ANALYSIS OF MACROECONOMIC VARIABLES TO STABILITY OF DINAR AND RUPIAH

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Abstract: Every country needs to balance their monetary policy in order to maintain the value of money. The current monetary system has no auto-balancing mechanism to prevent over supply of money which turns into hyperinflation. Dinar currency in the other hand, has the ability to maintain the supply in market due to limited resources to mint it. Previous studies did not compare the stability of fiat money and dinar altogether. This paper aims to identify each stability of fiat money and also dinar both in the short term and also in the long term. Vector Error Correction Model (VECM) is being used to estimate the effect of national trade, gross domestic product, and inflation to fiat currency and dinar. The result indicates that only inflation affects dinar currency and rupiah, while other variables did not affect significantly.

Keywords: Dinar, Fiat Currency, Vector Error Correction Model

1. Introduction

A country has the responsibility to control the expansion of its currency and to oversee the decline in the value of money, which can result in economic instability. An important thing for a country to maintain the stability of its economic system. This is because in order to become a developed nation it needs to be supported by the stability of its economic system, stable economic conditions must grow above 5% in order to be able to face global economic shocks (Azka, 2018). The state must be able to avoid a deficit financial budget and unlimited currency expansion, this can lead to inflation which results in public distrust of the currency in question. Any assessment that damages the functions of money will have a negative impact on the country's economy (Nabila, 2015).

Fiat money began to be used when America under Nixon's leadership cancelled the Bretton Wood agreement in 1971 and changed the world monetary system using fiat money. If the value of a country's currency against the United States dollar decreases, the purchasing power of goods and services also decreases, and this will trigger an increase in prices for goods and services. The presence of fiat money in the monetary system and world trade has caused various problems, such as inflation, the decline in the purchasing power of money, the global financial crisis, economic disparities, exchange rate risk in international trade and control of

the economy by countries with strong currency exchange rates. If a country has a high inflation rate it can affect people's income which has decreased, resulting in a weaker standard of living for them, besides that it has an impact on the formation of a decision for business actors to carry out their economic activities (Nafi, 2019).

A monetary system requires a more stable currency, and the dinar is a gold currency that was used during the reign of Roman King Caesar Julius. The type of money made comes from 22 carat gold, equivalent to 4.25 grams (Surahman, 2016). Dinar is money that has a stable economic level, this is because the basic material of dinar comes from gold. Dinar money not only has a nominal value but has an intrinsic value as a valuable gold metal. Dinar does not recognize nominal value like current banknotes (fiat money), but is more determined by its intrinsic value which is reflected in the exchange rate of the dinar against other commodities (Marlia, 2014). The dinar has an unchanging value, which means that if the currency is used, the value of the country's currency will be stable from time to time. This is evidenced by the price of gold in 1910 which was equivalent to the price of gold in 1890, this event was caused by gold which has intrinsic value (Surahman, 2016).

Indonesia is one of the countries that uses fiat money as a tool for transactions, in its implementation the rupiah becomes the currency in Indonesia which has a reference to the United States dollar. The weakening that occurs in the rupiah as a currency can cause instability in the country's economy, this happened during the 1998 monetary crisis. Where Indonesia experienced a fairly high inflation rate, at that time the rupiah exchange rate against the US dollar reached Rp. 2,380 per dollar (Hasan, 2018). The monetary crisis disaster is the biggest challenge for a country, this is because if a country has experienced a monetary crisis it will affect all economic elements in that country as well as citizens who experience difficulties in carrying out economic transaction activities.

The world is experiencing a period of economic crisis with the spread of disease outbreaks, namely the COVID-19 pandemic. This situation has an impact on economic conditions in all countries which are increasingly weakening, this is due to policies made by governments in countries affected by the COVID-19 pandemic to temporarily close all sectors of the economy that involve large numbers of people. This condition causes stagnation of economic activity, in addition to that investors currently tend to choose to shift their investment activities to a type of investment with low risk, namely gold. Amid the weakening of the rupiah currency due to the spread of COVID-19 and tense relations between the United States and China, precious metal commodities such as gold have increased interest from the public who think that the pandemic has not shown a decline so investing in gold is a safe step (Esnir, 2020).

Based on the background that has been described above regarding the ability of the dinar which has intrinsic value and the effect of the use of fiat money on economic stability, authors interested in examining the resilience possessed between the rupiah and the dinar. This research using macroeconomic factors as determinants to test the stability of each currency. The type of this research is a replication and extension research from Marlia (2014) by adding variable of national trade to represent the stability of currencies tested by national trade activities. The result of the study could be used as a reference for state monetary strategy to reach a stable economy.

