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THE IMPACT OF EXPORTS AND IMPORTS ON EXCHANGE RATES IN INDIA

Dr. Vijay Gondaliya

Assistant Professor,
Department of Management, Uka Tarsadia
University, Bardoli (Gujarat)
e-mail: vijay.gondaliya@utu.ac.in

Mr. Paresh Dave

Assistant Professor,
S. R. Luthra Institute of Management,
Surat (Gujarat)
e-mail: paresh.dave@srlimba.org

Abstract:

Objectives: *In the era of a globalized world, the interdependence amongst countries in terms of international trade of goods and services and capital flows has increased considerably. There is a considerable change in the trade composition of the developing countries with a magnificent shift from exporting commodity to manufacturing product exports. This change in the trade composition has made the developing countries terms of trade more stable, but its exports are becoming more sensitive to exchange rate fluctuations.*

Methodology: *This study empirically examines the impact of India's export and import on exchange rate using time series data for the period from January 2006 to October 2015.*

Findings: *This study finds that there is positive relationship between export and exchange rate but negative relationship between import and exchange rate. Also, finds that the change in export will influence in positive changes in Indian Rupee against Euro, Pound, Dollar and Yen. But, Import is not positively influence on exchange rate between Euro, Dollar, Pound and Yen.*

Key Words: *Export, Import, Exchange Rate, Relationship, Granger Causality*