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Effects of the Money Market and the Need for Knowledge of Interest Rates and the Foreign Exchange Market for Benefit: Evidence In Indonesia

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ABSTRACT

This paper describes the increasing interest in investment during this pandemic, especially in money market instruments and the foreign exchange market. It was found that, due to the lack of knowledge and literacy regarding what factors can affect the money market and forex market in Indonesia, quite a lot of people lose money when investing in foreign currencies or in the form of existing money market instruments. The desired impact is beneficial for the long-term economy. It was concluded that the people who suffered losses generally did not understand the relationship between the money market, interest rates, and the foreign exchange market. Placement of funds in the money market is always related to the forex market. If someone wants to invest their money in money market instruments, ideally considering the activities that occur in the forex market, this is nothing but to protect assets as in Islamic guidance in maqashid sharia. However, the interaction between the money market and the foreign exchange market becomes important when the amount of funds is large or the economic conditions are not good. In the end, financial literacy for the community is still very much needed, so that there is no speculation and bandwagon. Fundamental economic forces such as inflation rates and interest rates are two factors that affect currency prices that affect both markets. With a qualitative approach, data sources were collected from related journals, and online news, analyzed, and described in this paper.

Keywords: *money market; market interest rates; foreign exchange market; financial literacy; maslahah*

INTRODUCTION

Financial illiteracy can lead to poor savings, poor spending, excessive use of credit cards, and poor investment decisions. The stress of financial insecurity in the family can lead to divorce, suicide, domestic violence and other crimes (Askar, Ouattara, and Zhang 2020; Epaphra and Kiwia 2021; Johanning 2014; Matasy 2010). Another finding that nowadays financial literacy is very important even more important than before (Valladares 2020). It's just that the 2019 National Survey of Financial Literacy and Inclusion (SNLIK) data shows a financial literacy index of 38.03% and a financial inclusion index of 76.19%. This shows that the Indonesian people, in general, do not understand well the characteristics of various financial products and services offered by formal financial service institutions, even though financial literacy is an important skill in the context of community empowerment, individual welfare, consumer protection, and increasing financial inclusion. (Askar, Ouattara, and Zhang 2020; OJK 2021).

The results of the OJK survey also show that based on gender, the level of financial literacy and inclusion for men is 39.94% and 77.24%, relatively higher than women at 36.13% and 75.15%, even though they are usually more sensitive about issues. women's money. And the financial literacy of respondents based on the financial sector was the highest occupied by the banking sector with a value of 36.12%, followed by the insurance sector at 19.40%. Meanwhile, the lowest percentage of financial literacy based on the financial services sector is in Microfinance Institutions at 0.85%, meaning that the majority of Indonesian people's understanding of the financial services sector is still limited to the banking sector. There is a large gap between literacy and financial inclusion, meaning that many people have access to and even have financial products, but as long as they have them, they don't understand the benefits and risks, so the impact of losses can be huge on the community (OJK 2021). The finding that in developed countries such as America alone has financial literacy problems which are still relatively low (Matasy 2010) and financial literacy is related to consumptive public financial behavior (Askar, Ouattara, and Zhang 2020). This is where the importance of financial literacy for the community in deciding the type of long-term investment (Lusardi 2019; Walstad et al. 2017).

The financial market is developing rapidly, with technological developments and new and more complex financial products (Lusardi 2019). As the name implies, the money market is the total demand and supply of funds or securities with maturities of one year or less and can be channeled through banking institutions. (Hendrayana 2021). Money market regulation through Bank Indonesia Regulation (PBI) No. 18/11/PBI/2016 concerning Money Market, where the money market is part of the financial system concerned with trading, lending and borrowing activities, or short-term funding of up to 1 (one) year in Rupiah and foreign currencies, which plays a role in the transmission of monetary policy, achieving financial system stability, and smooth payment system (Bank Indonesia 2018), has several functions, among others; the liquidity function is to bridge between parties with excess funds and those who lack funds in the short term, the function of the accumulation of wealth (investment) and diversification of wealth (portfolio diversification), and means of implementing policies (monetary and fiscal). In principle, the money market is an alternative means for financial institutions, non-financial companies, and other participants to meet their short-term funding needs and to place funds for excess liquidity. And in this money market, short-term credit instruments are traded. The credit in question can be in the form of daily credit (On-Call), monthly credit (prolongation), or quarterly credit (belonging) (Hasibuan 2016). Because the credit that is traded is less than one year, it is called short-term credit. The types of instruments on the money market include SBI, SBPU, SUN, repurchase agreements and others. Meanwhile, money market players include: bank companies, insurance companies and other non-bank financial companies (Shaid 2022).

As we know, every country has a currency that is different from one country to another. So that in conducting a trade transaction with other countries, a calculation of an exchange rate between the currencies of one country is needed against other countries. This calculation is better known as the foreign exchange rate (foreign exchange rate) (Ahmad 2021), this exchange rate can provide a benchmark for how much foreign currency value is seen from our rupiah. This makes transactions easier because they can find out how much money will be spent to buy products from foreign countries. And will also be able to find out how much money will be received from payments for selling domestic products to foreign countries. Previous research on the relationship between market interest rates and stock prices in the money market (Qing and Kusairi 2019) where the implication is that investors or policy makers must take into account changes in interest rates and exchange rates before investing in stocks or policies to stabilize stock market performance. Empirical studies have been carried out on exchange rate volatility that can affect international trade (Latief and Lefen 2018). Another finding of the effectiveness of the intervention based on an empirical study of the current policy is good exchange rates (Fratzscher et al. 2019) and exchange rate volatility have a positive and significant effect on inflation in the long term (Osabuohien et al. 2018).

