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A Study Investigates the Effects of Currency Fluctuations and International Trade Since the Covid-19 Pandemic

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ABSTRACT

The COVID-19 pandemic disrupted international trade, supply chains, financial markets, and foreign exchange systems, creating currency volatility and uncertainty. This study examines the effects of currency fluctuations on international trade after the pandemic, focusing on exports, imports, foreign investment, business costs, and economic recovery. Primary data were collected from 100 respondents through a structured questionnaire, supported by secondary information from trade and financial sources. Percentage analysis was used to interpret responses. Findings indicate that supply-chain disruptions and exchange-rate movements affected international business significantly. The study highlights foreign-exchange risk management, resilient supply chains, digital transformation, supportive policies, and stable currency management.

Keywords: Currency Fluctuations, International Trade, Exchange Rates, Foreign Exchange Risk, COVID-19

1. INTRODUCTION

International trade is a contributor to global economic growth because it enables countries to exchange goods, services, technology, capital, and knowledge across national boundaries. It supports employment, industrial development, productivity, foreign-exchange earnings, innovation, and international economic cooperation. Globalization has further increased the importance of international trade through interconnected supply chains and financial markets. The COVID-19 pandemic, however, created a disruption to these systems. During 2020 and the following recovery period, lockdowns, travel restrictions, border controls, production interruptions, labour shortages, logistics constraints, and declining demand affected international trade. Businesses experienced shortages of raw materials, transportation delays, reduced foreign orders, and changing consumer requirements. These conditions exposed weaknesses in global supply chains and demonstrated the importance of diversification and resilience. Currency fluctuations became another major challenge. Exchange rates determine the relative value of currencies and directly influence international transactions. Inflation, interest rates, foreign-exchange reserves, capital flows, monetary policies, political conditions, commodity prices, and market expectations can affect exchange rates. During the pandemic, changes in investor confidence and international capital movements produced substantial foreign-exchange volatility. Currency movements subsequently affected import costs, export competitiveness, business profitability, inflation, and foreign-investment decisions. India also experienced significant trade and currency pressures. Manufacturing, transportation, logistics, and foreign demand were disrupted, while the Indian Rupee experienced volatility against major international currencies. The Reserve Bank of India and the government introduced monetary, fiscal, liquidity, trade-support, and business-revival measures. As restrictions were relaxed, international trade gradually recovered, although recovery differed across sectors. Pharmaceuticals, healthcare, information technology, and digital services recovered relatively faster, whereas tourism, aviation, hospitality, and some manufacturing activities required longer recovery periods. The pandemic also accelerated digital transformation. E-commerce, digital payments, online business platforms, blockchain-enabled trade finance, artificial intelligence, cloud computing, and automation supported business continuity and improved international-market operations. Firms increasingly diversified suppliers, strengthened inventory systems, adopted regional sourcing, and improved foreign-exchange risk management. Therefore, understanding the relationship between currency fluctuations and international trade is essential for policymakers, businesses, financial institutions, importers, and exporters. This study examines post-COVID-19 currency movements, international trade performance, factors influencing volatility, policy responses, and measures required for sustainable trade growth and economic resilience. The source study similarly focuses on the interrelationship between exchange-rate movements, international trade, foreign investment, imports, exports, and economic recovery.

2. REVIEW OF LITERATURE

Sharma and Gupta (2020) examined the effect of COVID-19 on trade and reported that lockdowns, travel restrictions, and interruptions reduced imports and exports. Kumar (2021) studied exchange-rate volatility and international commerce, finding that currency movements affected import costs, export competitiveness, and foreign-investment decisions. Patel and Reddy (2021) highlighted the role of central banks, concluding that liquidity support, monetary easing, and intervention helped stabilize markets. Singh (2022) examined India’s trade performance and found reductions in industrial activity, shipping, imports, and exports, while pharmaceuticals, IT, and healthcare recovered earlier. Nair and Joseph (2022) reported that currency fluctuations increased manufacturing costs, reduced profit margins, and created uncertainty for importers and exporters, emphasizing foreign-exchange risk management. Agarwal and Mehta (2023) found that digital payments, e-commerce, blockchain trade finance, and online platforms supported continuity. Rao and Verma (2023) emphasized diversified production networks, regional sourcing, inventory management, and logistics for resilience. Desai and Kapoor (2024) identified inflation, interest rates, capital flows, commodity prices, and geopolitical uncertainty as influences on currency movements. Prakash and Iyer (2024) highlighted government trade policies and infrastructure investment, while Mishra and Joshi (2025) emphasized digital trade, artificial intelligence, blockchain, and technology. The literature stresses policies, currency management, resilient supply chains, technology, and cooperation.

3. OBJECTIVES OF THE STUDY

1. To examine how the COVID-19 pandemic affected global trade and exchange rates.
2. To evaluate the relationship between exchange-rate changes and international trade performance.
3. To examine the variables affecting post-COVID-19 currency fluctuations.
4. To assess the contribution of governments, central banks, and financial institutions to the stability of international trade and foreign-exchange markets.
5. To make appropriate recommendations for enhancing international trade and reducing the negative consequences of currency volatility.

4. RESEARCH METHODOLOGY

The study adopted a descriptive research design using primary and secondary data. Primary data were collected through a structured questionnaire from 100 respondents selected through convenience sampling. Secondary information was obtained from RBI, trade reports, journals, books, and official sources. Responses were classified, tabulated, and interpreted systematically for analysis purposes.

