Project Submission Sheet

National College of Ireland

Project Submission Sheet

Student Name: Venu gopal kona

Student ID: X23329858

Programme: MSC in International Business **Year:** 2024-2025

Module: MSCIB_H9DISSER_A Dissertation

Lecturer: JAMES O' Connor

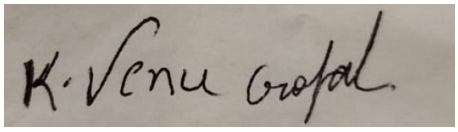
Submission Due Date: 15th August 2025

Project Title: Impact of Exchange Rate Fluctuations on International Business

Word Count: 14993

I hereby certify that the information contained in this (my submission) is information pertaining to research I conducted for this project. All information other than my own contribution will be fully referenced and listed in the relevant bibliography section at the rear of the project.

ALL internet material must be referenced in the references section. Students are encouraged to use the Harvard Referencing Standard supplied by the Library. To use other author's written or electronic work is illegal (plagiarism) and may result in disciplinary action. Students may be required to undergo a viva (oral examination) if there is suspicion about the validity of their submitted work.

Signature: 

Date: 15th August 2025

PLEASE READ THE FOLLOWING INSTRUCTIONS:

1. Please attach a completed copy of this sheet to each project (including multiple copies).

2. Projects should be submitted to your Programme Coordinator.

3. **You must ensure that you retain a HARD COPY of ALL projects**, both for your own reference and in case a project is lost or mislaid. It is not sufficient to keep a copy on computer. Please do not bind projects or place in covers unless specifically requested.

4. You must ensure that all projects are submitted to your Programme Coordinator on or before the required submission date. **Late submissions will incur penalties.**

5. All projects must be submitted and passed in order to successfully complete the year. **Any project/assignment not submitted will be marked as a fail.**

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AI Acknowledgement Supplement

[MSCIB_H9DISSER_A Dissertation]

[Impact of Exchange Rate Fluctuations on International Business]

Your Name/Student Number	Course	Date
Venu Gopal Kona/ X23329858	MSC in International Business	15th August 2025

This section is a supplement to the main assignment, to be used if AI was used in any capacity in the creation of your assignment; if you have queries about how to do this, please contact your lecturer. For an example of how to fill these sections out, please click here.

AI Acknowledgment

This section acknowledges the AI tools that were utilized in the process of completing this assignment.

Tool Name	Brief Description	Link to tool

Description of AI Usage

This section provides a more detailed description of how the AI tools were used in the assignment. It includes information about the prompts given to the AI tool, the responses received, and how these responses were utilized or modified in the assignment. **One table should be used for each tool used**.

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[Insert Description of use]	
[Insert Sample prompt]	[Insert Sample response]

Evidence of AI Usage

This section includes evidence of significant prompts and responses used or generated through the AI tool. It should provide a clear understanding of the extent to which the AI tool was used in the assignment. Evidence may be attached via screenshots or text.

Additional Evidence:

[Place evidence here]

Additional Evidence:

[Place evidence here]

Thesis Declaration Page

Submission of Thesis and Dissertation

National College of Ireland

Research Students Declaration Form

(Thesis/Author Declaration Form)

Name: Venu Gopal Kona

Student Number: X23329858

Degree for which thesis is submitted: MSC in International Business

Material submitted for award

(a) I declare that the work has been composed by myself.

(b) I declare that all verbatim extracts contained in the thesis have been distinguished by quotation marks and the sources of information specifically acknowledged.

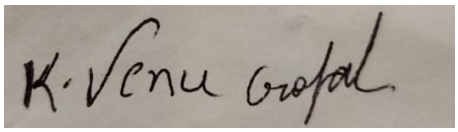
(c) My thesis will be included in electronic format in the College Institutional Repository NORMA (thesis reports and projects).

(d) ***Either*** *I declare that no material contained in the thesis has been used in any other submission for an academic award.

Or *I declare that the following material contained in the thesis formed part of a submission for the award of

(State the award and the awarding body and list the material below)

Signature of research student:



Date: 15th August 2025

Thesis Submission Form

All thesis submissions must be accompanied by a thesis submission form. The current guidelines for submission are available through the library at the following URL: http://libguides.ncirl.ie/thesisguide. The guidelines specific to the School of Business guidelines are listed here: https://libguides.ncirl.ie/business.

Submission of Thesis to Norma Smurfit Library, National College of Ireland

Student name: Venu Gopal Kona Student number: X23329858

School: NCI Graduate School of Business Course: MSC in International Business

Degree to be awarded: MSC in International Business

Title of Thesis: Impact of Exchange Rate Fluctuations on International Business

An electronic copy of your thesis will be lodged in the Norma Smurfit Library and will be available for consultation. This electronic copy will be accessible in NORMA https://norma.ncirl.ie the National College of Ireland's Institutional Repository. In accordance with normal academic library practice all theses lodged in the National College of Ireland Institutional Repository (NORMA) are made available on open access.

I agree to an electronic copy of my thesis being available for consultation within the library. I also agree to an electronic copy of my thesis being made publicly available on the National College of Ireland's Institutional Repository NORMA.

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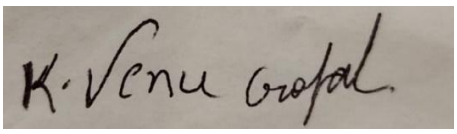

For completion by the School:

The aforementioned thesis was received by _____

Date:_____

This signed form must be appended to all copies of your thesis submitted to your school.

Abstract

This study investigates the impact of exchange rate fluctuations on multinational companies, with a focus on firms operating in emerging markets across the manufacturing, energy, and technology sectors. Employing a mixed-methods approach—comprising quantitative surveys of 108 financial professionals and qualitative interviews with 10 senior executives—the research reveals that currency volatility significantly affects profitability, pricing strategies, and long-term competitiveness. Key findings highlight the widespread use of financial hedging instruments such as swaps, forwards, and options, although accessibility remains limited in many emerging regions. Operational strategies like local sourcing and multi-currency pricing are also crucial in mitigating risk. The study contributes to theory by applying financial concepts such as PPP and IRP in real-world contexts and offers a refined conceptual framework linking exchange rate fluctuations to strategic outcomes. It also identifies sector-specific insights and empirical gaps. The research concludes with practical recommendations for firms, policymakers, and future scholars to strengthen resilience against exchange rate instability.