Research statements

1. Does gross domestic product affect the dinar and the rupiah?
2. Does inflation affect the dinar and rupiah?
3. Does national trade affect dinar and rupiah?

4. Is there a difference between the influence of macroeconomic variables on the strength of the dinar and rupiah?

Purpose

The objective research is dedicated to answer the research question, this research aims to investigate several things, as such:

1. To determine the effect of gross domestic product on the dinar and rupiah.
2. To determine the effect of inflation on the dinar and rupiah.
3. To determine the effect of export - import activities on the dinar and rupiah.
4. To determine the difference between the influence of macroeconomic variables on the strength of the dinar and rupiah.

Research benefits

Theoretically to provide a scientific contribution in the field of economy, especially studies related to the dinar currency and its comparison to the rupiah. And practically as a reference in making policies to decide policies related to determining the applied currency.

2. Literature Review

The Quantity Theory of Money is a mean of defining changes in the value or purchasing power of money. When money has a large quantity, the value or purchasing power will decrease, this affects the average price of commodity goods to increase. Conversely, if money becomes scarce, the purchasing power will increase with the general price decreasing (Volckart, 1997). The causal relationship between money and prices refers to conditions that are constructed through a dynamic adjustment process and do not apply at all points in time. The implication of the quantity theory of money with this research is the condition in which money is created at this time has a dynamic effect along with changes in economic conditions. This cannot deny the bad impact of dynamic economic conditions on the monetary system of a country, so it is necessary to make a basis that can be applied at all points in time to minimize the adverse effects that occur.

Previous Studies

The use of dinar in a country will have a good impact on the monetary system owned by that country. This is because money commodities made of gold, such as dinar, have the same value when used in international trade with various countries. This is in line with Rusydiana (2017) which conducted using the Error Correction Model with the result that the application of a stable dinar is able to have a positive impact on the economy. Research conducted by Marlia (2014) uses variables related to inflation such as the rupiah exchange rate, gold price, money supply, gross domestic product, and inflation data. The results of the error correction model (ECM) can be concluded that in the gold dinar system, the money supply is smaller and more stable than in the fiat money system. Therefore, it can be concluded that uncontrolled growth in the money supply can lead to inflation.

Previous study using 41 years of data proves that the use of the gold dinar as a medium of exchange is more profitable because of its lowest volatility. Gold becomes a commodity that can help a country in preventing inflation in their country. Research conducted by Shakil et al. (2018) mention that the price of gold rose when the Arab currency decreased, and was a good protector against inflation. This show that the price of gold influenced by the condition

of country's currency to reach a certain level. Then research conducted by Tully & Lucey (2007) explains that the United States currency is a macroeconomic variable that affects gold.

Correlation of each variable and hypothesis development

Gross Domestic Product

Gross Domestic Product is the number of products in the form of goods and services produced by production units within the boundaries of a country (domestic) for one year or often interpreted as the total market value of all final services produced by a country or society during one period. a certain time, for example one year. The production capacity of a country which can be measured by GDP will have a negative effect on the value of the currency. Based on research by Puspitaningrum (2014), it is stated that when the economy is strong, people will prefer to buy goods instead of holding money, the impact of which is that the rupiah depreciates and causes a negative effect on the rupiah exchange rate. Based on the researches above, authors propose hypotheses as follows:

H1a: Gross Domestic Product growth has a negative effect on the dinar currency.

H1b: Gross Domestic Product growth has a negative effect on the rupiah currency.

Inflation

Inflation is an increase in the money supply or an increase in liquidity in an economy. This definition refers to the general symptoms caused by an increase in the money supply which is thought to have caused an increase in prices (Suseno, 2009). According to Marlia (2014) based on research using an error correction model (ECM) using both the Rupiah Exchange Rate (fiat money) and the Gold Dinar, it can be seen that in the short term the Rupiah Exchange Rate and Gold Dinar Exchange Rate have a significant effect significant to inflation. Meanwhile, in the long term only the amount of money and exchange rates have a significant effect. Based on the literature above, authors propose hypotheses as follows:

H2a: The inflation rate has a positive effect on the dinar currency.

H2b: The inflation rate has a positive effect on the rupiah currency.

