

## The Exchange Rates and Stock Return: The Case of Tourism Sub Sector in Indonesia

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### Abstract

*The purpose of this study was to determine the effect of exchange rates on stock prices, by taking a sample of the tourism sub-sector companies listed on the Indonesia Stock Exchange 2015-2019 period. The sampling technique used in this study using judgment sampling as many as 22 companies engaged in the sector. The data collection method uses secondary data processing obtained from the official website of the institution that is relevant to this research. This study uses a quantitative approach using linear regression analysis, to know the direction and how much influence the independent variable has on the dependent variable. From the results of data processing, it is known that the exchange rate has a positive and significant effect on stock prices*

### Keywords

exchange rate; stock return



## I. Introduction

Until now there are as many as 40 companies engaged in the tourism sub-sector that have made an open public offering to the wider community to participate in building the company, the data in question is obtained from a pre-observation process taken on the official website of the Indonesian Stock Exchange. The existence of the company can certainly attract investors and users of financial statements to assess the feasibility of investing. Investors who have plans to invest in the tourism sub-sector in Indonesia must of course be able to see the forecasting of economic conditions, especially in the macroeconomic sector, so that they can take good and measurable policies, whether it is better to release, buy, or even hold their shares. From several indicators on macroeconomic aspects, the author will choose indicators that are considered to have a vital role in macroeconomic aspects and affect investment activities in the country, including inflation, interest rates, and exchange rates.

By previous researchers, this topic has been used as a topic of discussion. Some of the research results that are used as references in this study include researchers Harsono, Ardelia Rezki & Worokinasih Saparila (2018) stating in their research that inflation and interest rates have an influence on stock prices. Meanwhile, Ardhika Researcher, Rafiio Catwari (2016) said that the inflation variable in the economic macro has a significantly positive and significant effect on stock prices, and interest rates have a positive but not significant effect on stock prices. Researcher Syahfitri, Okinawa & Dewi, Aminar Sutra (2019) in his research states, fundamental conditions with dominant Return on Assets have an influence on stock prices, Earning per Share has a substantial effect on stock prices, PBV has a substantial influence on stock prices, DER has a substantial influence on stock prices. Substantial effect on stock prices and the Interest Rate of Bank Indonesia Certificates has a substantial effect on stock prices but Inflation does not have a substantial effect on stock prices. Researchers Rachmawati, Yuni (2018) in her research said that inflation and interest rates have a negative influence on stock prices.

Microeconomic developments are the foundation for economic growth in Indonesia. This show is small and medium industries have good prospects to be developed and have competitiveness and competitive advantage well and contribute to employment safety. One form of microeconomics that can combine large amounts of labor with small capital is small and medium micro enterprises. (Ulfha, 2019)

From the results of various studies conducted before this research related to the topic of the influence of macroeconomics on stock prices, it can be seen from various macroeconomic variables that have an influence, both positive and negative on stock prices. Of the various macroeconomic variables used in previous studies, there are 3 (three) variables that are often used or dominate, including inflation, interest rates, and exchange rates this research. So that this study with previous research has a difference, namely in this study there is a simultaneous test or F test, namely the simultaneous influence test on these three variables, on stock prices in the tourism sub-sector and also novelty in the period, so that the resulting data will be more accurate. new, and includes all companies in the tourism sector, be it hotels, restaurants, travel, and tourist destinations. After knowing the variables to be studied, several tests are carried out on the related data in order to get maximum results, the arbitrage price theory will be used as a reference to find out how far the influence of macroeconomic variables on stock prices.

## **II. Review of Literature**

### **2.1 Stock Return**

Shares are evidence of ownership of a company, either individually or as a business entity, so that shareholders can also be referred to as part of the ownership of the company. The need for capital is one of the factors to sell shares. Quoted from Tandelilin (2010) a share sheet is a letter or evidence of company ownership which includes information related to the company as well as rules that are bound and must be obeyed by shareholders. Jogiyanto (2010) Share price is the value that must be paid by prospective shareholders for the ownership of a company that takes place in a model market where the value of the company's shares is determined by demand and supply in the capital market.

### **2.3 The Exchange Rate**

The exchange rate means as the difference in the value of the domestic currency against foreign currencies (Murni, 2014). This means that the exchange rate is a price that must be paid if the currency of a country is exchanged for a currency owned by another country. Currently the exchange rate that is often used in Indonesia is between Rupiah and the dollar, this is because the dollar is relatively more stable in its economy. In paper (Khan, 2019) said that the significance of exchange rate is that it can be adjusted continuously relative to market force for foreign exchange in a given economy. Gunawan & Wibowo, (2012) The exchange rate or the exchange rate used is the Rupiah exchange rate against US \$ at Bank Indonesia periodically 1 month which is processed from data from the annual report of Bank Indonesia. This variable is measured by using the middle exchange rate of Rp. to US\$ at Bank Indonesia.

