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Case Study on FX Forward Transaction Decisions To Customers Of PT Bank XXXX Treasury Regional Area Semarang

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Abstract
Given the positive trend of export and import developments in Central Java in 2016-2020, it has an impact on increasing the volume of customer forex transactions, but customers who are active in FX. forward is only under 10%. Based on this phenomenon, it is interesting to conduct research with the aim of knowing the factors that are taken into account by customers in making decisions to choose and refuse to make FX transactions. forward. The research was conducted with a qualitative design with a case study approach. Primary data was taken using an open interview technique to 3 (three) informants, with the criteria of customers who already have an agreement at the same time who have and have not decided on FX forward transactions, and customers who do not have an agreement and have not decided on FX forward transactions. The analysis technique uses qualitative analysis which is presented in a narrative manner. The results of the study reveal the concepts of: (1). Factors that are taken into consideration by customers in making decisions to choose to conduct FX transactions. forward consists of: buffer stock, new investment opportunities, low profitability, high current liabilities, global events, state government policies related to foreign exchange rates, and low competitors. (2). Factors taken into consideration by customers in making decisions not to choose to conduct FX transactions. forward consists of: USD/IDR movements that are not in line with customer expectations, increased profitability, high cash turnover.

Keywords
customer decision; FX. Forwards; hedging

I. Introduction

The rapid competition from business people, especially those on an international scale, makes the company must increasingly realize that its business's survival and sustainability efforts are not only influenced by internal factors but also external factors. For example, for inter-country businesses or companies whose business fields carry out import export activities, thus automatically related to regulations, payment systems, and so on. This is as stated by Schmitz (2012) that all parties who carry out export and/or import activities, must conduct foreign currency exchange *activities (forex exchange)* to make payments for the above transactions. Bostan et al (2018) reinforces the above statement, where the *exchange rate* is a very important determinant to be able to determine the competitiveness of the company.

Based on this, the exchange rate is used as a considered part of conducting cross-country transactions, so that it can have an impact on competitiveness. The debate arises from the results of research conducted by Smakova (2019), that there is uncertainty about the development of exchange rates that fluctuate greatly, then have a negative and significant impact on cash flow, profitability, and thus competitiveness in the market, as well as the value of the company. This means that, especially for international business people, the fluctuation of *the forex exchange* is a threat in itself.

In connection with the fluctuations of *the USD forex exchange* against the rupiah during the period of August 2021 (five days per week) at Bank Indonesia (on August 17, 2021 there are no forex transactions) is very contradictory. *Forex exchange* transactions that occurred at Bank

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Indonesia where the exchange rate was purchased from August 02-04, 2021 decreased by 0.42%. Furthermore, it rose again until August 10, 2021 which varied, which was the highest increase on August 09, 2021, which was 0.21%. During August 11-12, 2021 and also August 17-18, the exchange rate at Bank Indonesia is constant. Exchangerate fluctuations also occurred on August 13 and 16, 2021, and increased again on August 19-20, 2021 (0.18% to 0.35%). Similarly, to the selling rate, the first week, especially the 02nd there was a fairly high decline (compared to other dates) which was up to 2.39%. The decline followed on August 04, 2021 (0.41%), but on August 03, 2021 it increased by 2.03% (the highest increase during August 2021). Fluctuations also occurred in the 2nd week (two), where on August 09-10, 2021 there was an increase (0.21% and 0.14%), on August 11-12 there was no change (stable), but august 13-16 decreased again (0.10% and 0.07%). Exchange rate stability also occurred on August 14-18, 2021, then on August 19-20, 2021 there was an increase again (0.17% and 0.34%). The *forex exchange (FX)* data at Bank Indonesia proves that there is no guarantee for companies/business actors, including those engaged in import exports for transactions made, in other words, have a very high level of risk. In this regard, the government issued Bank Indonesia Regulation No. 16/21/PBI/2014 concerning the Application of the Precautionary Principle in the Management of Non-Bank Corporate External Debt. The regulation is based on the thought that transactions carried out by corporations, especially non-banks that have foreign debt, so that they can be managed properly. This of course adheres to anticipatory principles to reduce the possibility of risk, including related to the exchange rate (exchange rate).