METHODOLOGY

This article uses secondary data collected and analyzed in the form of data that contains information on something that has been previously available in various print media, publication media, reports, journals, internet, written sources such as government regulations, laws, books, articles and sources. others relevant to the issue discussed (Ulber 2014). The library approach uses a method by reading, understanding, studying, analyzing and studying every source of data obtained related to the topics discussed (Danial, Endang, and Wasriah 2009; Zed 2008).

RESULTS AND DISCUSSION

The Importance of Public Communication

Overall, financial literacy affects everything from day-to-day to long-term financial decisions, with consequences for individuals and society. Ineffective financial planning and spending, as well as expensive borrowing and debt management, are all linked to low levels of financial literacy in many countries. This low level of global financial literacy, and its far-reaching consequences, require urgent action. Overall, financial literacy affects everything from day-to-day to long-term financial decisions, with consequences for individuals and society. Ineffective financial planning and spending, as well as expensive borrowing and debt management, are all linked to low levels of financial literacy in many countries. This low level of global financial literacy, and its far-reaching consequences, require urgent action (Lusardi 2019), Indonesia is no exception (Askar, Ouattara, and Zhang 2020).

Achieving optimal economic growth requires support from a deep and growing national financial market. The government's national development strategy through the infrastructure sector requires financial support from financial markets. The global economic landscape is changing gradually from time to time. Since the end of the Asian Financial Crisis in 1997, emerging market economies (EMEs), particularly China and India, have achieved impressive economic growth, becoming the main engines of the global economy (Haikal et al. 2018, 2018–24).

Financial literacy skills are an important key to empowering people to make the right financial decisions. Currently, the value of Indonesia's financial inclusion index is reported to have reached 76.19%, exceeding the target of the National Financial Inclusion Strategy (SNKI) of 75%. However, this condition is still not ideal because people use financial products without an adequate understanding of their management. This can be seen from the financial literacy index which only reached 38.03% (OJK 2021). It is important to equip the knowledge community to make smart financial decisions and understand the various financial planning options available.

Become financially literate as a way to protect and grow his or her wealth. One of the barriers to financial literacy skills is the psychological interaction with low levels of financial literacy (Matasy 2010). Many variables other than financial literacy contributed to the financial crisis, such as the demand for financing driven by several factors, including a history of fixed wages, reduced mortgage interest rates, low-interest rates leading to cheap credit, increased consumption, and activity is driven by media and social interactions. With changing attitudes towards debt, increasing financial leverage and consumer spending are further facilitated by countries like China as they finance trade deficits, real estate speculation, and most certainly predatory lending, fraud, and other cryptic lending practices for secured loans. Then over-indebted consumers and banks holding innovative assets such as mortgage-backed securities, turned out not to be as high as the rating agencies initially suggested because the underlying mortgage defaulted at an unprecedented rate. (Matasy 2010). Some recommendations to improve financial literacy and obtain better results:

1) Learn more about financial literacy limits
   Some of the important things that can be done to gain a better understanding of financial literacy and ultimately help individuals make better financial decisions.
2) Education
   Education is the obvious choice to help people make better decisions.
3) Consumer protection and changes to the preferred environment
   Since trying to get people to do better for themselves can sometimes fail, it's a good idea to try to find other ways to reduce the degree to which they are at a disadvantage in the first place.

Money Market- Interest Rates Foreign Exchange Markets

1. Money Market

A money market is a group of markets where short-term, generally high-quality credit instruments are traded. The function of the money market is as an alternative means for financial institutions and non-financial companies to meet short-term funding needs and to place funds for excess liquidity. The money market (English: money market) is a meeting of demand and supply of short-term funds. In the money market, foreign exchange is needed to pay for export-import activities and foreign debt. The money market is an abstract meeting place where owners of short-term funds can offer to potential users who need them, either directly or through intermediaries. (Anoraga & Pakarti, Pengantar Pasar Modal, 2006).

Short-term funds referred to in the money market are funds collected from companies and individuals with a time limit of one day to one year, which can be traded in the money market. The need for a money market is motivated by the need for entrepreneurs to obtain funds in the short term or must be fulfilled immediately.

Money Market Characteristics

Theoretically, the money market has the following characteristics or characteristics:

1) Emphasizing the fulfillment of short-term funds;
2) The money market mechanism is emphasized to bring together parties who have excess funds and those who need funds;
3) Not tied to a certain place like the capital market.

Other characteristics of the money market are (Anoraga and Pakarti 2006):
1) Short term funds;
2) Not tied to a particular place;
3) In general, supply and demand meet directly and there is no need for an underwriter guarantor.

Money Market Function

In addition to making it easier for the public to obtain short-term funds to finance working capital or other short-term needs, the money market also has other functions, such as:
1) Provide opportunities for the community to participate in the development by purchasing Bank Indonesia Certificates (SBI) and Money Market Securities (SBPU);
2) Supporting income distribution programs for the community;
3) As an intermediary in trading short-term securities;
4) As a fundraiser in the form of short-term securities;
5) As a source of financing for companies to invest;
6) As an intermediary for foreign investors in distributing short-term credit to companies in Indonesia.

Money Market Destinations

From those who need funds	From the party who invested the funds
1. To meet short-term needs.	1. To earn income with a certain interest rate.
2. To meet liquidity needs.	2. Helping parties experiencing financial difficulties.
3. To meet working capital needs.	3. Speculation.

Money Market Instruments

There are quite a variety of instruments or securities traded in the money market, including securities issued by private and state business entities and government institutions. Money market instruments in Indonesia (Muljaningsih and Perdana 2022, 222; Siamat 2001, 208) are as follows:
1) Bank Indonesia Certificate (SBI)

   SBI is a debt instrument issued or originating from the government or central bank in that country based on performance with a certain amount and will be paid to the holder or owner of the funds on a predetermined and mutually agreed date. The term or maturity of this instrument is approximately one year with a discount system.