Export – Import

Exports are purchases from other countries of goods made by domestic companies. The most important factor determining exports is the ability of the country to issue goods that can compete in foreign markets. (Sukirno, 2010). Import is the process of legally transporting goods or commodities from one country to another by following international trade process and agreement. The import process is generally the act of purchasing goods or commodities from other countries into the country. Large imports of goods generally require interference from customs in both the sending and receiving countries. Imports are an important part of international trade. Import activities are carried out to meet people's needs. Imported products are goods that cannot be produced or the country can already be produced, but cannot fulfill the people's needs (Sari, 2012). Mustika et. al. (2019) revealed that net exports have a significant positive effect on the exchange rate. This is because increasing exports will have an impact on increasing the rupiah exchange rate. Based on the literature above, this study proposes hypotheses as follows:

H3a: Export and import balance has a positive effect on the dinar currency.

H3b: The export and import balance has a positive effect on the rupiah currency.

Dinar and Rupiah

Dinar, which made of gold, is one form of commodity money. Commodity money has a limited supply in order to maintain the exchange rate of the commodity. Moreover, the commodity money has long durability, and have a valuable value. (Pertiwi, 2019). As a medium of exchange, dinar currency has several advantages, among others; relatively stable, not affected by inflation due to limited circulation and has an impact on the real economic sector because it is minted based on real asset as opposed to printed by debt. (Iqbal, 2009).

Rupiah currency in Indonesia is a type of fiat money that is not supported by any commodity reserves. As a consequence, the government as the issuer of the currency is obliged to maintain its value, prevent the circulation of counterfeit money, ensure there is no money trading (Pertiwi, 2019). In the other hand, fiat money also has several advantages including; easy to carry, allows to be published in different volumes, issuance costs are cheap, and also less risky than carrying commodity money (Hasan, 2005). Dinar and rupiah have different characteristics, where the dinar is a commodity money that has an intrinsic value while the rupiah is fiat money that has no intrinsic value. Due to the differences in its characteristics this paper propose hypothesis to prove the difference in the effect of the dinar and rupiah on the stability of the country's economy.

H4: There is a difference between the influence of macroeconomic variables on the strength of the dinar and the rupiah.

3. Method

Source and Type of Data

This research using monthly data in form of time series data collected from various sources. Scope of data used in this research are data collected in time frame from January 2014 until December 2019. Researchers aim to test the stability of both Rupiah currency and Dinar currency by selected macroeconomic variables. Therefore, this research using two currencies as the dependent variables. The selected variables represent the major influence of national economic stability. Data of each type of money represent the two different type of money, Rupiah represent the fiat currency and gold or dinar as the representative of commodity money. Data of Rupiah obtained from transaction data of Bank Indonesia, while the gold standard obtained from London Bullion Market Association.

Independent variables used in this research are: Gross Domestic Product, Inflation, and National Trade. Gross Domestic Product (GDP) represent the stability of national economic growth, inflation used to test each currency against depreciation the value of money, while national trade used as a tool to test each currency in the global market. Data of Gross Domestic Product, inflation and national trade are obtained from Badan Pusat Statistik.

Variables and measurement

The use of gold as money is minimal in any part of the world nowadays, therefore this research using the price of gold as a proxy of Dinar measurement. The exchange rate from U.S. Dollar to Rupiah is being used as a measurement of the Rupiah stability. The approach to using the exchange rate is chosen due to the fact that almost all of the currencies in the world are using US Dollar as reference of their national currency. Moreover, the usage of US Dollar is widely acceptable in international trade. Thus, this research using the exchange rate of US Dollar to Rupiah currency.

To measure the national growth as independent variable, this paper using GDP constant price 2010 from bps.go.id. The inflation data using monthly national inflation data from Badan Pusat Statistik. To properly represent the condition of national trade, this paper using the net export as the measurement of national trade.

