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## **An investigation of the factors affecting Indian exchange rate: an analysis**

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**Abstract:** Exchange rate plays a key role in the country's level of trade and has a large impact on world trade and financial flows. In case of multinational companies, a precise forecasting and less volatility of exchange rate help in improving their overall profitability. Both political and economic factors influence exchange rates (Huang et al., 2004). In India, exchange rate has been highly volatile due to many a factors such as fluctuation in FII money flows, differences in rate of return or interest rates between countries, inflation, oil prices, etc. Exchange rate has been a topic of detailed study for policy making circles. The present research study seeks to investigate and analyse the impact of determinants such as GDP at constant prices, inflation levels, interest rates, current account deficit, inflow of foreign institutional investment, foreign exchange reserves and price of crude oil and gold on the USD-INR exchange rate based on quarterly data from April 1999–January 2017. The study also seeks to determine the relationship between the independent variables and the dependent variable, i.e., exchange rate in the short run and long run based on the Johansen cointegration test, augmented Dickey-Fuller test and vector error correction model.

**Keywords:** USD-INR exchange rate; macroeconomic determinants; long run; short run, Johansen cointegration test; vector error correction model; VECM.

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**Biographical notes:** Pooja Misra is an Assistant Professor and has work experience of 19+ years in the academics and corporate industry. She has spent 12+ years in the industry with organisations such as American Express, Standard Chartered Bank and Lazard Credit Capital. She shifted to the academic world in 2008 and has completed her PhD in Management from the Gautam Buddha University in the area of compensation components and its effect on employee engagement and turnover intent. Her research interests include macroeconomic dimensions of an economy, corporate strategies, compensation, employee engagement, developments in Indian retail industry