The principle implemented must of course consider sustainable business activities. Article 2 Paragraph (2) states that the principle of prudence can be done one of them by fulfilling the hedging ratio. Furthermore, Article 3 Paragraph (3) states that hedging transactions must be carried out with banks in Indonesia. One of the hedging instruments is *the Forex Exchange (FX) forward.* Abbassi and Brauning (2018) in their research revealed that German banks serve the market demand for *FX contracts.* It is also explained that this is doneto protect the value of future dollar sales with *forward contracts*. The reason is that the exchange rate at which cross-currency cash flow at men's time comes can be converted to the current value. Azmah et al (2019) in his research on the derivatives market in Malaysia also revealed that foreign exchange forwards play a crucial role in anticipating various risks to foreign exchange rates. Furthermore, an empirical study conducted by Rachmansyah and Brady (2019) conducted comparative testing on LQ 45 stocks between those who use *hedging* with *forwards*, *options* and those who do not use *hedging.* The results of the study concluded that companies that use *hedging strategies* with *short forward,* provide risk and profit protection. Conversely, for companies that use buy options and do not use *hedging has* a negative impact on the company's risk protection and profitability.

The results of the study were also supported by Eroglu et al (2020) on risk management through forward forex eagles on the currencies of Turkey, Mexico, Brazil, and Indonesia. Provide the conclusion that with the strategy of *forex forward* auction in domestic currency has the potential to be an effective tool from the market aspect, considering both the number of bids received and the price formed in the auction competitively.

Zghal, and Ghorbel (2020) empirically show that the role of hedging tends to differ markedly in each investor, thus not all are able to protect risk. In this regard, the bank must provide useful guidance for investors, namely by helping to choose the most effective and profitable strategy. Wahyudi et al (2019) revealed that the use of derivative instruments is not able to accommodate all risks. For example, *by hedging* can reduce the risk of liquidity and cash flow volatility. On the other hand, *hedging* cannot be used to overcome the problems *of dividend payout ratio*, managerial ownership, *leverage* and *growth opportunity.* The debate over the results of the study also occurred from Mwangi and Shano (2019) who conducted research on financial managers from 36 oil marketing companies, which were divided into 3 (three) strata, namely 3 (three) large companies, 17 medium-sized companies, and 16 small-scale companies. At the company in risk control of currency exposure management through *leading* and *lagging*, as well as currency diversification (all of which are internal hedging techniques). The least effective method of currency risk management is money market hedging through forward FX.

The various research gaps above, it becomes very interesting to review by picking up different objects. In fact, the government's efforts have not stopped issuing Bank Indonesia Regulation No. 16/21/PBI/2014 concerning the Application of the Precautionary Principle in the Management of Nonbank Corporate External Debt only. The regulation provides opportunities to the banking industry which initially that the main interest of banking is derived from *interest income*, but now it can be supported by *fee-based income*. One of them is *fee-based income* from *Foreign Exchange* (FX) transactions. Furthermore, as evidence of efforts to provide protection to business people, including in 2018 that Bank Indonesia (BI) by collaborating with the Ministry of SOEs, 8 (eight) corporations, and state-owned banks, including PT Bank XXX. Based on this, PT Bank XXX is one of the banks in Indonesia that makes *foreign exchange* transactions and various other *treasury* products as a source of *fee-based income*.

The above activities are carried out for the signing of hedging facilities or *FX lines*, which are the sustainability of a series of SOE *hedging* programs, which have been held since 2014. This step is an effort to increase knowledge and awareness for business people or the business world in conducting hedging transactions is very important (Nisaputra, 2018). Stated by the Governor of Bank Indonesia, that in the last 5 (five) years, *recording hedging transactions* in Indonesia continues to increase. This is reflected in the increase in the portion of derivative transactions in the domestic forex market compared to the total forex transactions. Seen in 2015 by 35% then to 40% in 2016 (Nisaputra, 2018). In 2019, in order to provide government program support in terms of *hedging,* PT Bank XXX held an *Economic Outlook* 2019, which highlighted the theme of Socialization of *Domestic Non-Deliverable Forward* (DNDF) Transactions. The goal is to provide the latest global and domestic economic conditions. DNDF is a standard forex derivative transaction against rupiah *(plain vanilla)* in the form of *forward* transactions with *fixing* mechanisms implemented by the domestic market. This activity is intended so that *forward* products are in demand by market participants, not least exporters and importers who are customers of PT Bank XXX. In the national scope, PT Bank XXX recorded an increase in the volume of forex transactions with customers by 14.04% *(year on year/yoy)* in 2018. Likewise, the volume *of hedging* transactions increased by 27.53% *(year on year/yoy)* (Sitanggang, 2019)