Declaration

I declare that this dissertation is my original work and has not been submitted, in whole or in part, for any other academic qualification or examination. All sources of information and references used in the research have been fully acknowledged and cited in accordance with academic standards. This work is submitted in partial fulfillment of the requirements for the award of MSC in International Business

at National college of Ireland, and has been completed under the guidance and supervision of my academic advisor. I confirm that this study complies with the ethical standards and research integrity policies of the institution.

Acknowledgment

I would like to express my sincere gratitude to my supervisor, JAMES O' Connor, for their continuous support, valuable guidance, and encouragement throughout this research journey. I also wish to thank the SME owners and managers who participated in the survey and provided insightful responses. Special thanks go to my family and friends for their unwavering patience and motivation during this academic endeavor. Lastly, I acknowledge the assistance of National college of Ireland Library/Research Office/Support Services for providing access to essential resources and statistical tools, which greatly contributed to the successful completion of this dissertation.

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Ethics form

National College of Ireland

Human Participants Ethical Review Application Form

All parts of the below form must be completed. However in certain cases where sections are not relevant to the proposed study, clearly mark NA in the box provided.

Part A: Title of Project and Contact Information

Name

Venu Gopal Kona

Student Number (if applicable)

X23329858

Email

Status:

Undergraduate □
Postgraduate □
Staff □

Supervisor (if applicable)

JAMES O' Connor

Title of Research Project

Impact of Exchange Rate Fluctuations on International Business

Category into which the proposed research falls (see guidelines)

Research Category A □
Research Category B □
Research Category C □

Have you read the NCI Ethical Guidelines for Research with Human Participants?

Yes □

No □

Please indicate any other ethical guidelines or codes of conduct you have consulted

Has this research been submitted to any other research ethics committee?

Yes □
No □

If yes please provide details, and the outcomes of this process, if applicable:

Is this research supported by any form of research funding?

Yes □
No □

If yes please provide details, and indicate whether any restrictions exist on the freedom of the researcher to publish the results:

Part B: Research Proposal

Briefly outline the following information (not more than 200 words in any section).

Proposed starting date and duration of project

Apirl 2025-august 2025

The rationale for the project

This project aims to explore how multinational companies manage exchange rate fluctuations, addressing the knowledge gap in emerging markets and providing practical strategies to enhance financial resilience and competitiveness.

The research aims and objectives

Aim: To investigate how multinational companies manage and mitigate the impacts of exchange rate fluctuations on their profitability and competitiveness, with a focus on operational strategies, pricing adaptations, and risk management practices across different sectors and emerging markets.

Objectives:

1. To analyze the effects of exchange rate fluctuations on the profitability of multinational companies in various sectors.

2. To identify the main challenges posed by currency volatility to multinational firms operating in emerging economies.

3. To examine the risk management strategies employed by multinational companies to mitigate exchange rate risks.

4. To explore how multinational companies adapt their pricing strategies in response to exchange rate changes.

5. To assess the role of effective risk management in maintaining competitiveness in international markets.

The research design

The research adopts a mixed-methods design, combining quantitative surveys of financial managers with qualitative interviews of senior executives to provide a comprehensive analysis of exchange rate risk management strategies.

The research sample and sample size

Please indicate the sample size and your justification of this sample size. Describe the age range of participants, and whether they belong to medical groups (those currently receiving medical treatment, those not in remission from previous medical treatment, those recruited because of a previous medical condition, healthy controls recruited for a medical study) or clinical groups (those undergoing non-medical treatment such as counselling, psychoanalysis, in treatment centres, rehabilitation centres, or similar, or those with a DSM disorder diagnosis).

The sample included 108 financial professionals and 10 senior executives from multinational firms. Participants were aged 30–60, belonged to non-medical, non-clinical groups, and were selected for their financial risk expertise.

If the study involves a MEDICAL or CLINICAL group, the following details are required:

a) **Do you have approval from a hospital/medical/specialist ethics committee?**
   If YES, please append the letter of approval. Also required is a letter from a clinically responsible authority at the host institution, supporting the study, detailing the support mechanisms in place for individuals who may become distressed as a result of participating in the study, and the potential risk to participants.
   If NO, please detail why this approval cannot or has not been saught.

b) **Does the study impact on participant's medical condition, wellbeing, or health?**
   If YES, please append a letter of approval from a specialist ethics committee.
   If NO, please give a detailed explanation about why you do not expect there to be an impact on medical condition, wellbeing, or health.

The nature of any proposed pilot study. Pilot studies are usually required if a) a new intervention is being used, b) a new questionnaire, scale or item is being used, or c) established interventions or questionnaires, scales or items are being used on a new population. If no such study is planned, explain why it is not necessary.

This study does not involve medical or clinical groups; therefore, no hospital ethics approval is required. It does not impact participants' health or wellbeing. A pilot study was unnecessary due to established tools used.

The methods of data analysis. Give details here of the analytic process (e.g. the statistical procedures planned if quantitative, and the approach taken if qualitative. It is not sufficient to name the software to be used).

Quantitative data were analyzed using descriptive statistics, correlation, regression, ANOVA, and t-tests to identify patterns and relationships. Qualitative data underwent thematic analysis to extract recurring themes from interview transcripts.

Study Procedure
Please give as detailed an account as possible of a participant's likely experience in engaging with the study, from point of first learning about the study, to study completion. State how long project participation is likely to take, and whether participants will be offered breaks. Please attach all questionnaires, interview schedules, scales, surveys, and demographic questions, etc. in the Appendix.

Participants were informed via email and consented electronically. Surveys took 15–20 minutes, while interviews lasted 30–45 minutes. Breaks were offered during interviews. All instruments are provided in the Appendix.