SBI Indonesia is one of the mechanisms used by Bank Indonesia with the aim of controlling the stability of the rupiah. SBIs are issued without a script and all ownership and transactions are recorded in Bank Indonesia facilities. The parties involved here are commercial banks and the public.

2) Money Market Securities (SBPU)
   Short-term securities that can be traded at a discount with Bank Indonesia or a discount agency appointed by BI.
3) Certificate of Deposit
   Financial instruments issued by a bank for performance are stated in a certain amount, period, and interest rate. A certificate of deposit is a time deposit whose proof of deposit can be traded.
   The main characteristic that distinguishes it from time deposits is that they can be transferred or traded before their maturity date through other financial institutions.
   The two types of money market instruments available on the interbank money market are as follows:
   a. Fixed deposit, ie the interest rate and maturity date have been agreed upon at the time the transaction is approved;
   b. Notice or call deposit, namely the interest rate and maturity date can change and if it is decided to expire, then the funds are effective a few days later.
4) Commercial Paper
   Promissory notes that are not accompanied by collateral issued by the company to obtain short-term funds and are sold to investors in the money market.
5) Call Money
   Call money is a system in which lending and borrowing activities occur between one bank and another, and are used for a short period. Call money is defined as a credit or loan that must be repaid immediately after receiving a call or warning from the party providing the funds. The average credit term is between 1-and 7 days.
6) Repurchase Agreement
   The sale and purchase of securities are accompanied by an agreement that the seller will repurchase the sold securities on a date and at a predetermined price.
7) Banker's Acceptance
   A money market instrument is used to provide credit to exporters or importers to pay for certain goods or to purchase foreign currency.
8) Treasury Bills
   Treasury Bills are debt instruments issued by the Government and the central bank at a specified amount to be paid to the holder on a predetermined date.
9) Promissory Notes

Promissory Notes are promissory notes that prove the existence of short-term debts between creditors and debtors.

Money Market Indicators

Money market indicators are needed to measure or at least observe money market developments, money market indicators include (Muljaningsih and Perdana 2022, 226):

1) Interbank Interest Rate (Rp)
The interest rate charged by banks to other banks in terms of borrowing and borrowing funds in the form of rupiah.
2) Interbank Money Market transaction volume (Rp)
The number of interbank transactions in terms of lending and borrowing is in rupiah.
3) Interbank Money Market Interest Rate (US$)
The interest rate charged by banks to other banks in terms of borrowing and borrowing funds in the form of US $.
4) Interbank Money Market transaction volume (US$)
The number of interbank transactions in terms of lending and borrowing is in the form of US $.
5) J1BOR (Jakarta Interbank Offered)
The interest rate offered for interbank lending and borrowing transactions.
6) Rupiah deposit interest rate (%/Y)
The interest rate is given by depositors who deposit their money in Rupiah.
7) US$ deposit interest rate (%/Year)
The interest rate is given by depositors who deposit their money in USD.
8) Rupiah Exchange Rate (Exchange Rate)
The price of one currency against another currency or the value of one currency against another currency
9) Credit interest rate
Credit interest rates charged by banks or other financial institutions to creditors
10) Inflation
An increase in the level of prices for goods and services in general and continuously over a certain period.
11) Consumer Price Index (CPI)
An index number that shows the level of prices for goods and services that must be purchased by consumers in a certain period.
12) Bank Indonesia Certificate (SBI)
Risk-free short term investment instrument.

Types of Money Market

Financial markets can be divided into several subtypes such as:

1) The capital market consists of a primary market and a secondary market which is further divided into: (Sudarmanto et al. 2021, 4):
    a. The stock market, which is a means of financing through the issuance of shares, and is a means of trading shares;
    b. Bond market, which is a means of financing through the issuance of bonds and is a means of trading bonds;
    c. Financial markets, which are a means of financing short-term debt and investments;
    d. Derivatives market, which is a vehicle that provides instruments to manage financial risk;
    e. Futures market, which is a means that provides standardization of futures contracts for trading a product at a future date;
    f. The insurance market, which facilitates the redistribution of various risks;
    g. The foreign exchange market, which facilitates foreign exchange trading.
2) Commodity Market which facilitates commodity trading.

Money Market Strengths and Weaknesses

A money market is a meeting place between parties who have a surplus of funds and those who experience a deficit of funds, where the funds are short-term, namely funds with a maturity of less than one year. The money market serves many parties such as governments, banks, insurance companies, and other financial institutions (Muchtar and Najma 2019). In real life, the money market has the following advantages:

1) Means to seek short-term loan funds for companies experiencing liquidity difficulties;
2) Means for placing excess funds owned by business entities.

Risks that may be faced in investing in the money market include:

1) Market risk: the risk associated with an increase in interest rates, causing investors to experience capital loss;
2) Reinvestment risk: the risk associated with falling security prices;
3) Risk of default: the risk that occurs due to the inability of the borrower (debtor) to fulfill his obligations in accordance with the agreement;
4) Inflation risk: lenders face the possibility of rising prices of goods and services that reduce the purchasing power of the income they receive;
5) Currency risk: the risk that occurs due to unfavorable changes in foreign exchange rates;
6) Political risk: risk associated with changes to laws or government regulations.