4.1 STATISTICAL TOOL

Percentage Analysis

Percentage analysis is selected as the appropriate statistical tool because the study primarily examines respondents' categorical opinions regarding currency awareness, effects of exchange-rate movements, trade disruptions, foreign-exchange risk management, and recovery. It provides a simple and meaningful comparison of responses across categories. The study itself used percentage analysis, tables, bar diagrams, and pie charts.

5. DATA ANALYSIS AND INTERPRETATION

The study objectives concerning currency awareness, the business impact of currency fluctuations, and foreign-exchange risk management.

Table 5.1: Awareness of Currency Fluctuations

Category	Number	Percentage
Highly Aware	22	22%
Aware	42	42%
Neutral	18	18%
Less Aware	12	12%
Not Aware	6	6%
Total	**100**	**100%**

Analysis: The highest response is **42%**, representing respondents who are aware of currency fluctuations.

Interpretation: The findings indicate that a considerable majority of respondents understand currency movements and their relationship with international trade. The source report specifically states that 42% of respondents were aware of how currency changes affect international trade.

Table 5.2: Effect of Currency Fluctuations on Business

Category	Number	Percentage
Very High	40	40%
High	28	28%
Moderate	16	16%
Low	10	10%
None	6	6%
Total	**100**	**100%**

Analysis: The largest response is **40%**, indicating that respondents consider the effect of currency fluctuations on business to be very high.

Interpretation: The results demonstrate that currency volatility has a substantial effect on international business and trade decisions. Exchange-rate movements can increase financial uncertainty and influence business performance, import costs, export competitiveness, and profitability.

Table 5.3: Importance of Foreign Exchange Risk Management

Category	Number	Percentage
Strongly Agree	24	24%
Agree	42	42%
Neutral	16	16%
Disagree	12	12%
Strongly Disagree	6	6%
Total	**100**	**100%**

Analysis: The highest response is **42%**, representing respondents who agree that foreign-exchange risk management is important.

Interpretation: The findings show that respondents recognize the importance of controlling foreign-exchange risk for effective international business operations. The combined positive responses also demonstrate strong support for appropriate currency-risk management practices.

6. RESULTS

1. The COVID-19 pandemic significantly disrupted international trade and foreign-exchange markets.
2. A majority of respondents understand the relationship between international trade and currency fluctuations.
3. **42%** of respondents are aware of currency fluctuations and their influence on international trade.
4. Currency fluctuations directly affect exports, imports, foreign investment, business costs, and profitability.
5. **40%** of respondents consider the effect of currency fluctuations on business to be very high.

6. Supply-chain disruptions were identified as the major factor affecting international trade after the pandemic, receiving **34%** of responses.
7. Manufacturing was identified as the sector most affected by the pandemic, with **36%** of responses.
8. Government policies and economic-support measures contributed to international trade recovery.
9. **42%** of respondents agree that foreign-exchange risk management is important for international business.
10. Respondents recognize the importance of hedging and financial planning for managing exchange-rate uncertainty.
11. International trade showed a gradual recovery after the pandemic, with **46%** of respondents describing recovery as good.
12. The future outlook for international trade is generally positive, with **44%** of respondents expressing a positive view.
13. Strengthening supply chains, maintaining exchange-rate stability, promoting digital transformation, and coordinating policy measures are important for sustainable trade growth.

7. SUGGESTIONS

1. Governments should continue implementing policies that promote export growth and strengthen international trade infrastructure.
2. International trade procedures should be simplified to reduce administrative difficulties and improve business efficiency.
3. Central banks should maintain effective foreign-exchange management policies to reduce excessive exchange-rate volatility.
4. Monetary authorities should continuously monitor inflation, capital flows, interest rates, and global financial developments.
5. Importers and exporters should adopt appropriate foreign-exchange risk-management techniques, including forward contracts and currency hedging.
6. Businesses should diversify their supply chains to reduce excessive dependence on a single country or market.
7. Companies should explore new international markets to reduce geographical concentration risk.
8. Greater investment should be encouraged in digital trade platforms, e-commerce, blockchain-based trade finance, and logistics technologies.
9. Financial institutions should provide affordable trade-finance facilities and professional advisory services to importers and exporters.
10. Governments should strengthen international cooperation, trade agreements, and investment partnerships to improve trade resilience.
11. Businesses should strengthen financial planning to manage uncertainty arising from exchange-rate movements.
12. Continuous monitoring of global economic conditions should be undertaken so that timely corrective measures can be adopted.

8. CONCLUSION

The COVID-19 pandemic created major disruptions in international trade and global financial systems, while currency fluctuations increased uncertainty for businesses, governments, importers, exporters, and financial institutions. The study demonstrates that international trade and exchange-rate movements are closely interconnected. Changes in currency values influence import costs, export competitiveness, foreign investment, manufacturing expenses, profitability, and overall economic performance. The analysis shows that respondents are generally aware of the effects of currency fluctuations, and a substantial proportion recognize the importance of foreign-exchange risk management. Supply-chain disruptions were identified as a major challenge during the pandemic, while manufacturing experienced considerable disruption because of production interruptions, transportation difficulties, and shortages of raw materials. Government policies, financial support, monetary measures, digital transformation, and international cooperation contributed to the recovery of international trade. Businesses can strengthen their resilience by adopting hedging techniques, diversifying supply chains and export markets, improving financial planning, and using digital technologies.

Stable foreign-exchange management, resilient supply chains, efficient logistics, technological innovation, and coordinated policy measures are essential for sustainable international trade growth. Continued cooperation among governments, central banks, financial institutions, businesses, and international organizations will be necessary to manage future global economic shocks and maintain financial and trade stability.

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