Part C: Ethical Risk

Please identify any ethical issues or risks of harm or distress which may arise during the proposed research, and how you will address this risk. Here you need to consider the potential for physical risk, social risk (i.e. loss of social status, privacy, or reputation), outside of that expected in everyday life, and whether the participant is likely to feel distress as a result of taking part in the study. Debriefing sheets must be included in the appendix if required. These should detail the participant's right to withdraw from the study, the statutory limits upon confidentiality, and the obligations of the researcher in relation to Freedom of Information legislation. Debriefing sheets should also include details of helplines and avenues for receiving support in the event that participants become distressed as a result of their involvement in this study.

This study poses minimal risk. No physical or psychological harm is expected. Confidentiality is ensured, and participants can withdraw anytime. A debriefing sheet with withdrawal rights and support contacts is provided.

Do the participants belong to any of the following vulnerable groups?
(Please tick all those involved).

- □ Children;
- □ The very elderly;
- □ People with an intellectual or learning disability
- □ Individuals or groups receiving help through the voluntary sector
- □ Those in a subordinate position to the researchers such as employees
- □ Other groups who might not understand the research and consent process
- □ Other vulnerable groups

How will the research participants in this study be selected, approached and recruited? From where will participants be recruited? If recruiting via an institution or organisation other than NCI please attach a letter of agreement from the host institution agreeing to host the study and circulate recruitment advertisements/email etc.

Participants were selected using purposive and expert sampling from multinational companies in emerging markets. They were approached via professional networks and email. Recruitment did not involve any institution outside of NCI.

What inclusion or exclusion criteria will be used?

Inclusion criteria: financial managers, risk officers, or executives from multinational firms operating in emerging markets. Exclusion criteria: individuals without decision-making roles in financial planning or currency risk management.

How will participants be informed of the nature of the study and participation?

Participants were informed through a detailed participant information sheet sent via email, outlining the study's purpose, procedures, confidentiality, voluntary participation, and their right to withdraw at any time.

Does the study involve deception or the withholding of information? If so, provide justification for this decision.

No, the study does not involve deception or withholding of information. Participants were fully informed about the study's purpose, procedures, and their rights prior to giving informed consent.

What procedures will be used to document the participants' consent to participate?

Participants provided informed consent through a signed digital consent form prior to participation. The form outlined study details, confidentiality, voluntary involvement, and the right to withdraw without any consequences.

Can study participants withdraw at any time without penalty? If so, how will this be communicated to participants?

Yes, participants can withdraw at any time without penalty. This right was clearly communicated in the participant information sheet and consent form, and reiterated verbally before interviews began.

If vulnerable groups are participating, what special arrangements will be made to deal with issues of informed consent/assent?

This study does not involve vulnerable groups. Therefore, no special arrangements for informed consent or assent were necessary. All participants were professionals capable of providing fully informed, voluntary consent independently.

Please include copies of any information letters, debriefing sheets, and consent forms with the application.

Part D: Confidentiality and Data Protection

Please indicate the form in which the data will be collected.

□ Identified □ Potentially Identifiable □ **De-Identified**

What arrangements are in place to ensure that the identity of participants is protected?

Participants' identities were protected through anonymization of all data, use of participant codes, and secure storage of records. No names or identifying information were used in reports or publications.

Will any information about illegal behaviours be collected as part of the research process? If so, detail your consideration of how this information will be treated.

No information about illegal behaviours will be collected during this study. The research strictly focuses on professional practices related to exchange rate risk management within multinational companies.

Please indicate any recording devices being used to collect data (e.g. audio/video).

Audio recording devices were used to capture qualitative interview data, with participants' consent. Recordings were securely stored and later transcribed for thematic analysis. No video recording was conducted.

Please describe the procedures for securing specific permission for the use of these recording devices in advance.

Prior to interviews, participants received an information sheet and consent form explicitly stating the use of audio recording. Verbal confirmation was also obtained before recording commenced, ensuring informed and voluntary agreement.

Please indicate the form in which the data will be stored.

□ Identified □ Potentially Identifiable □ **De-Identified**

Who will have responsibility for the data generated by the research?

The primary researcher will have full responsibility for all data generated during the research. Data will be securely stored, accessed only by the researcher, and used solely for academic purposes.

Is there a possibility that the data will be archived for secondary data analysis? If so, has this been included in the informed consent process? Also include information on how and where the data will be stored for secondary analytic purposes.

Yes, data may be archived for secondary analysis. This was stated in the informed consent form. Data will be anonymized and securely stored on an encrypted drive, accessible only by the researcher.

If not to be stored for secondary data analysis, will the data be stored for 5 years and then destroyed, in accordance with NCI policy?

□ Yes □ No

Dissemination and Reporting

Please describe how the participants will be informed of dissemination and reporting (e.g. submission for examination, reporting, publications, presentations)?

Participants were informed via the consent form and information sheet that study findings would be used for academic examination, reports, and potential publications, ensuring no identifying details would be disclosed.

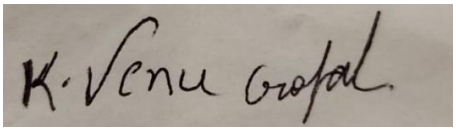
If any dissemination entails the use of audio, video and/or photographic records (including direct quotes), please describe how participants will be informed of this in advance.

Participants were informed in advance through the consent form that audio recordings and direct quotes may be used in reporting. All identifying details would be removed to ensure anonymity and confidentiality.

Part E: Signed Declaration

I confirm that I have read the NCI Ethical Guidelines for Research with Human Participants, and agree to abide by them in conducting this research. I also confirm that the information provided on this form is correct.

Signature of Applicant



Date 15th August 2025

Signature of Supervisor (where appropriate):

Date _____

Any other information the committee should be aware of?