2. *Interest Rate Effect*

Bank interest can be interpreted as remuneration by banks based on conventional principles to customers who buy or sell their products (Kasmir 2012, 114). Interest can also be interpreted as the price that must be paid to customers (who have deposits) that must be paid by customers to the bank (customers who get loans). (Rompas 2018). Interest is the fee for borrowing money. This fee is a compensation to the lender for the future benefits of the loan money if it is invested (opportunity cost in lending money). The amount of the loan is called the principal. The percentage of principal debt that is paid as a fee in a certain period is called the interest rate. Interest rates are divided into two, namely:

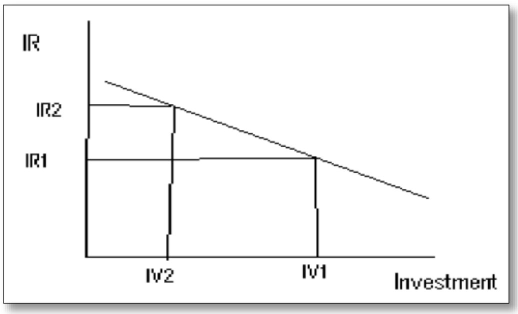
1) Fixed interest rate is the interest rate on the loan that does not change throughout the credit period;
2) Floating interest rates are interest rates that fluctuate during the credit period by following a certain reference rate such as LIBOR or SIBOR, where the calculation method is using a margin addition system to the reference rate.

Interest rates are also one of the most vital instruments in determining monetary policy to control variables such as investment, inflation, and unemployment. Higher interest rates can also be caused by the expansion of government debt can also reduce investment, inhibit interest-sensitive long-term consumption spending, and reduce the value of assets owned by households, thereby indirectly reducing consumption spending through the wealth effect. The magnitude of these potential adverse consequences depends on the extent to which government debt actually raises interest rates (Hubbard 1997). There are several factors that cause interest rates, namely:

1) Retained consumption
   When someone lends money, it means that person is delaying the consumption that he can do with the money. According to the Time Preference theory, people prefer current consumption to future consumption. Therefore, to compensate for this delay in consumption, an incentive is needed, namely interest rates.
2) Inflation Expectations
   When inflation occurs, the price of goods will become more expensive, which means the same amount of money can only buy fewer goods in the future than today. Borrowers need compensation for this.
3) There are alternative investments
   Borrowers of funds have many options for investing with the funds they have. The principle of opportunity cost arises, if he chooses one investment, he must sacrifice the other investment. Interest rates are used as a benchmark before someone invests.
4) Risk in investment
   Lenders always face the risk of borrowers going bankrupt or defaulting. Because of this risk, lenders charge a premium to compensate for this risk. One of these premiums is interest rates.

On a macroeconomic scale, interest rates are the main factor in the movement of investment levels. When interest rates rise, the investment will decrease (which causes an increase in credit loans or people will prefer to keep their money in banks) which will reduce state income. A similar relationship can also be seen in the microeconomy or company scale, an increase in interest rates will increase the cost of credit so that company investment will decrease. The relationship between interest rates and investment can be illustrated by the graph in Figure 1 – The relationship between interest rates and investment.

Figure 1- The Relationship Between Interest Rates and Investment



But sometimes, this relationship is not necessarily the case. In developing countries, what is known as capital market imperfection tends to be found (Martins, Pinto, and Bonomo 2004). If the capital market in a country is perfect, companies in that country can borrow funds in foreign or domestic currencies without any difference in costs (there is no opportunity cost between the two). If the capital market is imperfect, there will be a difference in costs between borrowing in foreign or domestic currencies. When the company's wealth (net worth) decreases, this will cause the premium on debt in foreign currency to increase which will then reduce the company's investment (Bernanke and Gertler 1995). Companies located in countries with imperfect capital markets tend to prefer to use debt in domestic currency. So sometimes when interest rates rise, the company's investment also increases because companies prefer to borrow funds in domestic currency rather than foreign currency for their investment activities.

The interest rate is the amount of rupiah paid as a result of using the funds as compensation. Changes in interest rates are changes in the demand for money (credit). An increase in interest rates results in a decrease in aggregate demand/investment spending. Conversely, an increase in interest rates will result in an increase in aggregate demand (Aryaningsih 2008). Keynes's view, that the interest rate depends on the amount of money in circulation and liquidity preferences (demand for money), what is meant by liquidity preference is the demand for money for money by all people in the economy (Rompas 2018). Keynes stated that people's demand for money has 3 purposes (Sukirno 2004):

1) Transactions (to pay for consumption by the public);
2) Precautions (to deal with unexpected problems such as death and job loss);
3) Speculation (to be invested in shares or other securities).

3. Foreign Exchange Market

Some existing economic theories, money can reflect purchasing power. Owning money from a country gives the ability to buy goods and services produced (or assets owned) by other residents of that country. However, to buy goods and services produced by residents of other countries generally requires us to buy the currency of that country. This is done by selling the currency of the country to the desired resident to transact (Sudarmanto et al. 2021). Officially, one's currency has been used to buy foreign exchange (foreign exchange) and in doing so, the buyer has converted the purchasing power of the seller's country (Eun, Resnick, and Sabherwal 2012). The foreign exchange market is the largest financial market in the world, by almost all standards. This market is open worldwide 365 days a year, 24 hours a day. Several surveys conducted by the Bank for International Settlements (BIS) in recent years place daily trading on foreign exchange around the world always increasing. The increase in turnover could be due to an increase in trading activity by other financial institutions. Considering that the currency in one country is not valid in another country, of course, a transaction tool that can be accepted in another country is needed. Transaction tools that can be accepted in other countries are known as foreign exchange, while the place where forex buying and selling transactions occur is known as the Forex Market (Sudarmanto et al. 2021).

Foreign exchange or commonly referred to as a foreign exchange, or in a foreign language known as foreign exchange (Forex) is a currency that is issued as legal tender in another country. Foreign currency will have a value if the currency can be exchanged for other currencies without restrictions. And the place where supply and demand for foreign currency meet are called the Foreign Exchange Market. The forex market is a market that facilitates the exchange of currencies to facilitate international trade and financial transactions (Madura 2000). Or if interpreted simply, the forex market is trading the currency (exchange) of a country with the currencies of other countries. While the rate of currency exchange is also known as the foreign exchange rate in Indonesia known as the foreign exchange rate.