Furthermore, if you look at the ratio between *FX transactions today, tom,* and *spot* to the total *forex exchange* ahigh of 99.61%. Reachingan high in 2018 which is 100% *of forex exchange* products controlled by *FX transactions today, tom*, and *spot.* High transactions still occurred in 2019, which was 99.74% but slightly decreased in 2020 to 99.04%. This condition proves that PT Bank XXX TRA Semarang customers are more interested in making transactions on non-FX forward products *(FX today, tom,* and *spot).* Inequality is also increasingly visible when viewed from the perspective of the ratio of *forward FX* transactions to the total *forex exchange* on PT Bank XXX TRA Semarang, only 0.39% (far different from *FX today, tom,* and *spot* up to 99.61%). In connection with this, in 2018 there were no transactions on *FX forward* (0%), in 2019 transactions of 0.26% then in 2020 there was a slight increase of 0.96% compared to the total *FX forward* transactions of PT Bank XXX TRA Semarang.

The gap in the number of transactions between *FX forward* products and *FX today, tom,* and *spot* at PT Bank XXX TRA Semarang is a very interesting thing to conduct a study of the possible causes that make customers not interested in *FX forward products.* On the other hand, *forward FX* contracts can help business actors/companies to reduce risk. It was stated by Road and Kowloon (2021), that by conducting *forward FX* contracts, it is possible for business actors/companies to improve foreign exchange rates. This thus automatically provides protection against foreign exchange rate movements, maintaining cash flow, as well as liquidity.

Seeing how important the essence of *FX forward* is in relation to hedging, especially for import export business actors who have to transact with foreign currencies, but the secondary data above does not seem to be able to attract interest from customers to choose *FX forward* products in the framework of *hedging.* This is the attraction of self-testing to be explored about the factors that are considered in deciding / not deciding to choose banking products.

Based on the problems above, the purpose of the research was formulated to find out the factors that customers consider in making decisions to choose and refuse to conduct *forward FX transactions.*

II. Review of Literature

The above problem thus concerns behavior, which in connection with this *theory of planned behavior* is the most influential part of the model used to measure consumer behavior. Consumer behavior models are further strengthened when added with perceived behavior control (Liu et al, 2020). Giampietri et al (2017) also revealed that *theory of planned behavior* is a theory that investigates consumer motivation and behavior related to purchasing decision making on a product. Hoeksma et al (2017) based on *the theory of planned behavior*, that an individual's intention to carry out a particular behavior is driven by attitudes, subjective norms, and control over perceived behavior. A positive attitude towards purchase includes support from the environment (subjective norms), and who believes in his own ability to make purchases. According to *the theory of planned behavior* model, individual decision-making is oriented by a rational assessment of the consequences of the behavior itself. The intention to perform a behavior, meaning that the individual is cognitively ready to act, is the most directly influential factor of the behavior. It is considered a major factor in the *theory model of planned behavior*. Based on *the theory of planned behavior* there are 3 (three) main factors that determine behavior intentions, namely attitudes towards behavior, subjective norms about behavior, and *perceived behavioral control* regarding behavioral performance. In fact, decision-making analysis depends not only on evaluating the consequences of each alternative, but also on the decision-making preference for those consequences. Inclusion of judgment and decision-making values is the decisive and important aspect of decision-making analysis (Karimi, 2013). Furthermore, in the context of marketing, purchasing decision making is a response to a perceived problem or desired need. Consumer behavior is related to the process when individuals /groups choose, buy, use/dispose of products, services, ideas, or experiences to satisfy their needs and desires. In fact, this is not always well received by social critics and consumers. Instead, consumers play a key role in social, psychological, economic, political, and cultural life. Consumer is stated to have a very big role because as a voter and can also choose between various alternatives, as well as explore various criteria for making choices (Solomon et al, 2020).

