Ekspor terhadap Cadangan Devisa Negara Indonesia Tahun 2009- 2019,* Jurnal Riset Akuntansi Warmadewa: Vol. 2 No. 1, 2021, hal. 53
[13] Fuji Astuty, “Pengaruh Domestik Bruto…, hal. 68
[14] Syifa Adawiah, Pengaruh Total Ekspor terhadap Cadangan Devisa di Indonesia Tahun 2012-2019, Skripsi: UIN Sultan Maulana Hasanuddin Banten, 2021, hal. 57

reduce the amount of foreign exchange reserves. Imports need to be reduced considering that too many imports will reduce the amount of foreign exchange reserves due to paying for imports. The high level of imports will reduce the amount of a country's foreign exchange reserves[15]

This is in line with research conducted by Binti Khoirul Mahmudah [16], that imports have a negative and significant effect on foreign exchange reserves, which means this is in accordance with the theory which states that the higher the import value, the less the foreign exchange reserves. In general, Ibn Khaldun emphasized the importance of a free market system. In this regard, it also opposes state intervention in economic matters and believes in the efficiency of the free market system. If a country's expenditure and income are balanced and the amount is large, it will increase economic growth which of course also increases foreign exchange reserves[17].

The Effect of the Exchange Rate on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic Perspective

Based on the research results, it is known that the exchange rate has a significant negative effect on foreign exchange reserves in Indonesia. It has a significant negative effect, meaning that every increase in the exchange rate will reduce foreign exchange reserves, and vice versa. As quoted by Kuswantoro[18] According to Frederic S. Mishkin, foreign exchange reserves have an important impact on the exchange rate position of a country. The increase in reserves in the balance of payments provides a stimulus to make the rupiah appreciate. The more foreign exchange or foreign exchange owned by the government and residents of a country, the greater the ability of that country to conduct international economic and financial transactions and the stronger the value of the currency. In addition, the higher the exchange rate of the country's own currency, indicates that the stronger the economy of the country concerned, so that it can earn more foreign exchange.

The results of this study were supported by Adinda Marethasya Fortuna, Sri Muljaningsih and Kiki Asmara[19] with the results of the study showing that partially the rupiah exchange rate variable has a significant and negative effect on Indonesia's foreign exchange reserves. In accordance with research conducted by Kuswantoro[20] which states that when the rupiah

[15] Gentur Jalunggono dkk, Pengaruh Ekspor, Impor dan Kurs*...,* hal. 175
[16] Binti Khoirul Mahmudah, Pengaruh Ekspor dan Impor terhadap…, hal. 64
[17] Pusat Pengkajian dan Pengembangan Ekonomi Islam, *Ekonomi Islam*, (Jakarta: Rajawali Pers, 2015), hal 113
[18] M. Kuswantoro, Analisis Pengaruh Inflasi, Kurs, Utang…, hal. 161
[19] Adinda dkk, Pengaruh Ekspor, Nilai Tukar Rupiah, dan Utang Luar negeri terhadap Cadangan Devisa di Indonesia, *Equilibrium*: Vol. 10 No.2, 2021, hal. 119
[20] M. Kuswantoro, Analisis Pengaruh Inflasi, Kurs, Utang…, hal. 163

exchange rate strengthens and with economic stabilization and increasing investor interest, foreign exchange reserves will also increase in line with an increase in the surplus.

In the concept of Islamic economics money also belongs to the community (money is public goods). Anyone who hoards money or is left unproductive means reducing the money supply which can cause the economy to fail. The exchange rate policy according to Islam can be said to adhere to a managed floating system, where the exchange rate is the result of government policies (not a method or policy itself) because the government does not interfere with the balance that occurs in the market unless things happen that disturb the balance itself[21]. So it can be said that a stable exchange rate is the result of appropriate government policies. If the exchange rate is stable, the foreign exchange reserves in the country tend to increase.

The Effect of Inflation on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic Perspective

Based on the research results, it is known that inflation has no significant effect on foreign exchange reserves in Indonesia. This means that the rise and fall of inflation has no effect on Indonesia's foreign exchange reserves. Inflation is the tendency to increase prices in general and continuously. This does not mean that the prices of the various goods increase by the same percentage. Perhaps the increase may not occur simultaneously, the important thing is that there is an increase in the general price of goods continuously during a certain period. A one-time increase, even if it is a large percentage, is not inflation. Inflation is only part of a monetary phenomenon. Structural variables such as import prices and rice prices affect domestic inflation[22].

Inflation is one of the factors that affect the level of foreign exchange reserves of a country. That is, if the inflation that occurs in a country is high, the prices of goods and services in the country will be high. This causes changes in currency values, has an impact on commercial bank demand deposits and has an impact on foreign exchange reserves. In other words, the higher the inflation rate, the higher the value of a currency due to the rising prices of goods and services in the market[23].