All international business activities require the transfer of money from one country to another. For example, a US multinational company that establishes a factory in the UK, at the end of the financial year, always wants to transfer the profits made from its business in the UK (in the form of Pounds Sterling) to its headquarters in the US (in USD) so to convert British Pounds into US Dollars, a foreign exchange market is required (Kuncoro 2000).

Foreign Exchange Market Working Mechanism

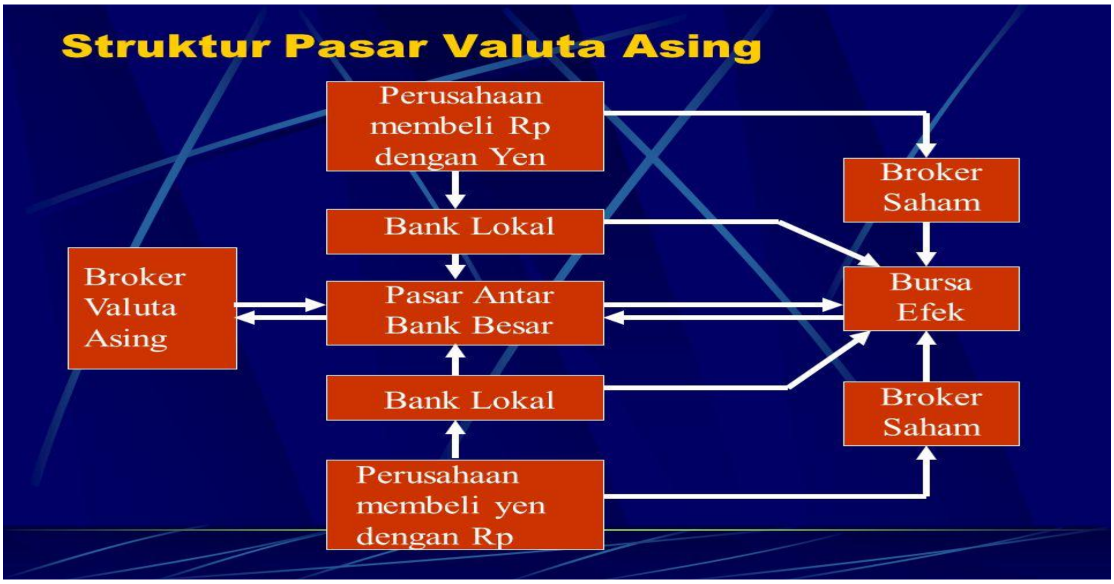
In this forex exchange, people can buy or sell the currency traded. The objective is to get profit or profit from the position of the transaction made. In the forex market, the terms Lot and Pip are known. 1 lot is worth $1000 and 1 pip is worth $10. Meanwhile, the value of the dollar on the foreign exchange market is different from the dollar value that we know in banks. The value of the dollar on the forex market varies widely, namely 6000/8000 and 10,000 rupiahs.

Transactions in foreign exchange can be done in a two-way way in taking profits. One can buy first (open buy), then close by selling (sell) or vice versa, make a sale first, then close by buying. The movement of the foreign exchange market revolved from the New Zealand and Australian markets which took place at 05.00-14.00 WIB, continued to the Asian markets namely Japan, Singapore, and Hong Kong which took place at 07.00-16.00 WIB, to the European markets, namely Germany and the UK which took place at 13.00 –22.00 WIB, arrived at the United States market which took place at 20.30-10.30 WIB.

In its historical development, the central banks of countries with the largest foreign currency reserves have been defeated by the forces of a free foreign exchange market. According to a BIS (Bank International for Settlement, world central bank) survey conducted at the end of 2004, the value of foreign exchange market transactions reached more than USD 1.4 trillion per day. Given the high level of liquidity and the acceleration of high price movements, foreign exchange has also become the most popular alternative because the ROI (return on investment) and the profit to be gained can exceed the average trading average. As a result of these rapid movements, the foreign exchange market also carries a high level of risk. Because of this, it is natural that in 1997 there was a financial crisis in countries in Asia as well as in 1991 in America.

In the forex market, there is no uniformity. With transactions outside the trading exchange (over the counter) as a traditional market of foreign exchange trading, there are many foreign exchange markets that are interconnected with each other where different currencies are traded, so it indirectly means that "there is no single currency exchange rate. dollar but at different rates depending on which bank or market participant is transacting”. But in practice, the difference is often very thin.

Figure 2 - example of the flow structure of the foreign exchange market in Indonesia



The Main Functions of the Forex Market

Some of the main functions of the foreign exchange market in assisting international payment traffic are (Nopirin 1987):

1) Facilitate the exchange of foreign exchange and transfer of funds from one country to another. The process of exchanging or transferring funds can be done with a clearing system as is done by banks and traders.

2) Because there are often international transactions that do not need to be completed immediately for payment or delivery of goods, the foreign exchange market makes it easy to implement agreements or contracts of sale and purchase on credit.
3) Allows for hedging. A trader performs hedging if he/she at the same time conducts buying and selling transactions of different foreign currencies, to eliminate/reduce the risk of loss due to exchange rate changes.
4) Speculation, which means that through the foreign exchange market one can speculate, accept, and even seek risk in the hope of making a profit (Sudarmanto et al. 2021).