Marketers now realize that consumer behavior is an ongoing process, not just what happens when consumers hand over money or credit cards and in turn will receive/acquire some goods or services (Solomon et al, 2020). Consumer behavior is also the way consumers develop, adapt and use decision-making strategies. Consumer decision decisions are patterns of consumer behavior that precede, determine, and follow the decision process to obtain a satisfactory product, idea, or service. Consumers furthermore, not only assess the usefulness of a choice but also engage in cost analysis and benefits in choosing decision-making procedures. These issues led to the development of a new generation of consumer behavior theory, namely assuming an information processing approach to Karimi purchasing decision making (2013). Purchasing decisions according to Solomon et al (2020) can be influenced by the opinions and behaviors/experiences of other parties. A lot of product information, as well as recommendations for using or avoiding certain brands. Another factor is also stated that there is pressure on each member of the group to buy products to meet the group's wishes, and often the price to be paid is used as a measure in the form of rejection. The amount of competition over products / brands, promotions do not attract attention, the image of the company is also a supporting factor for consumers to decide to make a purchase. This thus requires a market segmentation strategy which means targeting brands only for certain consumer groups. Solomon et al (2020) reveal several stages in the product purchase decision-making process, which are seen both from the point of view of consumers and *marketers*. A process is the sorting of activities through time and place, from the beginning, end, *clearly* identified inputs and *outputs*, and structured with actions (Karimi, 2013). Purchasing decisions involving extensive searches contain some type of perceived risk, or belief that the product has potentially negative consequences. Solomon et al, (2020) revealed, example, the perceived risk is likely due to the cost / price of expensive, complicated and elusive products, or maybe also if the brand is not known.

Forex Exchange (FX) *forward* makes it possible to exchange one currency for another on a future agreed date at an agreed exchange rate. *Forward* may be useful in managing risk with the associated currency. For example, exporting or importing goods in foreign currencies, investing or borrowing abroad, carrying profits held abroad, changing dividends in foreign currencies, or settling other foreign currencies (Westpac Banking Corporation, 2020). For customers by conducting *forward exchange contracts* transactions, it is possible to improve or protect foreign exchange rates. This product can also help in managing cash flow. Transactions with this product are certainly more suitable if done for businesses that understand and accept the risks associated with foreign exchange rates (Road and Kowloon, 2021). *Forward exchange contracts* may be suitable if the customer / prospective customer has a good level of understanding of foreign exchange (forex) and related markets. Based on this, if youare not sure of this level of understanding, then it is best to seek independent advice before making a decision about this product. The term of *fx forward* can range from 3 (three) days to 1 (one) year depending on the customer's needs and trading requirements made. A period of more than one (1) year can be considered of course by looking at the company's current financial position, establishment period, credit *history* (credibility) (Road and Kowloon, 2021).

III. Research Methods

3.1 Types of Research

This research is qualitative, with the approach used is a case study. Based on this approach, researchers are interested in how informants interpret their own behavior rather than imposing behavior based on the theory or the influence of external theorists. Informants consider context to be as important as the actions learned and those that have been taken (Walliman, 2011).

3.2 Data Types and Sources

Primary data is the main data in this study, which is obtained by conducting interviews with informants (customers). Informants in this study are the parties/subjects who provide the main data source (primary data) to PT Bank XXX Treasury Regional Area (TRA) Semarang. Consisting of Customers who already have an agreement, and have decided to transact *FX forward,* and who have not decided to transact *FX forward* and customers who do not have an agreement, and have not decided to transact *FX forward* (1 person each).

3.3 Data Analysis Techniques

Data analysis techniques using qualitative analysis with the aim to conduct a study of the problems of informants, so it is needed to conduct research in order to obtain information on these problems (Creswell, 2014). Furthermore, according to Walliman (2016), then the information obtained from the informants was then presented narratively.