Abbreviations

Abbreviation	Full Form
MNC	Multinational Corporation
FX	Foreign Exchange
PPP	Purchasing Power Parity
IRP	Interest Rate Parity
BoP	Balance of Payments
USD	United States Dollar
RMB	Renminbi (Chinese Currency)
SPSS	Statistical Package for the Social Sciences
ANOVA	Analysis of Variance
DSM	Diagnostic and Statistical Manual of Mental Disorders

Chapter 1: Introduction

1.1 Background and Context

In the current highly globalized world, multinational companies enjoy the benefits of operating in different international markets and they are involved in multifaceted trade and investment patterns that put them at a high risk of financial losses. One of the most critical problems that these companies must directly face is the volatility of the relative value of currencies, or exchange rate, as it relates directly to their costs structures, revenues, pricing, and thus their profitability (Lal et al., 2023). Such volatility particularly affects the industries, which are highly dependent on cross-border dealings, including manufacturing, energy, and technology industries. Geopolitical events, macroeconomic policies, trade balances, and speculative trading can make the business environment highly uncertain in currency markets (Babbhra, 2023). This uncertainty causes firms to resort to developing robust strategies to hedge against exchange rate risks to sustain competitiveness and keep profit margins intact. Despite the large amount of theoretical work on the nature and implications of currency risk, there remains a substantial gap in the empirical research on how firms in industries and emerging markets are able to manage and prevent such risks (Gupta, 2021). This research aims to cover this gap by examining the empirical impacts of exchange rate fluctuations on the performance and functioning of multinational firms as well as practical risk management approaches across sectorial and regional environments (Salvatore, 2019).

1.2 Research Problem

Although the financial risks related to currency volatility have received extensive recognition, less is known about how multinational companies in various industries and locales manage them using risk management practices. Much of the existing literature is built on advanced economies, ignoring the reality that companies in emerging economies must cope with an even more volatile and unstable currency exchange rate (Sikarwar, 2018). The other complications evident in such markets are underdeveloped financial systems, unstable political situations and economies that further complicate currency risk. As well, no research has linked exchange rate variations to firm-level results like pricing behaviour, competitive position and financial performance (House, Proebsting and Tesar, 2019). By studying how firms across industries and in emerging economies actively manage exchange rate risks, the study will address these gaps to create a practical body

of knowledge that can be applied to enhance decision-making and competitiveness in uncertain global markets (Kang and Dagli, 2018).

1.3 Research Aim, Objectives and Questions

Research Aim: To investigate how multinational companies manage and mitigate the impacts of exchange rate fluctuations on their profitability and competitiveness, with a focus on operational strategies, pricing adaptations, and risk management practices across different sectors and emerging markets.

Research Objectives:

- To analyze the effects of exchange rate fluctuations on the profitability of multinational companies in various sectors.
- To identify the main challenges posed by currency volatility to multinational firms operating in emerging economies.
- To examine the risk management strategies employed by multinational companies to mitigate exchange rate risks.
- To explore how multinational companies adapt their pricing strategies in response to exchange rate changes.
- To assess the role of effective risk management in maintaining competitiveness in international markets.

Research Questions:

- How do exchange rate fluctuations affect the profitability of multinational companies across different sectors?
- What are the primary challenges that currency volatility poses to multinational companies in emerging economies?
- What risk management strategies do multinational companies use to mitigate the effects of exchange rate fluctuations?
- How do multinational companies adjust their pricing strategies to cope with changes in exchange rates?

- In what ways does risk management contribute to sustaining competitiveness in the global marketplace?

1.4 Significance of the Study

The effects of exchange rate fluctuations on international business are essential to different stakeholders. To the multinational firms, the study provides an informative study to enhance risk management and pricing mechanisms to advance profitability and competitive power. The findings can inform policymakers to create more stable international trade and safeguard domestic markets against currency fluctuations by creating relevant financial regulations and financial support systems (Collinson et al., 2020). The study addresses critical gaps academically because it adds empirical evidence on emerging economies and sectoral implications, which have received limited attention in past studies. Generally, this research provides both practical and theoretical information in overcoming the puzzles of global currency changes (Dornbusch, 2019).

1.5 Scope and Limitations

The study is limited to multinational companies in manufacturing, energy and technology firms in emerging markets where exchange rate volatility is perhaps more significant and less understood. The study deploys a mixed methods design, using both quantitative surveys of financial managers and qualitative interviews of executives to obtain a deep picture of how firms engage with currency risks (Mabadeje, 2021). The study has however a number of limitations which includes that response biases might occur since the data collected is self-reported and this might interfere with the accuracy. Also, the results might not be generalizable to other sectors and regions of choice. The depth and scope of qualitative analysis performed in this research are also limited by time (Rashid and Shahid Mahmood Waqar, 2017).

1.6 Methodology Overview

The research employs a mixed methods design, which will comprehensively answer the research questions (Timans et al., 2019). A survey-based quantitative data will be gathered on 50 financial managers working on multinational companies to give quantifiable data on exchange rate risk management practices (Schutt, 2019). The qualitative data will be obtained through semi-structured interviews of 10 top managers, which will provide more insight into the details of decision-making (Vromen, 2018). The statistical analysis of the quantitative data will be carried

out on SPSS (Tanvir Mustafy and Ur, 2024), and the qualitative data will be subjected to the thematic analysis with the assistance of the NVivo software to define the major patterns and themes therein (Jackson, Bazeley and Bazeley, 2019). Such a mixed method is reasonable due to the complexity of the exchange rate risk, which necessitates the combination of numerical findings with profound contextual information (Dawadi et al., 2021).

1.7 Overview of the Structure

Chapter	Description
Introduction	Presents the research background, problem, objectives, and significance of the study.
Literature Review	Reviews existing research on exchange rate fluctuations and their impact on international business.
Methodology	Explains the mixed methods approach, combining quantitative surveys and qualitative interviews to collect and analyze data.
Findings and Analysis	Presents and interprets the results from quantitative and qualitative data.
Discussion	Connects findings with research questions and literature, highlighting implications.
Conclusions	Summarizes key insights, limitations, and recommendations for future research.

Chapter 2: Literature Review

2.1 Introduction to the Chapter

The chapter will be a review of the literature that exists regarding exchange rate volatility and its effects on international business. It examines the theoretical aspects, past trends of currency and implications at the sectoral level, risk management tactics and practical cases of multinational companies. The review will seek to bring the research to the context of the academic and practice-related frameworks pointing out the themes and gaps. This chapter provides the foundation of the study and conceptual framework based on the critical analysis of previous works on the study topic allowing a disciplined and evidence-based examination of the research questions.

