ABSTRACT

Currency exposure is a serious problem that necessarily bothers business enterprises engaged in multinational business anywhere in the world. Interestingly, this problem did not initially bother the Indian business enterprises because of the policy of constant predetermined parity value of Indian rupee against international currencies, adopted by the government of India. Even after floating of Indian rupee in international currency market, this problem did not bother Indian exporters because of continued depreciation of Indian rupee against other currencies until 2003. However after 2003, the continuous and uncertain appreciation of Indian rupee against other currencies, especially American dollar has made currency exposure a crucial problem not to be taken lightly by Indian business enterprises engaged in multinational business. It is interesting, at this juncture, to study how seriously this problem is felt by Indian exporters and how much are they prepared to tackle this growingly significant problem.

The present empirical study is undertaken with an objective of understanding and evaluating the management of currency exposure as practiced by Indian business enterprises engaged in multinational business. The study is based on the response of ninety business enterprises exposed to foreign currency risk.

The present study reveals that the problem of currency exposure is not taken by the Indian enterprises with the seriousness which it deserves and most of them plead their (at least partial) ignorance and unfamiliarity with respect to the needed tools and techniques to tackle the problem of currency exposure. The respondent enterprises express their displeasure about the government support which is essential to mitigate and tackle the problem. They look forward for more active role by the RBI in this regard.
It is suggested that the problem might become more serious due to the growing dependence of Indian business enterprises on export trade and also the progressive trend of rupee appreciation. It is necessary to educate the business enterprises about the sophisticated tools and techniques available to tackle the problem of currency exposure. The active role of RBI is vital in regulating the currently available exposure management techniques and creating newer and innovative techniques.

Internal and external currency exposure management techniques only provide immediate and short run shield against currency exposure. In the long run, continued appreciation of Indian rupee can create more serious and grave problems which can only be tackled by resorting to innovation, efficiency and cost reduction by the Indian business enterprises. What the business enterprises desire is neither depreciation nor appreciation of Indian rupee, instead it is the stable currency which the government should strive to provide.