IV. Discussion

4.1 Factors That Customers Consider in Making Decisions to Make *FX Forward* Transactions

Based on the results of interviews with informants, there was a pattern of responses that fundamental conditions both locally and globally and the needs of the company became the main factors in deciding to diversify in conducting *forward FX transactions*, the rest related to micro and macro factors. Furthermore, the concept of research results was formed that for import export companies, to conduct *forward FX* transactions considering internal and external factors. Internal factors consist of the company's desire to *buffer stock,* the presence of new investment opportunities, low company profitability, and at the time of *high current liabilities*. Furthermore, with respect to external factors, the concept of global events is built, the policies of the relevant countries' governments in determining the value of currencies, and competitors are reduced. Furthermore, each concept is outlined as follows:

1. Internal factors of the company:
   a. Want to *buffer stock*

      All informants in this study are companies that belong to the garment industry and are engaged in exports and imports, so financial operations are closely related to foreign exchange (forex). This is part of the risk of his business, considering that forex rates are very variable over time, and also their nature is difficult to predict. Furthermore, as a company engaged in exports and imports, the management must always be right in taking good policy ways for buying / selling transactions. Given the characteristics of a company like this, in carrying out such transactions, of course, the tendency is carried out in futures. Based on this, then the transaction is carried out in futures, one of the instruments that can be used is *FX forward.* The goal is of course to minimize the risk of the forex exchange rate that is contradictory. Stated by the informant, *Director/PIC of forex* transactions PT. B although he has never used *FX forward,* but has entered into a contract / agreement with PT Bank XXX Treasury Regional Area Semarang. It is stated that if at any time the company wants to *buffer stock* (both for raw materials and finished goods), then it is possible to use *FX. forward.* This *buffer stock* policy is signaled by informants usually at times of increased demand. This is because as a paper manufacturing company, to *buffer stock* of course requires considerable funds, but on the other hand the company must manage liquidity. Therefore, import transactions of raw materials to meet the high demand of consumers, tend not to be done on a spot basis, but are possible by way of futures which is one way is to use *FX instruments forward.* The company's decision to use *FX. forward* is further stated by the informant, especially so that the company's liquidity is maintained to finance the company's operations. By using *FX. Forward,* then the company's capital is not held in the supply of raw materials.

b. New investment opportunities

Furthermore, the informants also revealed that consideration for using *FX. Forward* is also due to new investment opportunities that are very promising. It is stated by the informant that with the existence of new investment opportunities, the company needs a lot of capital to fund the possibility of these investments. On the other hand, the existing funds are unlikely to all be allocated to meet the needs of the new investment, because the company's day-to-day operations must also be kept running and also be the center of attention. Considering that the companies that are used as informants are engaged in export and import manufacturing, thus operational costs are of course very high, and move very quickly over time. In connection with this, the informant also revealed that in order for everything to go well, the strategy carried out is for selling transactions to be carried out with *spots.* The goal is that *cash flow* runs smoothly, which in the end the company's liquidity is also well maintained. Conversely, for buying transactions companies prefer futures, one of which instruments that can be used is *FX. Forward.* Financial strategy using *FX. Forward* is of course to keep the company's liquidity maintained, although informants also admit there are risks that must be borne. It is also stated, however, at least in the short term, the company's financial condition becomes stable thus having adequate internal capital. At times like this, the capital that is still held is used by the company to capture new investment opportunities that are of course more promising. On the other hand, you must think about the various interests or operational needs of the company so that it continues to run smoothly. In connection with this. for example: the supply of raw materials is maintained, the supply of finished goods is sufficient to meet the needs of consumers, the cash position is stable, the fast-collectible tape, and so on. Also stated by the informant, using *FX. Forward* then all forms of purchasing activities (raw materials, equipment and equipment, including machinery, etc.) payment is made in the future. Furthermore, the company's cash condition is maintained. Cash is maintained thus the company has adequate internal capital. This capital is then prioritized to be allocated or utilized to make new investments.

