The Effect of Rupiah Exchange Rate Fluctuations on the Financial Statements of Listed Companies on the IHSG in the Era of Digital Economy

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Abstract

This study examines the impact of Rupiah exchange rate fluctuations on the financial statements of companies listed on the Indonesia Stock Exchange (IHSG) in the digital economy era. Using a descriptive quantitative approach, the research analyzes secondary data from 2019 to 2023, focusing on key financial indicators such as net income, Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER). The findings show that significant Rupiah depreciation, especially during the COVID-19 pandemic, negatively affected profitability and increased financial risk, particularly for companies dependent on imports or foreign currency debt. Conversely, export-oriented companies benefited from local currency gains. The study also highlights the importance of digital financial reporting systems and hedging strategies in enhancing corporate resilience. Recommendations include improving exchange rate risk management, diversifying revenue streams, and strengthening local supply chains. This research provides insights for corporate decision-makers and investors in navigating currency volatility in a digitized economic environment.

Keywords: *Exchange Rate, Financial Statements, Digital Economy, IHSG*

INTRODUCTION

In an increasingly digitized global economic landscape, currency exchange rate stability is one of the key factors affecting corporate performance, especially for listed companies operating in the capital market ecosystem. In Indonesia, the Rupiah exchange rate against foreign currencies, especially the United States Dollar (USD), tends to fluctuate due to internal and external dynamics, such as global monetary policy, trade balance, domestic inflation, and geopolitical turmoil. These fluctuations not only impact the national macroeconomy, but also have direct implications for the financial statements of companies listed on the IHSG.

Public companies in Indonesia, whether engaged in the manufacturing, trading, technology, or commodity sectors, are largely linked to international transactions - whether in the form of export-import, foreign exchange loans, or overseas investments. As such, changes in the Rupiah exchange rate can cause imbalances in key items in the financial statements, such as revenue, operating expenses, value of assets and liabilities, and reported profit or loss. This exchange rate risk is generally divided into three types, namely transaction risk, translation risk, and economic risk, each of which puts different pressures on the company's financial statements and financial strategy.

In the era of digital economy, the speed of information distribution, data openness, and the integration of financial technology (fintech) also create new challenges. Companies are required to be more responsive and adaptive in developing exchange rate risk mitigation strategies, including the use of hedging instruments, market diversification, and optimization of digital-based financial reporting systems. Investors and market analysts are also increasingly critical in evaluating the impact of exchange rate fluctuations on the company's financial performance, making transparency and accountability of financial statements a major factor in making investment decisions.

Given the importance of this issue, this article aims to comprehensively analyze the effect of fluctuations in the Rupiah exchange rate on the financial statements of companies listed on the IHSG. Using qualitative and quantitative approaches, this article will discuss how exchange rate volatility affects financial structure, profitability, and firm value amidst the accelerated digitalization of the economy. It will also explore the strategies implemented by companies in dealing with exchange rate risk, as well as its impact on investor perceptions and stock prices in the Indonesian capital market.

METHOD

This research uses a descriptive quantitative approach, which is a method that aims to describe and analyze the relationship between fluctuations in the Rupiah exchange rate and the financial statements of companies listed on the IHSG, especially in the context of digital economic development. The descriptive quantitative approach is used to present data systematically and factually, and analyze the relationship between variables based on numbers obtained from secondary data. The main focus of this study is to determine the extent to which fluctuations in the Rupiah exchange rate have an impact on the financial statement indicators of listed companies, such as net income, profitability ratios, and capital structure.

The data used in this study are secondary data obtained from the annual financial statements of companies listed in the IHSG, data on the Rupiah exchange rate against the United States Dollar (USD) accessed through the official website of Bank Indonesia, as well as other supporting data such as macroeconomic data from the Central Bureau of Statistics and the Indonesia Stock Exchange. This study covers the last five-year period, from 2019 to 2023, which was chosen to illustrate the dynamics of the economy and exchange rate volatility in an increasingly rapid digital era.

The population in this study is all companies listed on the IHSG during the study period, while the sampling technique was carried out using purposive sampling method. The criteria used in the sample selection include companies that are actively listed and publish financial reports consistently during the observation period, and have exposure to international activities such as export-import or debt ownership in foreign currencies. The sample obtained is expected to provide sufficient representation of the condition of companies that are directly affected by exchange rate fluctuations.

The variables used in this study consist of independent variables, namely fluctuations in the Rupiah exchange rate against the USD as measured by the annual average and deviation of the exchange rate, and dependent variables in the form of financial statement indicators, such as net income, Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER). Data analysis was conducted using descriptive statistical techniques, such as average calculations, percentage changes, and trend analysis, to illustrate the relationship between exchange rate movements and changes in company financial performance over time.

Through this descriptive quantitative approach, the research is expected to provide a clear picture of the patterns and trends of the influence of the Rupiah exchange rate on the company's financial condition in the digital economy era, as well as provide a basis for consideration for company management and investors in developing risk management strategies and financial decision making.

RESULTS AND DISCUSSION

Based on the results of data processing from a number of companies selected as samples in this study, a significant picture is obtained regarding the relationship between fluctuations in the Rupiah exchange rate and the company's financial statement performance in the last five years (2019-2023). The exchange rate data shows a high volatility trend, especially during the COVID-19 pandemic in 2020, where the Rupiah exchange rate depreciated sharply to Rp16,500 per USD, before stabilizing in the range of Rp14,000-Rp15,500 in the following years.