The results of this study were supported by Indro Suwarno, I Made Wianto Putra and I Nyoman Sutapa [24] with the results of research that the inflation rate has no effect on Indonesia's foreign exchange reserves. If inflation occurs it will result in an increase in food and oil prices

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[21] Adiwarman A. Kharim, *Ekonomi Makro Islami*, (Depok: Rajawali Pers, 2017), hal. 168
[22] N. Gregory Mankiw, *Makroekonomi Edisi Enam*. (Jakarta: Erlangga, 2006), hal 112
[23] M. Kuswantoro, Analisis Pengaruh Inflasi, Kurs, Utang…, hal. 162
[24] Indro Suwarno, dkk., Pengaruh Inflasi, Nilai Tukar Rupiah, Suku Bunga dan Ekspor terhadap Cadangan Devisa Negara Indonesia Tahun 2009- 2019. *Jurnal Riset Akuntansi Warmadewa*: Vol. 2 No. 1 2021, hal. 53

so that there is a gap between supply and demand where the flow of imports will increase and export flows will be hampered or experience a continuous decline because domestically made goods are much more expensive than the prices of similar goods made abroad. In the end, this will result in a deficit in Indonesia's trade balance which has an impact on reducing Indonesia's foreign exchange reserves.

In Islam it is not known as inflation, because the currencies used are dinars and dirhams which have tabil currency values and this is justified in Islam. The decline in the value of the dinar and dirham may still occur, namely when the value of gold supports the nominal value of the dinar, it will decrease. Among them, which resulted in the discovery of large amounts of gold, in this situation it is possible that this could happen. Inflation in Islam occurs because prices generally will increase continuously and things related to competition[25]. Inflation that arises is caused by the government's urge to take profit (seignore) in printing money by increasing the amount of money in circulation, but it is not fully followed by an increase in the intrinsic value of money, meaning that the nominal purchasing power of money weakens against its intrinsic value[26]. It is clear that printing money in this category will trigger inflation. If there is inflation in the country, it will reduce foreign exchange reserves.

The Effect of Foreign Debt on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic Perspective

Based on the results of the study, it is known that foreign debt has a significant positive effect on foreign exchange reserves in Indonesia. It has a significant positive effect, meaning that every increase in foreign debt will increase foreign exchange reserves, and vice versa. Foreign debt is one of the sources of the country's foreign exchange reserves. There are various forms of foreign debt, one of which is securities and the like. The Indonesian government's policy to take foreign loans is due to the need to rotate foreign exchange. The occurrence of foreign exchange turnover is because the borrower will lend funds to the borrower through its foreign exchange reserves or from international agencies, automatically the funds obtained are in the form of liquid foreign currency or foreign currency.

The funds that have been successfully borrowed will then be included in Indonesia's foreign exchange reserves in the form of rupiah. With this foreign exchange turnover, Indonesia will get foreign exchange reserves and increase foreign exchange reserves in the form of foreign

[25] Fadilla, Perbandingan Inflasi dalam Perspektif Ekonomi Islam dan Konvensional, *Jurnal Pemikiran Ilmu Ekonomi*: Vol. 2, No.2, 2018 hal. 6

[26] Adiwarman A. Kharim, *Ekonomi...*, hal. 152

currency[27]. The relationship between foreign debt and foreign exchange reserves is that most of the foreign loans are used to cover the current account deficit and pay the principal installments, so indirectly foreign debt is used to build foreign exchange reserves. Payment of installments and interest on loans from abroad comes from foreign exchange reserves[28].

This is in line with the research of Hanna Elmia Putri, Toti Indrawati and Any Widayatsari with the results of overseas research having a positive and significant effect on foreign exchange reserves. The greater the foreign debt, the capital balance will increase, which will have an impact on the balance of payments, with an increase in the balance of payments, it will increase Indonesia's foreign assets and cause foreign exchange reserves to increase.[29] This study is in accordance with research conducted by Mahesi Prameswari, Lorentino Togar Laut and Lucia Rita Indrawati. [30] that foreign debt partially has a positive effect on foreign exchange reserves.

Foreign debt has two views about alternatives to the state budget deficit. The first view assumes that external finance is permissible in Islam, although its form and mechanism require modification. The second view assumes that Islamic countries cannot avoid using foreign debt as a cover for their saving gap. By doing foreign debt at this time, alternative sources of Islamic economic financing can be obtained from within the country and abroad. Domestic sources can use various instruments such as waqf and sukuk, while sources of foreign debt can be in the form of cooperation with other countries based on contracts that are in accordance with sharia.[31]

The Influence of Gross Domestic Product, Exports, Imports, Exchange Rates, Inflation and External Debt on Indonesia's Foreign Exchange Reserves in 2017-2020 in an Islamic Perspective

Based on the results of the study, it is known that Gross Domestic Product, exports, imports, exchange rates, inflation and foreign debt together have a significant positive effect on foreign exchange reserves in Indonesia. This means that when Gross Domestic Product, exports, imports, exchange rates, inflation and foreign debt together increase, foreign exchange reserves will also increase, and vice versa. Based on the value of the coefficient of determination (R2) of 0.729 or 72.9%, it shows that GDP, exports, imports, exchange rates, inflation and foreign debt in explaining the dependent variable, namely foreign exchange