## 2.4 Hypothesis Development

Ardhika, Catwari Rafio (2016) the stable movement of the rupiah against foreign currencies will greatly impact investment in Indonesia, especially the capital market. The appreciation and depreciation of the rupiah will have an impact on the marketing of Indonesian products abroad, especially in terms of price competition. If this happens, it will indirectly affect the trade balance, due to a decrease or increase in exports. When there is a decline in the value of exports, it will worsen the decline in the balance of payments and will affect foreign exchange reserves. The reduced foreign exchange reserves will affect investor confidence in the Indonesian economy, which in turn will cause a negative reaction to the Indonesian stock market.

An excessive decline in the exchange rate will have an impact on go public companies that depend on their production factors for imported goods. The large expenditure of imported raw materials causes an increase in production costs and will reduce the profits they will get. Profitability (profit) is the result of the wisdom taken by management. Profit ratio to measure how much the level of profit that can be obtained by the company (Yusuf et al, 2019). The decline in company profits causes negative sentiment for investors and will further reduce the stock price of the company. The research conducted by Zarei et al., (2019) found that there was an influence between the measurement value and the stock price. Kewal, (2012) Exchange rate is a macroeconomic variable which also affects the volatility of stock prices. The depreciation of the domestic currency will increase export volume. When international market demand is sufficient This elastic condition will increase the cash flow of domestic companies, which in turn will increase the share price, which is reflected in the JCI. Conversely, if the issuer buys domestic products, and has debt in the form of dollars, the stock price will fall.

## III. Research Methods

In this study, one of them is an associative research that has a causal relationship in which it has independent and dependent variables. Quoted from Sugiyono (2017) says that associative research is research that has the aim of knowing a correlation of two or more variables, which has three forms of relationship (1) symmetrical relationship, (2) causal relationship, (3) interactive/reciprocal/reciprocal relationship. The dependent variable in this study is the stock price, while the independent variable tested is the exchange rate.

The sample criteria needed and will be used in this study are as follows:

1. Issuers conduct IPO (Initial Public Offering) under 2015. So that the data that will be obtained can reach the period to be studied.
2. Issuers have complete share price data for the period 2015 to 2019.
3. Issuers are not delisted and move from one sub-sector to another.

The source of the data in this research is obtained from data that is already public or general data, and which is released by relevant agencies that have high credibility for the data that is disseminated so that the validity of the data can be accounted for. and the results obtained from the results of data processing using the data can also be accounted for. Some of the sites that researchers use as data sources include (1) [www.idx.co.id](http://www.idx.co.id) is the official website of the Indonesia Stock Exchange. (2) [www.bps.go.id](http://www.bps.go.id) is the official website of the Central Statistics Agency which provides statistical data needed during the research process. (3) [www.finance.yahoo.com](http://www.finance.yahoo.com) is a media that presents financial data. (4) ICMD (Indonesian capital market directory). The data analysis used is panel data regression analysis.

## IV. Results and Discussion

The exchange rate is the price or currency value that must be paid against a foreign currency. In this study, the exchange rate which is the unit of measurement uses the exchange rate of the Rupiah against the United States Dollar, at the close of foreign exchange trading every month in rupiah in the period 2015 – 2019.

**Table 1.** US Dollar (USD) Exchange Rate Data (2015 – 2019)

Month	US Dollar Exchange Rate (Rupiah)				
	2015	2016	2017	2018	2019
January	12.579	13.889	13.359	13.380	14.163
February	12.750	13.516	13.341	13.590	14.035
March	13.067	13.193	13.346	13.758	14.211
April	12.948	13.180	13.307	13.803	14.146
May	13.141	13.420	13.323	14.060	14.393
June	13.313	13.355	13.297	14.049	14.227
July	13.375	13.116	13.342	14.451	14.044
August	13.782	13.165	13.342	14.560	14.242
September	14.396	13.118	13.303	14.869	14.111
October	13.796	13.017	13.526	15.179	14.118
November	13.673	13.311	13.527	14.697	14.069
December	13.855	13.417	13.557	14.497	14.017
Higher	<b>14.396</b>	<b>13.889</b>	<b>13.557</b>	<b>15.179</b>	<b>14.393</b>
Lowest	<b>12.579</b>	<b>13.017</b>	<b>13.297</b>	<b>13.380</b>	<b>14.017</b>
Average	<b>13.389</b>	<b>13.308</b>	<b>13.381</b>	<b>14.238</b>	<b>14.148</b>

Source: [www.bi.go.id](http://www.bi.go.id)