2.2 Theoretical Background

To be able to understand how fluctuations in exchange rates affect international business then this necessitates solid background knowledge in economics and financial theories which explain the dynamics of currency changes and its far-reaching effects. The Purchasing Power Parity (PPP), Interest Rate Parity (IRP) and the Balance of Payments Theory can be considered to be the three main theories to assess the impact of exchange rate fluctuation on corporations and markets.

Vo and Vo (2022) state that Purchasing Power Parity (PPP) is one of the oldest and basic theories of international finance. It theories that the exchange rates over the long-term must move to make prices of the same commodity and services in any two economies similar. In case the price of a good is higher in a particular country than in another, this cost should correct itself by devaluing a currency of the higher priced country. According to Zhigang (2025) this theory is widely applied in determining the under and over-purposes of such currencies and in giving ideas concerning the future inclinations of the exchange rates. Considering multinational companies (MNCs), cost implications and pricing strategies, as well as competitive stance in the overseas market can be affected by non-PPP outcomes.

Huang Zhigang (2025) investigated the aspect that the Interest Rate Parity (IRP) clarifies the connection between the rates of interests and the changes in the exchange rate. It explains that the gap between interest rates of two different countries is equal to the anticipated shift in exchange rates. Essentially, the interest rates are higher in a given country which should be compensated by the falling of the currency at a later date. According to Freitag (2024), the theory is most applicable

to financial managers and investors dealing with cross-border transactions as it can shape forward exchange rates and override the decision to hedge.

The Balance of Payments Theory associates the moves in the exchange rate with the total economic transactions in the country with the international world. Stern (2017) states that when there is surplus balance of payment (that is when a country exports more than it imports), the country will see appreciation of its currency whereas with a deficit in the balance of payment the country will notice depreciation in its currency. The theory stresses that trade balances, capital flows, and reserves have direct influence on the currency value.

2.3 Historical Exchange Rate Trends (1990–2025)

To determine the effect of exchange rate volatility on international business, it is necessary to understand its history in major global currencies. This section carries out analysis of the exchange rate movements of US dollar (USD), British Pound Sterling (STG), Japanese Yen, Chinese Renminbi (RMB) and the Euro during 4 crucial periods, namely 1990-2000, 2001-2010, 2011-2020 and 2021-2025.

2.3.1 US Dollar (USD)

Awan and Malik (2023) imply that, during the period 1990-2000, the US Dollar had moderate fluctuations this was due to economic growth that followed the Cold War and the US technology companies' performances. Towards the end of the decade the dollar gained as the interest rates rose and equity markets were performing well. Tahmina Akther Mim et al. (2024) furnished that between 2001-2010, the USD had its volatility amid dot-com crash, 9/11 attacks as well as global financial crisis of 2008. Crisis response in form of quantitative easing and low-interest rates initiated under the Federal Reserve stimulated the weakening of dollar. In the 2011–2020 period, the dollar remained relatively strong, bolstered by US economic recovery, high investor confidence, and global demand for safe-haven assets. Butt (2024) noted that between 2021 and 2025, due to post pandemic inflation, geopolitical tensions, and Federal Reserve interest rate increases, there was renewed volatility, and swift appreciation followed by correction periods.

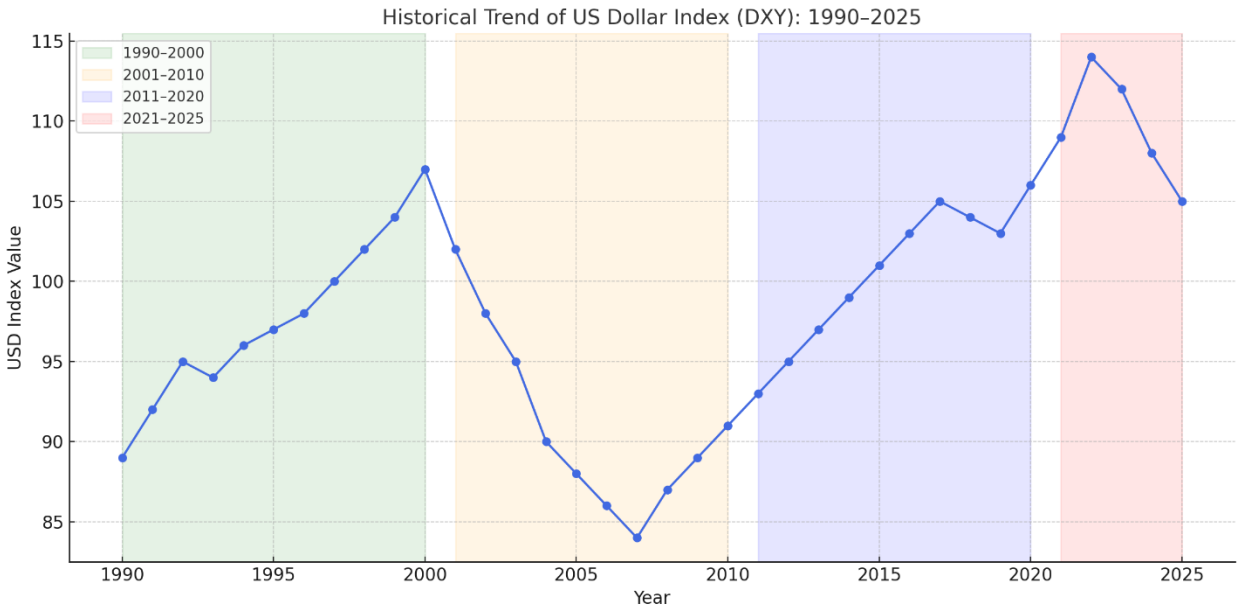


Figure 1: US Dollar Index (DXY) Trend Analysis: 1990–2025

(Source: Created by Author)

2.3.2 British Pound Sterling (STG)

Bean (2023) explored that during 1990–2000, the British Pound showed resilience despite the UK's exit from the Exchange Rate Mechanism (ERM) in 1992, known as "Black Wednesday." The sharp devaluation as a result of this event was followed by the stabilization of the pound due to economic reforms and monetary restraint. Vasilios Plakandaras et al. (2017) furnished that the pound experienced historic highs toward the mid-2000s and experienced a drastic depreciation in 2008 financial crisis owing to the exposure of the UK banking sector. Between 2011 and 2020, the currency was in the grip of Brexit developments. The 2016 referendum caused a major drop in the pound's value and heightened uncertainty. Resul APAK and GANJI (2025) studied that between 2021 and 2025, post-Brexit trade arrangements and inflationary pressures continued to affect the pound, with intermittent recoveries linked to interest rate adjustments and political stability.