[27] Elisa Stefani, dkk., *Analisis Pengaruh Nilai Tukar, Inflasi, Jumlah Uang Beredar, Utang Luar Negeri, dan Produk Domestik Bruto terhadap Cadangan Devisa di Indonesia,* Syntax Idea: Vol. 3, No.5, 2021 hal. 1061

[28] Mahesi Prameswari dkk., *Analisis Pengaruh Utang Luar Negeri, Kurs Dollar, dan Inflasi terhadap Cadangan Devisa Indonesia Tahun 2008- 2017*, Directory Journal of Economic: Vol. 1 No. 4, 2019 hal. 463

[29] Hanna Elmia Putri, *Pengaruh Ekspor, Penanaman Modal Asing, dan Utang Luar negeri terhadap Cadangan Devisa di Indonesia*. JOM Fekon: Vol. 4 No.1, 207 , hal. 251

[30] Mahesi Prameswari dkk., *Analisis Pengaruh Utang Luar…,* hal. 465

[31] Malikul Hafiz Alamsyah dkk, Tinjauan Hutang Negara dalam Perspektif Islam, *Journal of Islamic Economic and Finance Studies:* Vol. 1 No. 1, 2020, hal. 78

reserves of 72.9% while the remaining 27.1% is influenced by other variables not explained in this study.

This research is supported by the research of Pundy Dayoga and Syamsurijal Tan, as it is written that foreign debt, exports and the rupiah exchange rate together affect Indonesia's foreign exchange reserves. In addition, the research conducted by Gentur Jalungono, Yulia Tri Cahyani and Whinarko Juliprijanto, is also in line with this study where exports, imports and exchange rates simultaneously affect the variable of foreign exchange reserves. Another research that is in line is Fuji Astuty's research that the variables of gross domestic product, exports and the exchange rate have a positive and significant effect on Indonesia's foreign exchange reserves

CONCLUSION

This research is supported by research (Sayoga and Tan, 2017) as it is written that foreign debt, exports and the rupiah exchange rate together affect Indonesia's foreign exchange reserves. In addition, the research conducted by is also in line with this study where exports, imports and exchange rates simultaneously influence data relating to the effect of Gross Domestic Product, Exports, Imports, Exchange Rates, Inflation and External Debt on Reserves Indonesian Foreign Exchange for the Year 2017-2020[32], it can be concluded that:

1. Gross Domestic Product partially has a significant positive effect on Indonesia's foreign exchange reserves in 2017-2020. This shows that GDP affects foreign exchange reserves with the assumption that the higher the GDP, the foreign exchange reserves will increase. This is because the increase in gross domestic product will lead to foreign exchange reserves through the international trade process.
2. Exports partially have a positive effect on Indonesia's foreign exchange reserves in 2017-2020. This means that when the value of exports increases, foreign exchange reserves will increase. With the increasing value of exports, it shows that the country is receiving more and more imports from foreign countries, or commonly referred to as receiving foreign exchange which is one of the sources of state income.
3. Imports partially have a significant negative effect on Indonesia's foreign exchange reserves in 2017-2020. This can be interpreted that the import affects foreign exchange reserves with the assumption that the higher the import value, the foreign exchange reserves will decrease. In this case, imports need to be reduced considering that too many imports will reduce the

[32] Jalunggono, Gentur dkk. 2020. Pengaruh Ekspor, Impor dan Kurs terhadap Cadangan Devisa Indonesia Periode 2004- 2018. *Jurnal Ekonomi Bisnis dan Akuntansi*: Vol. 22 No. 2 (171).

amount of foreign exchange reserves due to paying for imports. The high level of imports will reduce the amount of foreign exchange reserves of a country.

4. The exchange rate partially has a significant negative effect on Indonesia's foreign exchange reserves in 2017-2020. This means that when the exchange rate of the rupiah against the dollar increases, Indonesia's foreign exchange reserves will decrease. This occurs when the rupiah exchange rate strengthens and with economic stabilization and increasing investor interest, foreign exchange reserves will also increase in line with an increase in surplus.
5. Inflation partially has no significant effect on Indonesia's foreign exchange reserves in 2017-2020. This can be interpreted that the inflation variable is one of the influential indicators, but has not had a real effect on Indonesia's foreign exchange reserves. This is because if inflation occurs it will result in an increase in food and oil prices so that there is a gap between supply and demand.
6. Foreign debt partially has a significant positive effect on Indonesia's foreign exchange reserves in 2017-2020. This shows that foreign debt affects foreign exchange reserves with the assumption that the higher the foreign debt, the foreign exchange reserves will increase. In this case, the greater the foreign debt, the capital account will increase, which will have an impact on the balance of payments, with the increase in the balance of payments will increase Indonesia's foreign assets and cause foreign exchange reserves to increase.

Gross domestic product, exports, imports, exchange rates, inflation and foreign debt together have a significant effect on Indonesia's foreign exchange reserves in 2017-2020. Thus, it can be interpreted that the four variables together have an influence on Indonesia's foreign exchange reserves of 72.9%

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