Conceptual Framework

To measure the stability of two different currency two models of research are being proposed as follows;

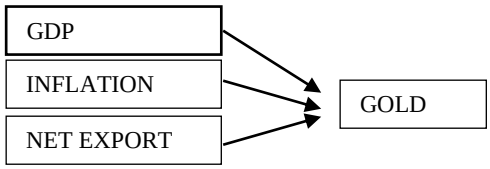

Figure 1: Research model to measure the stability of Dinar

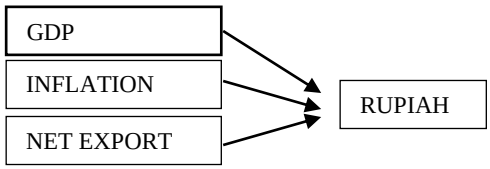

Figure 2: Research model to measure the stability of Rupiah

Data Analysis Method

This study conducted a quantitative research methodology by analyzing the collected data to get the results and draw conclusions from the results. To test the stability of dinar and rupiah, this research using Vector Error Correction Model (VECM) to test the causality of each variables and to test relationship both in the short term and long run (Rusydiana, 2017). The collected data then tested the stationarity of data by conducting *Unit Root Test.* After the data was known stationary, lag test conducted to test the length of optimum lag. From the length of optimum lag the data then researchers able to analyze the cointegrating test to determine the relation of each variables. The VECM modelling is conducted to test the correlation of all the variables in the short term and in the long term (Basuki & Prawoto, 2016).

4. Result and Discussion

Stationary Data

Stationarity test is used to detect whether each variable is stationary or not. Based on the results of the stationarity test by using Augmented Dickey Fuller (ADF) test for each data, the result shows that the gold, exchange rate, gdp, inflation and net export variables are stationary at the *first difference*.

Table 1. ADF Test Results Using Intercept at the First Difference

Variables	ADF	Mc Kinnon Critical Value 5 Percent	P-Value	Notes
Gold	-6.448980	-2.904848	0,0000	Stationary
Rupiah	-10.14333	-2.903566	0.0001	Stationary
GDP	-7.658578	-2.908420	0,0000	Stationary
Net Export	-12.81163	-2.904198	0.0001	Stationary
Inflation	-6.727305	-2.906923	0.0000	Stationary

Sources: Processed data

The table shows that the stationarity of data statistically seen in the first difference. The statistical ADF results that will be greater than the Mc Kinnon Critical Value 5 percent (this study uses $\alpha = 5\%$).

Length of Lag Optimum

Table 2. GOLD Lag Length Testing Using LR Value

Lag	LR
0	NA
1	50.97912
2	63.97625*

* indicates lag order selected by the criterion
Sources: Processed data

Table 3. Exchange Rate Lag Length Testing Using LR Value

Lag	LR
0	NA
1	42.78341
2	59.80143*

* indicates lag order selected by the criterion
Sources: Processed data

From table 3 and 4 concluded that the length of optimum lag of Gold and Rupiah currencies lie in the lag 2 based on the sequential modified LR test statistics by the value 63.97625 and 59.80143 respectively.

Cointegration Test

Cointegration test is useful to determine the long-term relationship between all variables. The cointegration test also distinguishes the VECM model from VAR and also act as a requirement in estimating VECM. This study using the Johansen's Cointegration Test with a Critical Value of 0.05 to estimating the cointegration test.

Table 4. ADF Unrestricted Cointegration Rank Test (Trace and Max Eigenvalue) for Gold variable

Hypothesized No. of CE(s)	Trace Statistic	0,05 Critical Value	Max-Eigen Statistic	0,05 Critical Value
None *	180.6476	47.85613	55.11980	27.58434
At most 1 *	125.5278	29.79707	51.88527	21.13162
At most 2 *	73.64255	15.49471	46.21110	14.26460
At most 3 *	27.43145	3.841466	27.43145	3.841466

Trace test indicates 4 cointegrating eqn(s) at the 0,05 level
Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0,05 level
* denotes rejection of the hypothesis at the 0,05 level
Sources: Processed data

Table 5. ADF Unrestricted Cointegration Rank Test (Trace and Max Eigenvalue) for Rupiah variable

Hypothesized No. of CE(s)	Trace Statistic	0,05 Critical Value	Max-Eigen Statistic	0,05 Critical Value
None *	172.3749	47.85613	56.44087	27.58434
At most 1 *	115.9340	29.79707	49.70191	21.13162
At most 2 *	66.23214	15.49471	44.71538	14.26460
At most 3 *	21.51675	3.841466	21.51675	3.841466

Trace test indicates 4 cointegrating eqn(s) at the 0,05 level
Max-eigenvalue test indicates 4 cointegrating eqn(s) at the 0,05 level
* denotes rejection of the hypothesis at the 0,05 level
Sources: Processed data

From two tables above, both GOLD and RUPIAH results can be seen that the trace statistic and maximum eigenvalue are greater than the 0.05 Critical Value. Thus, it can be explained

that there are four rank variables that have a cointegration relationship at the 5 percent (0.05) significance level.

