ABSTRACT

This thesis examines the impact of exchange rate fluctuations on trade balance and growth. Rupee appreciation makes imports cheaper and exports more expensive. If rupee appreciates, it increases dollar prices of exports and high dollar price leads to the decline in demand, quantity, volume, and export earnings. Lower earnings have negative impact on development. As against this, if the rupee depreciates, Indian exports become cheaper in international markets, the demand for Indian exports and export earnings rise leading to consequent growth of export production, and hence growth. However, imports become dearer leading to rise in import bill and consequent greater draining of exchange earnings. The output effect of exchange rate fluctuations of 130 sectors is being examined by Input Output model which is able to capture both direct indirect components.

This thesis also makes an attempt to examine the impact of linkages and change in technology and change in final demand on export earnings.

In this thesis 142 studies relevant to the topic of research are reviewed. The study reveals that the growth effect of exchange rate fluctuations has not been done so far, though numerous other aspects of exchange rate such as relation between foreign exchange, equity and gold markets, determination of exchange rate, inter-relation between such macro variables as fiscal deficit, inflation and exchange rate have been investigated by researchers. This thesis seeks to fill up this gap in research.

Organisation of the Thesis

The thesis is organised in to three parts as mentioned below:

First part comprises three chapters; Chapter one deals with the introduction and explanation of the topic of the thesis, concept of exchange rate, determination of exchange rate and its fluctuations, stability Vs fluctuations, rationale of the choice of the topic, importance and scope of the study. The objectives of research and hypotheses/ research question are described. The chapter scheme of the thesis is also briefly introduced.
Second chapter deals with the review of literature. The review of studies is classified into two categories; (i) studies directly related to the topic of investigation; and (ii) studies which are indirectly related to the topic of research. A table has been prepared on the basis of which a weighted index of studies reviewed is presented.

The review highlights the relevance of the studies reviewed for this investigation and the limitations of the reviewed studies. On the basis of table relating to review of literature, a composite index is prepared. This index highlights the degree of gap in knowledge in the area of the topic of the thesis. Lower the value of the index, greater is the knowledge gap; and greater the value of index, greater is the repetitive or imitative nature of investigation.

Third chapter list the sources of data and it focuses on the nature and extent of data available from secondary sources. The chapter also outlines the methods and models used in the study. An attempt is made to select appropriate statistical methods of data analysis, and evolve mathematical models to study the problem. Besides, this chapter deals with descriptive statistics of the data. This chapter highlights the basic features of data and distribution underlying the observations.

The second part contains two chapters which deal with the data and the results derived from analysis of the same.

The fourth chapter deals with the analysis of India’s trade with Iran and five East African countries. Iran is an important trade partner, especially for satisfying India’s energy needs. Africa in general and East Africa in particular is a part of ‘look East’ foreign policy of India. Economic thrust is an important part for the realisation of diplomatic and political objectives of the nation. This has acquired an edge in view of the fact that both China and India are competing with each other in the acquisition of stake in energy resources of various countries in Middle East and Africa on the one hand and having close political relation with the chosen countries on the other. Therefore, these countries are selected as special case.

The fifth chapter deals with the analysis of change in direction and composition of trade in the process of growth and transformation of India’s economic structure and factor endowment.
The third part deals with main thrust areas of the study and comprises three chapters.

The sixth chapter focuses on decompositions of total exchange earnings of India. Decomposed earnings comprise three elements: change in earnings accounted by changes in exchange rate, change in earnings accounted by changes in quantity and price. The chapter estimates contribution of each component to total earnings separately and jointly.

The seventh chapter examines impact of changes in exchange rate on export earnings, import bills. The chapter also examines impact of changes in final demand, technology on export earnings and growth of output and relation between linkages and growth of output.

The last chapter contains conclusions, findings, policy implications, and scope for new research. Limitations of the study are also stated. The thesis is finally concluded with references, appendices and tables.