c. Low profitability of the company

The company's financial performance is also one of the determining factors for using/not using *FX. forward.* The informant stated that fx. *forward* could have been used taking into account the profitability conditions of the company. It is stated that when the profitability of the company is low, it thus has an impact on the low liquidity of the company. On the other hand, it must finance all the company's operations to continue to run smoothly so that the production process is not hampered. Furthermore, the informant also stated that the company's operational costs can still be covered properly, then when the company has to make a purchase transaction (all needs), which of course through imports, it can take alternatives by means of futures, namely by using *forwards.* The argument is, when profitability is low, the cash embedded in the company is also low. Because the purchase transaction if done using *FX. forward* then the available cash can be used to finance the company's operations, and on the other hand the needs of goods that must be imported are still met. That is, with the existence of *FX. forward products,* especially for companies that have a business scope through exports and *imports* can be used as a strategy to maintain the company's financial stability. Furthermore, based on the results of interviews on the concept, it is concise that it appears that the flow of thinking about the relationship between low profitability and customer decisions using *FX forward products.*

d. At the time *of current liabilities* that are soon to mature high

Informants to make decisions using or not using *FX* instruments. Informant stated that when *current liabilities* are soon due high, the company's management must be careful in managing cash. Stated by the informant, this is because the company's ability to meet short-term obligations is one of the indicators of the company's reputation. Therefore, it must really be the center of attention. Informants also revealed that under these conditions, high current assets are needed as well. For example, the company needs adequate cash as reserves to meet short-term obligations. In addition, *receivable turnover* is also expected to be high, because it indicates that many collectible receivables subsequently have an impact on cash. Furthermore, when the company has to make a purchase transaction, it will hold the cash in the company, in other words done by means of futures, namely by using *FX instruments.* That is, as a company engaged in *exports* and *imports,* using *FX. forward,* there will be enough funds to pay short-term debts that are due soon. In this condition, the company is more considering *forwarding* compared to *spot.*

2. External factors of the company:

a. Global events

It was stated by informants who had entered *into FX. forward* contracts with PT Bank XXX Treasury Regional Area Semarang that various global events that occurred were more of a consideration, compared to local events. It was also revealed by informants that global events greatly affect foreign exchange rates. For companies engaged in exports and *imports,* the exchange rate is very concentrated for management. For example, global events that occur as they are now seen from *a security perspective are* less profitable. This is one of them due to the occurrence of a heated political situation between China and the United States that is uncertain. This situation will of course have an impact on the foreign exchange rate. Of course, the Yuan currency becomes weaker, which ultimately has an impact on Chinese export goods more competitively or in other words cheaper if purchased with foreign currency. Seeing this condition, it is thus utilized by companies engaged in *export* and *import*. As the informant statements, that at a time like this it feels appropriate to go *forward.* The reason is that the yuan is weakening, followed by Chinese commodity prices are also weakening, thus the supply made is certainly high. At a time when China's genevaran is high, it becomes an opportunity for informants to *import* various company needs, for example regarding raw materials. With the reason of taking advantage of this global situation, informants prefer to withhold funds, and the purchase transactions are carried out periodically, namely using *FX. forward.*

b. The policies of a country's government that cause the movement of the USD / IDR exchange rate are not in accordance with market participants' expectations

The informants also revealed that to decide to use *FX products.* This is no exception, namely by considering the policies of the relevant country's governments that cause the movement of the USD / IDR exchange rate is not in accordance with market participants' expectations. In connection with this, in general, the USD becomes a reference exchange rate. Stated by informants, for example, it is predicted that for some time in the future the value of the USD will increase, it will be more profitable for companies when making *import* transactions using *FX forward.* Conversely, if it is predicted that the value of the USD will fall then it is better, the company uses *a spot.* Furthermore, the informant revealed the reason when the USD increased then the rupiah depreciated. At a time like this, it results in weakening the price of commodities produced by domestic companies engaged in *exports* and *imports.* Furthermore, viewed from a marketing perspective, the management takes steps to increase sales volume, namely thus carrying out a strategy of increasing offers. This is done so that, these commodities are immediately sold so that there is no more price suppression. Efforts to attract interest in comments, then make offers in *export* transactions by means of futures or in other words using *FX instruments.* The expectation is that consumer interest in conducting *FX transactions. forward* at PT Bank XXX Treasury Regional Area Semarang increases.