Foreign Exchange Market Participants

The movement of foreign exchange values is always changing from time to time because the law of demand and supply always involves various market players who have various interests. These market participants include:

1) Company
   Companies use the foreign exchange market to facilitate the implementation of investment or commercial transfers. Multinational company. They use the foreign exchange market for investment purposes. To increase competitiveness and reduce production costs, the company always explores new and cheaper resources. Usually, we call this activity an import activity. And the company will also always carry out market exploration activities to expand the distribution network of goods and services that have been produced by the company which in turn will generate income in other currencies. Usually, we call this activity an export. Because of these import and export activities, companies sometimes require large amounts of foreign currency.
2) Society or Individual
   People and individuals can carry out foreign exchange transactions to meet their needs: speculative activities, namely by taking advantage of fluctuations in foreign exchange value movements to obtain profits and consumption needs while abroad.
3) Commercial Banks and Non-Banks
   Commercial and non-bank banks operate in both the interbank and customer markets. They serve customers who want to transact foreign exchange. They make a profit by buying foreign exchange at the bid price and reselling it at a slightly higher price than the offer price.
4) Broker or Intermediary
   A broker or intermediary is a person or company whose job is to intermediary for foreign exchange transaction activities.
5) Government
   The government conducts foreign exchange for various purposes, including paying debt installments abroad, and receiving debt from abroad which must be exchanged into its currency.
6) Central Bank
   In many countries, the central bank is not under government control, it is an

independent institution tasked with stabilizing the economy. Central banks use the forex market to obtain foreign exchange reserves and also influence the prices at which currencies are traded. The central bank may take steps that are solely intended to support or boost the value of its currency. This kind of policy or strategy is mostly carried out by central banks.

7) Speculators and arbitrage

   They carry out transactions in the foreign exchange market for profit. Arbitrage in principle is a form of speculation contained in foreign exchange, where they buy a foreign currency in a financial center and then resell it in another financial center for profit. Their motives differ from those of dealers, as speculators and arbitrageurs operate solely for their benefit without any need or obligation to serve clients or to ensure market continuity. Meanwhile, dealers seek to profit from the spread between supply and demand only incidentally seeking to profit from price changes. Speculation and large amounts of arbitrage are usually carried out by traders. The banks in this case can act as dealers, speculators, and arbitrators.

The foreign exchange market can be viewed as a two-tiered market. The first layer is the wholesale or interbank market and the other layer is the retail or client market. Foreign exchange market participants can be categorized into five groups: international banks, bank customers, non-bank dealers, foreign exchange brokers, and central banks. International banks provide the core of the foreign exchange market. About 100 to 200 banks worldwide are active "marketing" foreign exchange, i.e. they are ready to buy or sell foreign currency for their accounts. These international banks serve their retail customers, namely bank customers, in carrying out trades or making international investments in financial assets that require foreign exchange. In a broad sense, bank customers include MNCs, financial managers, and private speculators. Nonbank dealers are large non-bank financial institutions such as investment banks, mutual funds, pension funds, and hedge funds that have a more cost-effective trade size and frequency to set up their dealing rooms and trade directly on the interbank market for their foreign exchange needs (Eun, Resnick, and Sabherwal 2012).

Currency Futures Market

Currency Futures contracts specify a standard volume of a particular currency to be exchanged on a specified settlement date in the future. An MNC (multinational corporation) that wants to hedge its debt will buy currency futures contracts to lock in the price of a currency in the future. An example of a futures transaction would be a US corporation, which on January 2 realized the need for 450,000 marks for February 11 (40 days later). If the corporation attempts to lock in the future purchase price of the mark with a futures contract, the contract settlement date will be the third Wednesday of March (Kuncoro 2000). In addition, the required number of Marks (450,000) is higher than the default amount (125,000). The best thing a corporation can do is buy 3 futures-mark contracts (for a total of 375,000 Marks) or 4 futures-mark contracts (500,000). Assume that on January 11, the futures-mark price for March is \$0.5900. By purchasing this futures contract on January 2, the company is obliged to buy Marks for \$0.5900 per Mark on the third Wednesday of March. On the other hand, anyone who sells these futures contracts on January 11th is required to deliver (sell)

Marks for $0.5900 per Mark on the third Wednesday of March. Since one unit of the futures-mark contract is worth $125,000 Mark, the company must buy 3 or 4 units of the futures-mark contract. So the amount of Dollars required is $221,500 (3 units of futures-mark contracts x $125,000 x $0.5900) or 295,000 (4 units of futures-mark contracts x $125,000 x $0.5900).

Currency Options Market

Currency options market (Madura 2000, 67–68) is a market that facilitates the trading of currency options contracts. Currency options contracts can be classified as calls or puts. A currency call option provides the right to buy a certain currency at a certain price (called the strike price or exercise price) within a certain period.

Currency call options are used to hedge foreign currency debts that must be paid in the future. Currency put options give the right to sell a foreign currency at a certain price within a certain period. Currency put options are used to hedge foreign exchange receivables that will be received in the future. An example of a currency call options transaction is that there is a possibility that a company will need foreign exchange in the future, but the company is not so sure (Madura 2000). For example, suppose a US company is involved in tendering a project in Germany. If the project goes to the company then the company will need approximately DM625.00 to purchase raw materials and services in Germany, but the company does not know whether the offer will be accepted or not until the next three months.

Assume that the exercise price for Mark is $0.50 and the call option premium is $0.02 per unit. The firm will pay $1250 per option (62,500 x $0.02) or $12,500 for 10 contracts. With this option in place, the maximum amount of US Dollars spent to purchase Mark is $312,500 (62,500 x $0.5). Currency futures contracts specify a standard volume of a certain currency that will be exchanged on a certain settlement date in the future of an MNC (multinational corporation).

Foreign Exchange Market Drivers

The main factors that affect the exchange rate of a country's currency are the trade balance, economic conditions, political factors, and implications caused by the results of graphical and psychological analysis of the market. The ebb and flow of capital flows between countries, known as Purchasing Power Parity (PPP) (Breuer and Ruiz de Vargas 2021) is it a major factor determining market momentum? Fundamental economic forces such as inflation rates and interest rates are examples of two factors that influence currency prices. This is done in two ways: control and intervention.