2.3.3 Japanese Yen

The Yen maintained strength in the 1990s due to Japan's trade surpluses and global investment patterns, despite domestic stagnation following the asset price bubble burst. According to Park and Fang (2025), in 2001–2010, the yen remained relatively stable, gaining during the global financial crisis as a safe-haven currency. Willem Thorbecke (2022) explored that during 2011–2020, the

introduction of Abenomics led to aggressive monetary easing, resulting in significant yen depreciation, aimed at boosting exports and combating deflation. Huang (2024) provided that in the 2021–2025 period, the yen faced pressure from global interest rate divergence and remained weak compared to other major currencies, although occasional risk aversion strengthened it temporarily.

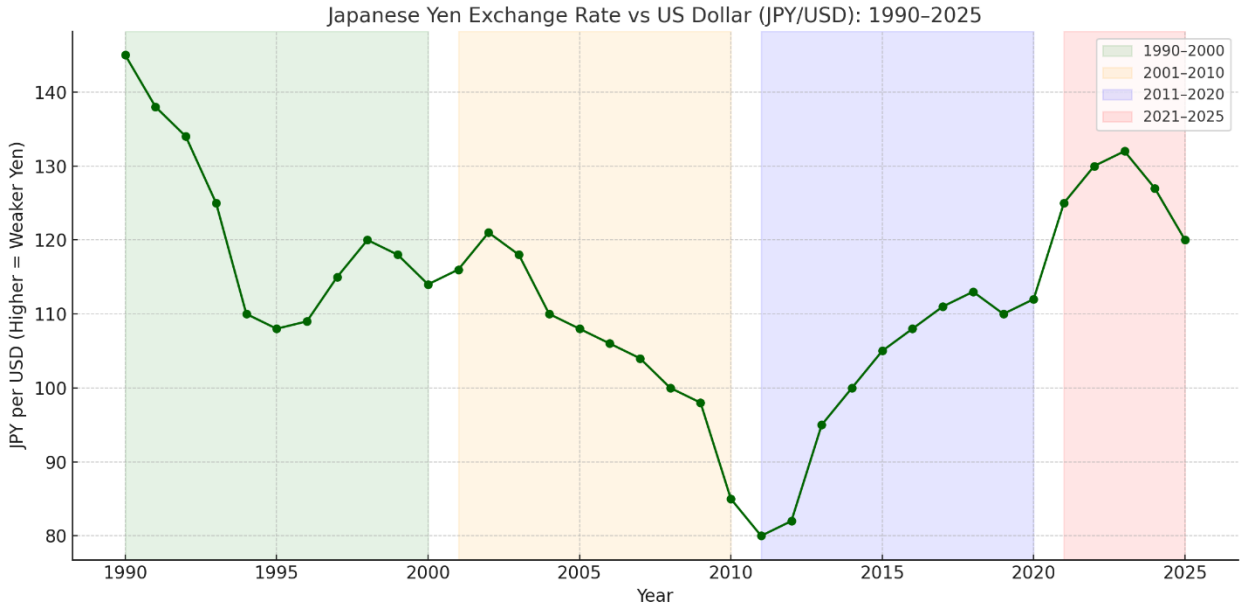


Figure 2: Japanese Yen Exchange Rate vs US Dollar (JPY/USD): 1990–2025

(Source: Created by Author)

2.3.4 Chinese Renminbi (RMB)

According to Hamberg (2023), in the 1990–2000-decade, China maintained a fixed exchange rate regime, pegging the RMB to the USD at approximately 8.28. This policy supported export-led growth. Zhang and Wei (2024) identified that from 2001 to 2010, China began gradual reforms, allowing limited appreciation as it entered the WTO in 2001 and gained economic significance. Feng et al. (2022) studied that between 2011 and 2020, the RMB moved toward greater flexibility, including being included in the IMF's Special Drawing Rights basket in 2016. The trade war with the US in 2018–2019 introduced volatility. In the 2021–2025 period, China's cautious monetary policy, capital controls, and global geopolitical tensions influenced the RMB's relative stability and internationalization efforts.

2.3.5 Euro (2001 Onwards)

Introduced in 1999 and entering circulation in 2002, the Euro began as a strong currency, benefiting from the Eurozone's unified economic policies. Andrea (2021) provided that in the 2001–2010 period, the euro appreciated significantly against the dollar but was hit hard by the European sovereign debt crisis beginning in 2009. Giray Gozgor (2021) explored that between 2011 and 2020, the Eurozone experienced sluggish growth, and political uncertainty (e.g., Greek bailout, Brexit) impacted the euro's performance. Pfeifer and Schnabl (2024) studied that in the 2021–2025 period, the euro saw increased volatility due to inflationary concerns, energy dependency issues arising from the Russia-Ukraine war, and differing monetary policy stances across the ECB and other global central banks.