Causality Test

Table 6. Pairwise Granger Causality Tests for Rupiah

Null Hypothesis:	Obs	F-Statistic	Prob	Notes
INF does not Granger Cause RUPIAH	70	0.47988	0.6210	There is no significant causality
RUPIAH does not Granger Cause INF		2.04782	0.1373	There is no significant causality
NE does not Granger Cause RUPIAH	70	0.02050	0.9797	There is no significant causality
RUPIAH does not Granger Cause NE		0.31503	0.7309	There is no significant causality
GDP does not Granger Cause RUPIAH	70	1.08308	0.3446	There is no significant causality
RUPIAH does not Granger Cause PDB		3.20849	0.0469	Significant causality
NE does not Granger Cause INF	70	0.21162	0.8098	There is no significant causality
INF does not Granger Cause NE		1.56633	0.2166	There is no significant causality
GDP does not Granger Cause INF	70	0.25282	0.7774	There is no significant causality
INF does not Granger Cause GDP		1.02007	0.3663	There is no significant causality
GDP does not Granger Cause NE	70	0.53223	0.5898	There is no significant causality
NE does not Granger Cause GDP		0.02061	0.9796	There is no significant causality

Sources: Processed data

Table 7. Pairwise Granger Causality Tests for Gold

Null Hypothesis:	Obs	F-Statistic	Prob	Notes
INF does not Granger Cause GOLD	70	4.01097	0.0228	Significant causality
GOLD does not Granger Cause INF		1.37193	0.2609	There is no significant causality
NE does not Granger Cause GOLD	70	1.30900	0.2771	There is no significant causality
GOLD does not Granger Cause NE		1.51259	0.2280	There is no significant causality
GDP does not Granger Cause GOLD	70	2.90119	0.0621	There is no significant causality
GOLD does not Granger Cause PDB		2.84476	0.0654	There is no significant causality
NE does not Granger Cause INF	70	0.21162	0.8098	There is no significant causality
INF does not Granger Cause NE		1.56633	0.2166	There is no significant causality
GDP does not Granger Cause INF	70	0.25282	0.7774	There is no significant causality
INF does not Granger Cause GDP		1.02007	0.3663	There is no significant causality
GDP does not Granger Cause NE	70	0.53223	0.5898	There is no significant causality
NE does not Granger Cause GDP		0.02061	0.9796	There is no significant causality

Sources: Processed data

The Granger Causality Test is conducted to determine whether there is a causal relationship between the independent variables and the dependent variable. In this study, the level of confidence is (5 percent) with an optimum lag length of 2 in accordance to the optimal lag length that has been done previously.

From the table above the result as follows; there is a one-way causality between the inflation variable and gold while other variables do not have the causal relationship with gold. In the other hand, to determine the causal relationship to Rupiah currency the data found that there is a causal relationship between the direction between the GDP and rupiah variable.

VECM

In this study, VECM estimation was carried out to determine the effect of changes in the independent variable on the dependent in the short and long term. It could be identified from the absolute t-statistic value of a variable that was greater than the t-table value with a critical value of 5% (0.05). The t-table value used in this paper is 1.99444, derived from df = n - 2 with sig 5% df = 72-2 = 70.

Table 8. Short Run VECM (Vector Error Correction Model) Estimation Results on gold

Variables	Coefficient	Statistic t-partial	t-table	Result
CointEq1	0.001418	[0.07165]	1.99444	No significant effect
D(LOG(GOLD(-1)))	0.102341	[0.71976]	1.99444	No significant effect
D(LOG(GOLD(-2)))	0.290217	[1.90203]	1.99444	No significant effect
D(INF(-1))	0.027710	[1.95207]	1.99444	No significant effect
D(INF(-2))	0.015227	[1.21114]	1.99444	No significant effect
D(NE(-1))	1.02E-07	[0.02560]	1.99444	No significant effect
D(NE(-2))	-4.70E-06	[-1.20625]	1.99444	No significant effect
D(LOG(PDB(-1)))	-0.325394	[-1.29863]	1.99444	No significant effect
D(LOG(PDB(-2)))	-0.162313	[-0.70149]	1.99444	No significant effect
C	0.002513	[0.58276]	1.99444	No significant effect

Sources: Processed data

Table 9. Short Run VECM (Vector Error Correction Model) Estimation Results on Rupiah

