

*Abstract of Doctoral Dissertation*

## **Impact of Foreign Exchange Rate Fluctuations on Stock Prices in Selected Industries<sup>1</sup>**

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### **I. Introduction**

EXCHANGE RATE IS an indicator of the competitiveness of currency of any country. It affects the business, trade, and prices of commodities among the countries. It determines the price actually paid when each transaction occurs. The foreign exchange markets are influenced by the various variables of the economy such as imports, exports, investments, disinvestments etc. The foreign exchange market is affecting the performance of the various stock exchanges. Like all other prices, when the flexible currency exchange rate is familiar to keep a country's balance of international payments in equilibrium with other countries. The Exchange market plays a vital role in opening the door for the global trade, investment and financial transactions. These markets allow potential investors in making transactions in foreign currencies or deposits. The importance of the foreign exchange is increasing due to an increase in global business transactions. The relationship between exchange rate and stock price has been research area for the researchers since early nineteenth century. Since then lots of research has been conducted by the researchers to empirically prove the association between the exchange rate and stock price.

### **II. The Study : Objective, Hypothesis, Limitations & Research Methodology**

#### **2.1 Research Objectives and Hypothesis**

The study focuses on the following framework

- i. to study the relationship between foreign exchange rate fluctuations and stock index.
- ii. to study the effect of exchange rate fluctuations on the performance of different industries like electric equipment, IT software, crude oil (natural gas) and pharmaceutical sector.

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Hence, this research work tries to find the perception of the investors and experts about the exchange rate fluctuations and thus impact on the shares prices and on the overall economy. The study also analyses the perception of the investors and financial expert's perception about the exchange rates and thus impact on the value of share price and on the stock index. The financial experts have an opinion that there are many macro-economic variables like crude oil prices, gold price, inflation rate, exchange rate etc. The Exchange rate is considered as an important macro-economic variable as compared to others. This variable is important from the investor's point of view. The result of research work shows that the fluctuations in the exchange rates have no impact on the prices of the share market in the selected industries.

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