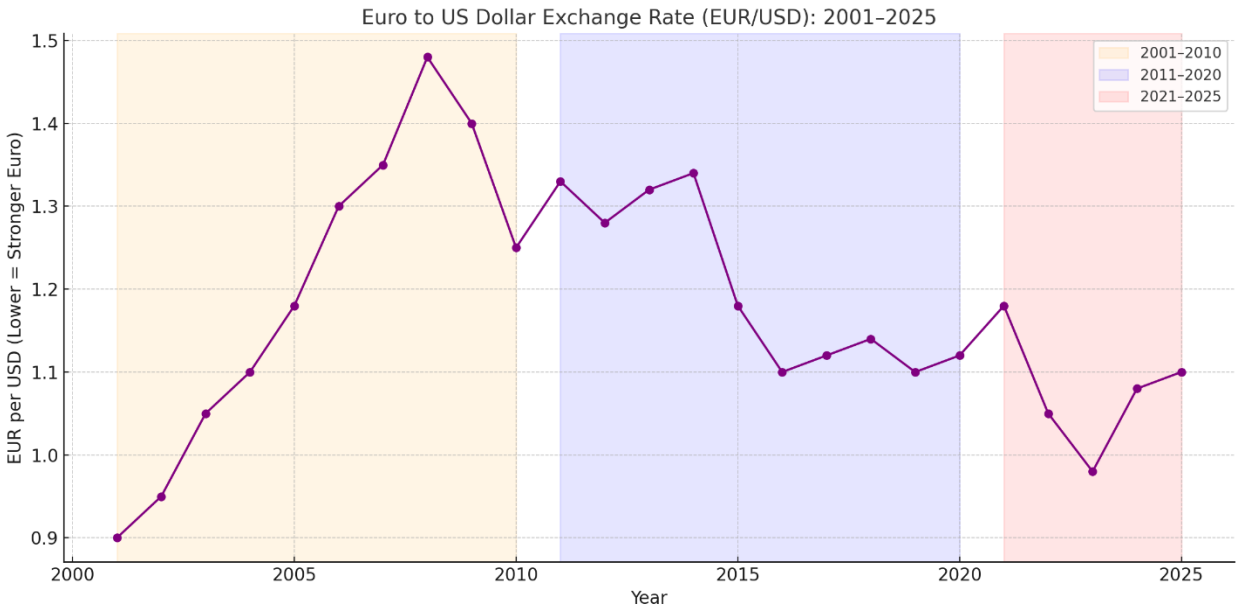


Figure 3: Euro to US Dollar Exchange Rate (EUR/USD): 2001–2025

(Source: Created by Author)

2.4 Impacts of Exchange Rate Fluctuations on International Business

Fluctuations in the exchange rates are one of the most important financial variables that impact activities, profitability and strategic planning of multinationals companies (MNCs). Most aspects of international business can be affected by the volatility of currency including the cost structure and revenue base, pricing, market entry strategies and long-term competitiveness.

2.4.1 Impact on Profitability and Financial Performance

Pristina Nugraheni and Risman (2025) ascertained that the exchange rate has a direct and large impact on the profitability of a firm. To firms that deal with different currencies, an unexpected crash of the currency in a host country can degrade the value of revenues realized in that country when it is converted back to the currency of the home country. On the other hand, increasing foreign currency is able to overstate the value of revenue but it can also make foreign input costs more expensive. As an example, a company on the U.S. that exports to Europe would make gains with a weaker dollar because the value of the goods will be cheaper to European consumers. Fisch and Puhr (2021) gave the condition that in the case of the dollar gaining value, its exports will cost much, therefore being less competitive. Moreover, volatility causes difficulty in making a forecast resulting to financial uncertainty. The value of assets, repayments on debts as well as equity price can further be affected by currency movements. The firms that have a heavy amount of foreign loans are especially susceptible when their profits are made in a depreciating currency, which will raise the true cost of the foreign loan.

2.4.2 Influence on Pricing and Market Strategies

Fluctuation of exchange rates has serious impacts on the strategies in pricing and marketing. Lal et al. (2023) addressed that companies have to continuously readjust prices to sustain profits without sacrificing the demand. Firms can use local pricing to compete in high-volatile environments, opting to earn smaller margins or reorganizing supply chains, so as to cope with prices. Moreover, contractual pricing over long-term is risky when there is uncertainty on the value of currency in the future. Carriere-Swallow et al. (2024) found out that firms could as well adjust products, package sizes or marketing mix to respond to changes in consumer purchasing power due to currency fluctuations. Technology companies that produce high-end electronic products can adjust their prices or outsource to areas with cheaper labour to compensate for adverse fluctuations in exchange rates. Finally, companies which are nimble in determining how they charge, do better when currencies come under pressure.

2.4.3 Sectoral Impact

Manufacturing: The manufacturing industry is very vulnerable to the vagaries of the exchange rates as it depends on international supply chains. Salomao and Varela (2021) researched that they can import inputs, including raw materials, equipment, and labor worldwide, and the structure of

costs can be responsive to currency fluctuations. A weak local currency may encourage imported inputs to be costly and a strong currency may adversely affect exports since goods become uncompetitive.

Energy: Companies dealing with energy, especially, oil and gas are highly exposed to exchange rate such that oil is sold internationally in U.S. dollars. As stated by Baris Kocaarslan and Ugur Soytas (2021), operating costs of firms working in areas with weakening domestic currencies increased, and purchasing power reduced, especially in cases of equipment or services imports. Meanwhile, dollar sales translated to dollars can enhance financial performance locally expressed.

Technology: Technology industry where the world is integrated is characterised by multidimensional effect of exchange rates. Klein and Linnemann (2021) investigated the fact that R&D, manufacturing, and selling tend to be separated by the countries. Outsourcing of manufacturing to countries, where the currency is stronger, allows firms to gain the lower costs whereas firms selling in the latter may experience revenue compression through translating their sales back into stronger currencies. Besides, constant alteration of prices according to changes in currency may impact brand perception and customer loyalty.

2.4.4 Emerging Market Challenges

Bonga-Bonga and Mpoha (2025) ascertain that the peculiarities of emerging markets emerge based on the typically low and unstable currency, underdeveloped financial markets, poor political and economic conditions. Currency instability is common even in many of the emerging economies that have higher inflation rates, fiscal imbalances and vulnerability to external shocks. This instability adds difficulties to financial planning, investment analysis and working capital management processes of MNCs in such regions. Jamil et al. (2023) left that access to the advanced types of financial instruments, including currency hedging, is frequently restricted or expensive in developing countries. A firm may further be inhibited in its capability to control currency exposure due to prevailing regulatory restrictions and capital controls. Financial volatility may be enhanced by political uncertainties like abrupt policy changes, corruption, social unrest and so on, causing foreign firms to be wary of expansion or investing severely in the areas.

2.5 Risk Management Strategies by Multinational Corporations

MNCs are exposed to continuous exposures to the exchange rate fluctuations, which may have a negative impact on their revenues, costs and financial performance at large. The firms employ financial, operational, and strategic measures to contains these risks depending on the characteristics of operations and the environments within which they operate.