Exchange rate volatility is proven to have an influence on several company financial indicators. From the descriptive analysis of the data on net profit, ROA (Return on Assets), ROE (Return on Equity), and DER (Debt to Equity Ratio), it was found that in the years where the Rupiah experienced considerable depreciation, the majority of companies recorded a decrease in net profit and profitability ratios. This can be attributed to the increased financial burden due to foreign currency debt, as well as the increased cost of importing raw materials and capital goods, especially for companies in the manufacturing and trading sectors. In contrast, companies engaged in export sectors such as mining, agribusiness, or commodities, tend to show more stable or even improved performance, as the weakening Rupiah increases the value of local currency revenues.

For example, one of the manufacturing companies sampled in this study showed a decline in ROA from 7.5% in 2019 to 4.2% in 2020, as the Rupiah weakened and operating costs in foreign currency increased. However, when the exchange rate began to strengthen in 2021, the ratio rose again to 6.1%. The same pattern is also seen in the ROE and net profit variables. On the other hand, the mining sector showed an increase in net profit of up to 20% throughout 2020-2021, which was partly triggered by the positive effect of the exchange rate on the value of exports and the strengthening of global commodity prices.

In addition, an analysis of the DER ratio shows that exchange rate fluctuations also impact the company's capital structure. When the Rupiah weakens, the value of foreign currency liabilities increases when converted into Rupiah, causing the DER ratio to increase and increasing the financial risk of the company. This indicates that companies that do not have good exchange rate risk management strategies, such as the use of hedging instruments, will be more vulnerable to global economic instability.

Furthermore, dependence on imported raw materials and production components is a major challenge for the domestic industrial sector. Under fluctuating exchange rate conditions, uncertainty in raw material prices and delivery schedules can disrupt supply chains and reduce production efficiency. Therefore, import substitution strategies and strengthening local supply chains are important steps in strengthening the resilience of the industrial sector to external shocks.

In the context of the digital economy, companies that have adopted technology-based financial reporting systems appear to respond more quickly to changes in exchange rates by making real-time adjustments to financial strategies. The adoption of digital technology also enables companies to conduct more accurate and efficient risk monitoring, such as through cloud-based financial dashboards, exchange rate scenario modeling, and integration with ERP (Enterprise Resource Planning) systems. This strengthens their resilience to external shocks and accelerates the strategic decision-making process.

Not only that, the company's active involvement in financial markets is also an important element in exchange rate risk management. The use of financial derivatives such as forward contracts, swaps and options can provide protection against extreme exchange rate volatility. However, the effectiveness of these instruments is highly dependent on the company's ability to understand market mechanisms and have competent human resources in finance and treasury.

In addition to the technical approach, it is also important to consider aspects of the company's internal policies, such as the establishment of a risk management committee specifically tasked with drafting, monitoring and evaluating hedging policies and exposures to foreign currencies. This committee can also serve as a coordination center between the finance, operations, and strategy departments so that all business decisions consider the impact of exchange rates holistically.

Equally important is the role of the government and monetary authorities in providing a macroeconomic policy climate that supports exchange rate stability.

This includes forex market intervention policies, inflation control, and coordinated fiscal and monetary stability. On the other hand, information disclosure and transparency of corporate financial reports are also important pillars in increasing investor and creditor confidence, especially in the midst of volatile market conditions.

Overall, the results of this study show that fluctuations in the Rupiah exchange rate have a real influence on the company's financial statements, especially on the aspects of profitability and capital structure. Companies with high exposure to foreign currencies need to adopt adaptive financial strategies, including diversification of revenue sources, use of derivatives, and strengthening of digital reporting systems. In addition, strengthening the real sector and fiscal policies that encourage import substitution as well as increasing value-added exports should be considered.

CONCLUSION

Based on the analysis carried out, this study concludes that fluctuations in the Rupiah exchange rate significantly affect the financial statements of companies listed on the IHSG, particularly in terms of profitability and capital structure. The impact varies depending on the nature of the business: companies reliant on imports tend to experience financial pressure during depreciation of the Rupiah, while export-oriented companies may benefit from increased revenue in local currency. Furthermore, the volatility of the exchange rate also affects the Debt to Equity Ratio (DER), particularly in companies with large exposures to foreign currency liabilities.

In the era of digital economy, companies that integrate technology in their financial reporting and risk management systems tend to be more adaptive and resilient. The use of digital tools enables real-time analysis and decision-making, which is crucial for responding to exchange rate movements. Additionally, effective implementation of hedging strategies and the presence of internal governance structures, such as risk management committees, also enhance company resilience.

Recommendations from this study include the importance for companies to diversify income sources, strengthen local supply chains, and improve internal capacity in managing exchange rate risks. At the macro level, government policies that promote economic stability and transparency in corporate financial disclosures are vital in building investor confidence and supporting sustainable economic growth.

Future research is suggested to expand the sample size, include industry-specific analysis, and explore the effectiveness of various hedging instruments in mitigating currency risk under different economic conditions.

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