1) Control, restricting its citizens from doing something that has a negative effect on the exchange rate (such as sending money to other countries);
2) Intervention by changing interest rates to make them less attractive to foreigners, or buying or selling the currency. If these economic conditions change, it will cause a dramatic change in the value of a country's currency. This shows that the basic concept of currency movements is to anticipate an economic condition.

The movement of currency values is also influenced by the results of the graphical technical analysis conducted by financial managers and investment managers. In this case, market behavior becomes more technical and the reactions of managers are often similar and predictable.

Interaction Between Forex Market and Money Market

The choice of funds in the money market is always related to the money market, meaning that if we want to invest our money in the advanced market, we will always consider the activities that occur in forex, and vice versa. This is done to determine which investments are the most profitable in the money or forex market. This interaction between the money market and foreign exchange becomes more important when the amount of funds available is large or economic conditions are not favorable.

Resocialization of Maslahat in the Development of an Islamic Economic System through Maqasid Al-Shari'ah

The essence of the concept of maqasid al-shari'ah is to realize goodness while avoiding evil or attracting benefits and rejecting harm. In carrying out ijtihad to deal with various situations, the benefit must be made a top priority, because it is the main goal of sharia (maqasid ash-shari'ah). Maqashid shari'ah is not only needed to formulate macroeconomic policies (monetary, fiscal; public finance), but also to create sharia banking and financial products as well as other microeconomic theories. Maqashid shari'ah is also very necessary in making regulations for banking and sharia financial institutions. Without maqashid shari'ah, all regulations, fatwas, financial and banking products, fiscal and monetary policies, will lose their shari'ah substance. Without maqashid shari'ah, the developed muamalah fiqh, and banking and financial regulations to be formulated will be rigid and static, as a result, Islamic banking and financial institutions will be difficult and slow to develop. Referring to maslahat, fiqh or other ijtihad products can be adjusted, according to the benefit of the community. (Mu'alim and Yusdani 2001, 134). Affirmation of this is important because shari'ah contains general principles as a basic strategy that can be applied in various cases and circumstances. In addition, Shari'ah also offers the concept of flexibility, because in the Qur'an there are no detailed provisions and materials. With the basis of thinking like this, Shari'ah can contribute to the benefit of society without colliding with other norms and values (Chapra 1992, 247).

All scholars recognize that the purpose of Islamic law is maslahah. It's just that the ulama have different ideas from one another about the maslahah of a rule, so this kind of situation is very open to the emergence of understanding subjectivism. Therefore, for the sake of derivation of benefit into a concrete law as well as for its development, it is better to pay attention to the hierarchy of Islamic legal norms. There are three levels of legal norms (Abdullah 2002a, 157–61):

1) First, basic norms or philosophical values (al-qiyam al-asasiyyah), namely abstract norms which are basic values in Islamic law such as benefit, justice, freedom, and equality, or maintenance of the five benefits. (maqasid al-shari'ah). This abstract norm is what is referred to as the goal of law;
2) Second, the intermediate (middle) norms are used as intermediaries (tools) to achieve legal goals. This middle norm is the general doctrine of Islamic law.

These general doctrines are concretely divided into two types in Islamic law, namely al-nazariyyat al-fiqhiyyah (general principles of Islamic law) and al-qawa'id al-fiqhiyyah (rules of Islamic law);

3) Third, concrete legal norms (al-ahkam al-far'iyyah) as the application of the two previous norms.

These three layers of norms are arranged hierarchically, where the most abstract norms are concretized or embodied in more concrete forms. For example, the basic value of the benefit is concretized, among others, in general principles in the form of fiqhiyyah rules, namely al-masyaqqah tajlib al-taisir (difficulty brings ease). This principle is concretized again in the form of concrete regulations in civil law, for example, people who are in financial difficulty are allowed to reschedule their debts. Another example is the basic value of freedom embodied in the middle norm, namely the principle of freedom of contract (mabda' hurriyyah al-ta'aqud). The principle of freedom of contract is re-concretized in the form of a concrete norm that you may make any new contract, such as an insurance contract, as long as it does not violate Islamic law and order (Abdullah 2002a, 405). The emergence of discoveries due to advances in science and technology will result in shifting perspectives and forming patterns of thought flow that bring logical consequences to form new norms in people's lives, so that the progress of science and technology and human civilization is not confronted with the texts, but must seek a solution by ijtihad.

In many ways in economic activity, Islam provides a normative scale globally (Raysuni 2020) where Islam offers a financial system that is more agreeable and stable based on social justice, mutual equity, and economic growth. In the economic system to be built with the aim of prospering the people, the fulfillment of these five basic human needs which are the core of al-maqashid shari'ah, namely maintaining their religion (ad-din), maintaining their soul (an-nafs), and maintaining their minds (al-nafs). a), safeguarding his wealth (al-maal), and guarding his descendants (an-nasl). So, the economic system and its institutions must be able to seek this to achieve its main goal, namely social welfare. This is a universal norm which is one of the parameters of the Islamic economic system. To mention one example, the problem of buying and selling activities and debt guarantees can be raised. In the Qur'an, it is only mentioned that halal buying and selling is not detailed, for example, which ones are permissible and which are not, and it does not mention the ways of guaranteeing debts and the law in detail. Things that are not regulated in the two main sources The provisions of the law, obtained using ijtihad by making the concept of maqasid the basic theory in its development so that Muslims are encouraged to be active, creative, and productive in their economic life endeavors. As long as the purpose of the law can be known, it will be able to carry out legal development related to the problems faced (Abdul Salam Arif "Üsul Fiqh Dalam Kajian Bisnis Kontemporer" Abdullah 2002b, 201).