c. Competitors dwindle

The number of competitors is also a consideration for business actors engaged in *exports* and *imports* when they have to decide to use *FX products.* As stated by the *Managing Director of* PT. A company engaged in garment manufacturing and exporting and *importing.* It is stated that as is the case during the current pandemic, not all garment manufacturing companies have increased demand. But on the other hand, the fact is that many are just the opposite. This means that in Indonesia many manufacturing companies are also out of business. The above conditions, of course, are beneficial for companies that survive because *the* level of competition or the number of competitors is reduced. This fact ultimately has an impact on buying (import) transactions, thus the demand for *imports* decreases. On the other hand, the supply of commodities increases, further causing the price of foreign commodities to fall. This price decrease, ultimately makes domestic companies for buying transactions prefer to use *forward.* The reason is, *forward* contracts are carried out when low commodity prices are considered safer than having to be paid in cash.

4.2 Factors That Customers Consider in Making Decisions Not to Make *FX Forward* Transactions

The results of the next interview were obtained categories, patterns and concepts from qualitative research results, regarding factors that are considered not to make transactions through *FX forward* instruments, one of the products offered by PT Bank XXX Treasury Regional Area (TRA) Semarang. The company will not use *FX forward* when the value of the rupiah weakens, profit and *cash turnover* are high. Each is explained as follows:

1. USD/IDR movements are not in accordance with customer expectations

As a company engaged in *exports* and *imports*, the rupiah exchange rate, especially against the USD, is the center of attention in conducting hedging analysis. The weakening of the rupiah value against the USD on the one hand from the perspective of selling transactions *(exports)* gives a positive signal. But on the contrary, for buying transactions *(imports)* is a negative sign, impacting imports. Informants give reasons when conducting export transactions using units of rupiah currency, so there is an increase in price. In these conditions, there is an opportunity to increase profits and also the competitiveness of domestic products compared to other countries. On the other hand, when the company makes *import* transactions must use USD units. In the condition of a weakened rupiah, the price to be paid becomes more expensive. For example, when importing raw materials or other materials that are directly related to the production process. This means that these materials must be purchased at a more expensive price. Even though there are many manufacturing companies in Indonesia whose acquisition of raw materials is still done by importing. In this regard, it was stated by the informant that seeing the profit and loss when the rupiah weakened should be viewed more broadly and comprehensively, not only from one point of view. For example, even though raw materials are still *imported,* thus have a high level of risk when the rupiah weakens because it impacts the acquisition price to be more expensive. But on the other hand, the company also considers many aspects that exist in the company that are financed using rupiah units, including: the cost of telephone electricity, water, internet, accommodation *(truck),* employee salaries, and so on. That is, funding with rupiah is still much larger compared to USD (approximately around 60:40). Thus, with the weakening of the rupiah is not always burdensome for the company, with a record not in a long period of time, nor is *import* intended to *buffer stock.* In this regard, the company when conducting a buy *(import)* transaction when in the condition of the rupiah weakening thus the USD is predicted to strengthen, then the company will hedge or minimize the risk done through *spot,* not with futures (*forward).* Stated informants, with this decision can make transactions at cheaper commodity prices, compared to through *forward* contracts for the next 1-3 months will be more expensive, and also fluctuations in the forex rate are very difficult to predict.

2. High profitability

   Stated by informants, when the profitability of the company is high, it will not make purchase transactions using *forward FX instruments.* This is because, when the company's profit is high, it has adequate internal funds to meet the company's operational needs. In conditions like this, when the company makes a buy *(import) transaction,* it will feel safer if done *spot* instead of forward. The reason is, as long as the company has adequate funds for various purposes, then cash purchases will be safer because they are not tied to the exchange rate within a certain period of time. Conversely, when using *forward* informants also admit to having to be faced with risks as well, especially related to exchange rates that are very variable and difficult to predict, and the risk of default due to the company's financial condition in the midst of a pandemic situation like this. Furthermore, the informant also revealed that in the condition of high company profitability, it is more taking a strategy to make selling transactions *(exports) on a spot* basis. His argument is that the company is in no hurry to cash its inventory of merchandise into cash. Under these conditions, the company has a strong bargaining position, therefore it requires a way of selling in cash (not *forwarding*). It is also stated, if with *forward* the company must wait for payment within a certain period of time as stated in the contract. Therefore, in a position of high profitability at this time the adequacy of funds in the company is adequate and will be even stronger from selling transactions through *spot.* Thus, companies increasingly have the courage to diversify their business by observing more promising business opportunities. Furthermore, it can also be used to make various investments that are felt to provide opportunities for profit and development in the future.