Variables	Coefficient	Statistic t-partial	t-table	Result
CointEq1	0.010786	[0.81095]	1.99444	No significant effect
D(LOG(KURS(-1)))	-7.829081	[-0.20731]	1.99444	No significant effect
D(LOG(KURS(-2)))	-16.60454	[-0.45719]	1.99444	No significant effect
D(INF(-1))	-0.010084	[-1.31277]	1.99444	No significant effect
D(INF(-2))	-0.000774	[-0.10986]	1.99444	No significant effect
D(NE(-1))	-5.37E-07	[-0.22928]	1.99444	No significant effect
D(NE(-2))	-2.01E-06	[-0.88480]	1.99444	No significant effect
D(LOG(PDB(-1)))	-7.582438	[-0.20081]	1.99444	No significant effect
D(LOG(PDB(-2)))	-16.51769	[-0.45484]	1.99444	No significant effect
C	0.101868	[1.02969]	1.99444	No significant effect

Sources: Processed data

Based on the results of this study, it can be concluded that the short-term VECM results for research on gold did not produce any significant result, as well as the short-term results for Rupiah. As the table 8 and 9 suggest that there is no statistic t-partial value greater than the t-table. Hence, the results show that there is no short-term significant effect on Gold and there is no significant effect on Rupiah.

Table 9. Long Run VECM (Vector Error Correction Model) Estimation Results on gold

Variables	Coefficient	Statistic t-partial	t-table	Result
INF(-1)	0.917834	[6.19194]	1.99444	Positive significant effect
NE(-1)	2.86E-05	[0.54436]	1.99444	No significant effect
LOG(PDB(-1))	-0.542655	[-0.67229]	1.99444	No significant effect

Sources: Processed data

Table 9. Long Run VECM (Vector Error Correction Model) Estimation Results on Rupiah

Variables	Coefficient	Statistic t-partial	t-table	Result
INF(-1)	0.799087	[6.85799]	1.99444	Positive significant effect
NE(-1)	2.78E-05	[0.65181]	1.99444	No significant effect
LOG(PDB(-1))	0.462929	[0.71983]	1.99444	No significant effect

Sources: Processed data

In the long-run test however, the result shows that inflation has a positive significant effect on both gold and also rupiah. This result supported by Huang, et. al. (2019) stating that market sentiment and inflation expectation are impacting on the gold price. This finding shows that gold has the function as a safe haven asset and a hedge against inflation in the long run (Huang et. al., 2019). Gold price also has a causal relationship with inflation, meaning that the inflation having an effect on the gold price while simultaneously gold price drives the inflation as supported by Raju & Marathe (2016). The insignificant effect of inflation and

gold price in the short-term believed as the effect of "wait and see" strategy from the investor to fully understand the volatility of inflation (Alburqueque and Portugal, 2005).
The result of inflation has a significant effect on exchange rate volatility was supported by Osabuohien et. al., (2018). The effect of inflation to exchange rate also explained by the study of Ha et. al. (2018) mentioned that the domestic shock is a dominant driver of exchange rate. Furthermore, the role of central bank is crucial to stabilize the fluctuation. Monetary policy of the country affecting the sensitivity of domestic price to currency fluctuations (Ha et. al., 2018). From all the hypothesis this study proposed only 2 proven to be accepted namely H2a and H2b stating that *the inflation rate has a positive effect on the dinar currency* and *the inflation rate has a positive effect on the rupiah currency*.

5. Conclusions

Conclusion and recommendation

To test the stability of dinar currency and rupiah, this study using Vector Auto Regression Model (VECM) as research method and monthly data collected from January 2014 to December 2019. The study producing 3 (three) results as follows: the causality relationship between variables, the effect of variables in the short-run, and the effect in the long-run. The results show that only two pair of variables have causal relationship, which are inflation and gold, and between exchange rate to GDP. In short-term, none of the variables are proven significant while in the long-term inflation positively impact both exchange rate and gold price. This paper suggests that the use of gold is effective as a hedge against inflation as supported by Shakil et. al. (2018). When the domestic shock causing the fluctuation of exchange rate, the central bank has a crucial role to stabilizing it by monetary policy (Ha et. al., 2018).

Limitation of the study and suggestion

Majority of variables in this study proven to be insignificant determinant to test the gold and rupiah. And the model of this research did not produce significant results. For the next research, authors suggest to choose the more suitable determinant to test the gold and rupiah. Other suggestion is to change the model of the research to better picture the relationship of the variables such as Error Correction Model (ECM).

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