Maqashid shari'ah occupies a very important position in formulating the shari'ah economy, creating sharia banking and financial products. Knowledge of maqashid sharia is the main requirement in ijtihad to answer various problems of economic and financial life that continue to develop. Maqashid sharia is not only needed to formulate macroeconomic policies (monetary, fiscal; public finance), but also to create Islamic banking and financial products as well as other microeconomic theories. Maqashid sharia is also very necessary in making regulations for Islamic banking and financial institutions.

In economic and business activities, Islam has provided general principles that must be adhered to, namely (Taimiyah 1994, 225):

1) may not eat other people's property vanity.
2) mutual willingness, namely avoiding coercion that eliminates one's voting rights in muamalah.
3) does not contain the practice of exploitation and mutual harm that makes others persecuted.

So that any transaction carried out by the mukallaf must not conflict with the principle of benefit, in the sense of causing harm (madharat) or aggravating circumstances (*masyaqqah*) (Anwar 2010, 90).

Contemporary business activities, such as in the money market, market interest rates, foreign exchange markets for example, Muslims face various kinds of legal doubts about this business. While the texts of the Qur'an and hadith do not explain this business explicitly. In this regard, the usuliyyah rule states: "*al-aslu fi al-uqud wa al-mu'amalat al-sihhah hatta yaquma al-dalila 'ala al-batlan wa al-tahrim*."(Hakim n.d., 230). There is also another rule that says "*al-aslu fi al-asyya al-ibahah*" (Suyuthi 1966, 82). All new muamalah issues that have never existed and are not known by the previous fuqaha, where this text also does not mention this problem, it is a matter of ijtihadiyyah. In line with the principles mentioned above, it can be said that a new muamalah such as the example above is permissible, as long as it does not conflict with general principles in muamalah, especially if the activity contains individual or communal maslahah while maintaining the investment objectives that are consistent with it. originally profit-oriented profit to speculative profit shifted the orientation of buying foreign exchange only solely buying and selling (Zein 2002, 193). So when viewed from the aspect of buying and selling only, foreign exchange fluctuations are a natural and permissible thing, as long as the activities are carried out according to sharia. Here is the importance of the role and function of the code of ethics made by BI (Bank Indonesia) to monitor foreign exchange transactions against the rupiah through Bank Indonesia Regulation (PBI) Number 23/5/PBI/2021 concerning the Monitoring System for Foreign Exchange Transactions against the Rupiah (SISMONTAVAR) to improve implementation of a fast and appropriate exchange rate management strategy, by market developments through strengthening the monitoring of foreign exchange transactions against the rupiah (Miftahudin 2021).

The information system technology established by BI through SISMONTAVAR is related to the area of change in this system, including the application of SISMONTAVAR which was originally only carried out for foreign exchange transactions (foreign exchange) against rupiah conducted between banks, to be added with foreign exchange transactions against rupiah conducted between banks and customers for spot transactions. with a value of at least USD 250 thousand or its equivalent, and derivative transactions with a value of at least USD 1 million or its equivalent. Regarding bank obligations in implementing SISMONTAVAR, banks that conduct interbank foreign exchange transactions against rupiah through the Foreign Exchange Transaction System are required to connect the Foreign Exchange Transaction System with SISMONTAVAR. Banks conducting foreign exchange transactions against rupiah with customers are required to make connections to the Foreign Exchange Transaction System and/or foreign exchange transaction support systems used in transactions with SISMONTAVAR. The foreign exchange transaction support system is the treasury system and/or settlement system used by banks. Banks violating the connection requirements will be subject to administrative sanctions in the form of a written warning and submission of an action plan. Furthermore, banks must carry out Confirmation Procedures on the Foreign Exchange Transaction System and/or foreign exchange transaction support system that has been connected to SISMONTAVAR, for foreign exchange transactions against rupiah conducted between banks and between banks and customers. Confirmation procedures for interbank foreign exchange transactions against rupiah, including those made through Money Market Brokers. The confirmation procedure is carried out within a certain period after the transaction is completed.

CONCLUSION

From the explanation that financial literacy is very important because the wrong allocation will cause bankruptcy. From a general overview of international financial markets, it can be concluded that international business is facilitated by international financial markets which causes foreign exchange trading and capital flows to run smoothly between countries. The financial market itself can be in the form of the money market is the overall demand and supply of funds, securities, or short-term financial instruments with maturities of one year or less than one year and can be channeled through institutions' banking. Money market participants include banks, public companies, government institutions, individuals, and other financial institutions. There are types of investment risk, namely market risk, reinvestment risk, default risk, inflation risk, currency risk, and political risk. Money market instruments include SBI, SBPU, certificates of deposit, commercial paper, call money, repurchase agreements, banker's acceptance, treasury bills, and promissory notes.

The foreign exchange market provides the market with physical facilities as well as the institutional market to trade foreign currencies, determine foreign exchange rates, and implement foreign currency management. Money market players include dealers, companies/individuals, speculators, central banks, and brokers. The types of foreign exchange markets are the spot market, forward market, currency futures, and currency options.

The selection of funds in the money market is always related to the money market. This means that if we want to invest our money in the money market, we will always consider the activities that occur in the forex market and vice versa. This is done to determine which investments are the most profitable in the money or forex market. This interaction between the money market and foreign exchange becomes more important when the amount of funds available is large or economic conditions are not favorable. Fundamental economic forces such as inflation rates and interest rates are examples of two factors that influence currency prices. This is done in two ways: control and intervention.

The government's policy on monitoring transactions in the money market has been implemented. In the end, financial literacy for the community is to secure long-term public finances, and the placement of funds made by the community is based on benefits.

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