Based on table 1, it can be seen that fluctuations occurred in the US Dollar exchange rate in the period 2015 to 2019 where the highest exchange rate at that time was in October 2018 with a figure reaching Rp. 15,179, - this is estimated by global economic conditions, especially the value The United States exchange rate strengthened, causing the condition of the Rupiah exchange rate to weaken. The lowest condition was in January in 2015 which touched the figure of Rp. 12,579,- The average exchange rate of the Rupiah against the US Dollar in 2015 opened at Rp. 13,389,- and the Rupiah began to strengthen the following year at Rp. 13,308, - and then weakened in 2017 at Rp. 13,381, - also in 2018 at Rp. 14,238, - after this year, the Rupiah strengthened again at Rp. 14,148, - in 2019. The findings in this study suggest that the exchange rate has a positive influence on stock prices in the tourism sub-sector. Changes in the exchange rate, especially the US dollar, certainly greatly affect stock prices. Increase in the exchange rate from Rupiah to US Dollar. This will cause capital inflows to Indonesia due to increased demand for the rupiah, so that it will encourage investors to invest their funds in the stock sector in Indonesia, especially in the tourism sector the regression results found in this study reveal that if the exchange rate rises, then the stock price also increases by 0.02%. The results of this study are contrary to previous research by Al-abdallah & Aljarayesh, (2017) which shows that there was no influence of the exchange rate on stock prices. The advantage of the tourism sector lies in its ability to increase foreign exchange and to drive various other business sectors such as the home industry. Thus, developed countries and developing countries continue to develop and improve the quality of their country's tourism (Amin et al, 2019).

Tourism is one of the determinants of national economic growth because it can influence the growth of other sectors in the economy (Gokovali & Bahar, 2006) and also grows very fast during this decade (Dogru & Bulut, 2018; Wu et al., 2000). Sustainable tourism development can be completed by creating opportunities through networking and cooperation with service providers, where stakeholder engagement, the development of locally oriented codes of conduct, and local government participation are crucial factors for sustainable tourism success (Welford & Ytterhus in Nurlina, 2020).

The increase in stock prices caused by the increase in the exchange rate or the strengthening of the Rupiah against foreign currencies will certainly greatly affect the operational system of companies or issuers engaged in the tourism sector, this is due to the strengthening of the rupiah against foreign currencies, especially the US Dollar. Facilitate or ease the burden on the company in procuring imported goods. Companies engaged in the tourism sector such as hotels, restaurants, and travel agencies will be very keen to feel the impact of the strengthening of the rupiah exchange rate against foreign currencies, which in the service business sector it will be easier to get goods to support their operational needs that are imported. This results in a lightening of the company's burden in carrying out daily operational activities, so that it will have an impact on the company's profit which will increase. The impact of increased corporate profits is that the value of the dividend rate that should be the right of investors will also increase. The increase in the dividend rate will have a good effect on stock prices, due to the increase in the value of the dividends obtained, the public's interest in investing in the tourism sector should receive a positive response, because the return on investment they receive each period is considered good. The high public interest in making this investment will certainly bring high demand for the company's stock price, so that the company's stock price will experience a positive increase.

**Table 2.** The Comparison of Financial Data of Emiten in the Tourism Sector

<b>PJAA</b>		Feb 2015	Nov 19
	Stock Return (Rp)	2.640	950
	Exchange Rate	12.579	14.069
<b>MAMI</b>		Okt 19	Nov 19
	Stock Return (Rp)	238	368
	Exchange Rate	14.118	14.069

Source: [www.idx.co.id](http://www.idx.co.id), 2020

Seen in the table above which shows the movement and influence of the exchange rate on stock prices, in accordance with the explanation that has been given, the data that the authors get is also empirical evidence of circumstances that cause the exchange rate to have a positive influence on stock prices. It can be seen in the company's shares of PT. Jaya Ancol (PJAA) where the company is engaged in the mainstay tourist destination sector in Indonesia. In 2015, it was recorded that this company had a relatively high share price of Rp. 2.640,- this figure is generated by several factors, one of which is the exchange rate. At the same time, the rupiah exchange rate strengthened so that purchasing power increased for the needs of goods or operational activities. However, in November 2019, it was recorded that this company experienced a decrease in share price at Rp. 950,- per share with a fairly weakened exchange rate at Rp. 14,069. the same thing also happened to the company PT. Mas Murni Indonesia Tbk (MAMI), a company engaged in the hotel sector, is of course very dependent on the exchange rate to support operations.

This company is also noted to have changes in share prices triggered by the exchange rate factor at the same time at that time. In October it was recorded that MAMI had a share price of Rp. 238,- with the exchange rate against USD at Rp. 14.118,- but 1 month later the company experienced an increase in stock prices which was also accompanied by the strengthening of the value of our currency against foreign currencies. Of course this can prove that the actual role of the exchange rate is also not spared as one of the determining factors of stock prices in a company.

## V. Conclusion

The exchange rate variable partially in this study shows the results that this variable has a positive influence on stock prices in the tourism sector, this is seen from the regression coefficient value which displays a positive number, and the probability number of the exchange rate has a value smaller than on the value of . So based on the results of this study, it can be confirmed that H3 is accepted. In making decisions, the company's management certainly requires scientific and tested data and has a good level of accuracy. So that this research is expected to provide financial information, so that investors can assess macroeconomic conditions before making a decision to invest in the tourism sector in particular. The exchange rate in the long term has an influence on stock prices in the tourism sector. If the rupiah exchange rate weakens, it will result in profits and losses for the company, depending on the activities of the company itself.

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