3. *High Cash turnover*

   Similarly, with the company's position when it has a high cash turnover, informants state that it is often done by the company when it needs a buy *(import)* transaction with *a spot* rather than *a forward*. This is done with consideration when *cash turnover* is high, sales and turnover receivables are also high. High sales means that marketing performance in displaying the company's products is maximal, so that the company's working capital is not piled up in inventory, but soon turns into cash. Furthermore, the rapid turnover of receivables means that there are not many arrears from consumers in other words, many receivables are highly collectible, thus showing good marketing performance. That is, the company has adequate cash availability, including to make purchase *(import)* transactions. Also stated by the informant, if at the time the company has a high availability of cash, then it must be careful in its management because it has an impact on *iddle money.* So that this does not happen, then often what is done by the company when it comes to importing various company needs such as: raw materials, machinery and so on is more profitable if done with *spot.* The reason, done with *a spot* to regulate the availability of cash so that it is not too high, but on the other hand also to minimize the risk of the forex rate that may be higher than when signing an *FX forward contract.* Furthermore, it is also stated that when at the same time the company in addition to having to make a purchase transaction but also occurs a sale *transaction (export)* then this at the same time must also be maintained balance. Viewed from a marketing perspective, the sale transaction is also done *spot,* not *forward.* The argument from informants that from the results of high cash turnover, then partly used to make payments on import transactions. Furthermore, in order for the cash position to be maintained, it must obtain input sources from sales results in cash instead of *forward.* If using *forward,* it means that the futures are thus sold with receivables, waiting for cash to enter in accordance with the agreed contract. This is considered to contain the risk *of opportunity cost* for the company. This means that if money is received at this time, it can immediately be rotated to capture various possibilities there are favorable opportunities for the company. Conversely, if it is accepted later, then the opportunity must also be delayed.

V. Conclusion

The conclusion of this study is that: (1). Uto conduct *FX forward* transactions consider: Internal factors consist of the company's desire to *buffer stock*, the presence of new investment opportunities, low company profitability, and at the time of *current liabilities* that are soon due high. External factors build the concept of global events, the policies of the relevant country's government in determining the value of currencies, and competitors are reduced. (2). The Company will not use *FX forward* when the rupiah value is weakening, profit and *cash turnover are* high. Policy implications based on the concept of research results that to decide to use or reject *FX products. forward* in addition to considering the company's internal factors as well as external factors, it must take the right policy. PT Bank XXX TRA Semarang can take a policy to become financial and market counseling. The goal is that the customer's decision to hedge with *FX. forward* is appropriate and profitable. Long-term implications for customer loyalty to increase, so that the marketing carried out is successful. The theoretical contribution resulting from this research is based on a concept that: (1). The company's decision to *buffer stock*, the existence of new investment opportunities, low profitability, high-maturity *current liabilities*, global events, government policies of a country that cause the movement of the USD / IDR exchange rate are not in accordance with the expectations of the actors. the market, and the low competitors have the potential to have an impact on customer decisions to use FX products. (2). The movement of USD / IDR is not in accordance with customer expectations, profitability increases, high *cash turnover*, potentially considered by customers to refuse to make transactions through *FX. forward.* This research has several limitations, namely using only one instrument (interview guide), measuring only one product, research design is only able to uncover a concept. Furthermore, it is recommended for future research on several things, namely: data collection by expanding the research subject, and by combining instruments between interview guides and questionnaires, so that more accurate results are obtained because they complement each other. Expanding the type of product studied, so that it will be known that customers are more likely to choose which hedging products. Conduct quantitative research design development, which aims to test the concepts of the results of this research.

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