2.5.1 Financial Instruments (Hedging: Forwards, Options, Swaps)

Financial hedging instruments are most direct yet widely used in managing Exchange rate risk. Zeng (2024) states that in forward contracts, companies have the opportunity to agree on an exchange rate on a transaction that has taken place in the future, therefore, removing the uncertainty of international payments or receipts. Currency options grant a right but not the mandatory to buy/sell currency at a fixed rate and give an even better freedom of vision as compared to forwards. Currency swaps on the other hand entail exchange of principal and interests in various currencies and can be effectively used in longer term financial planning, funding foreign operations or debt payment. Bachiller et al. (2020) investigated how the high MNCs in the advanced economies tend to employ very advanced types of hedging strategies owing to their easy accessibility to the item markets and accessibility of expert financial advice.

2.5.2 Operational Hedging and Diversification

Fisch and Puhr (2021) define Operational hedging as a way to shift the structure and operations of the business to inherently mitigate exposure to currency fluctuations. Some examples of tactics are geographic dispersion of production and sourcing, multiple currency-based revenues and localization of supply chains. Through the same currency alignment of costs and revenues, firms are able to minimize the overall effect of changes of the exchange rates. For example, a company manufacturing goods in Mexico and selling them in Latin America may denominate both input and output transactions in USD to minimize currency risk. Cavaliere et al. (2021) provided that diversification across multiple markets spreads risk. Firms that operate in a variety of currencies are less affected by volatility in any single market. Unlike financial hedging, operational hedging is a long-term, structural solution that aligns currency management with core business strategy. It is often more feasible for companies with extensive global footprints and less reliance on imported materials.

2.5.3 Strategic Responses to Exchange Rate Movements

Beyond hedging, MNCs also adopt broader strategic responses to mitigate currency risk. Salomao and Varela (2021) explored that these may include adjusting pricing models, entering or exiting markets based on currency trends, modifying contract terms, or reevaluating investment plans. Some firms may invoice exports in their home currency to transfer exchange rate risk to customers, while others may establish regional treasury centers to manage foreign exchange more effectively. The operating environment normally influences strategic responses of a firm. Bonga-Bonga and Mpoha (2025) indicated that such decisions need to be informed by firms in developed markets who often possess more tools of analysis and data. They can also enjoy better institutional support and financial wherewithal. Strategic adaptations in emerging markets are likely to be reactive in nature because of available limited resources as well as increased policy uncertainty and more restrictive liquidity situations. Yet, companies in these markets can also have more informal ways to survive the high volatility like bartering systems or collaborating with the local companies.

2.6 Case Examples of Selected Multinational Firms

To study the performances of the exchange rate volatility management with renowned multinational corporations (MNCs) provides empirical evidence about the efficiency of the actual adopted strategies. Five companies are considered in this section, including Apple, Toyota, Shell, Huawei/Lenovo, and Airbus; the companies are discussed in terms of their currency exposures, their approach to financial risk management, and their strategy.

2.6.1 Apple (USD–RMB Exposure)

Apple Inc. faces significant currency exposure, particularly involving the US Dollar (USD) and the Chinese Renminbi (RMB), due to its deep operational and commercial ties with China. As Hou et al. (2022) highlighted, China serves not only as Apple's primary manufacturing hub but also as one of its largest consumer markets, making the company highly vulnerable to RMB fluctuations. Apple's annual 10-K filings reveal the use of financial hedging instruments—such as forward contracts and options—to mitigate this risk and stabilize cash flows affected by exchange rate volatility. The company engages in what is often termed as a "natural hedge," meaning that many of the costs incurred in RMB through its supply chain are balanced by revenues generated from local sales in the same currency. This internal balancing reduces the net exposure, but not completely. In FY2019, for instance, Apple reported a negative impact of foreign exchange of

nearly **$1.2 billion**, primarily from weaker emerging market currencies including the RMB (Hou et al., 2022).

In addition to hedging practices, Apple has adopted proactive pricing strategies in response to exchange rate fluctuations to preserve market competitiveness and consumer demand. Hua et al. (2018) note that Apple routinely adjusts its product prices in response to major shifts in local currencies, especially when the RMB weakens against the USD. For example, during notable depreciation periods in 2015 and 2019, Apple responded by cutting the retail price of iPhones in China by as much as **6%** to offset the rising cost for Chinese consumers and maintain its market position. These localized pricing moves are based on real-time assessments of currency movement trends and consumer affordability. Apple's pricing flexibility is crucial in a high-end tech market where price sensitivity can influence brand loyalty. Such adaptations demonstrate that beyond financial hedging, tactical price realignments are essential for maintaining profitability in foreign markets. This confirms the importance of integrating both financial and operational responses to manage exchange rate exposure (Hua et al., 2018).

2.6.2 Toyota (Yen-Based Strategies)

Toyota Motor Corporation, headquartered in Japan, faces significant exchange rate risk due to its dependence on exports and the sensitivity of its global revenues to the Japanese Yen (JPY) (Alaryani et al., 2024). A strong yen typically weakens Toyota’s competitive edge in overseas markets by increasing the price of exports, while a weaker yen enhances profit margins on foreign sales. In FY2022, Toyota reported that a ¥1 movement against the U.S. dollar impacted its operating income by approximately ¥40 billion, showcasing the material financial sensitivity to currency shifts (Alaryani et al., 2024). To mitigate such risks, Toyota applies a comprehensive financial hedging strategy that includes forward contracts and twin-currency swaps. These instruments help lock in future exchange rates and stabilize cash flows.

Rueanjaiman and Christine (2024) further explain that Toyota enhances its currency risk management by employing robust operational hedging strategies. It strategically locates production facilities in major foreign markets such as the United States, the United Kingdom, and Thailand, allowing it to match local costs with local revenues. This practice shields the firm from exchange rate fluctuations since manufacturing and sales transactions occur within the same currency zone. For example, Toyota’s North American operations accounted for nearly 30% of its

global production in recent years, significantly reducing the impact of yen-dollar volatility (Rueanjaiman and Christine, 2024). This localization approach enables Toyota to manage currency risk structurally, rather than relying solely on financial instruments. The integration of both financial and operational tactics ensures a dual-layered defense mechanism that not only protects profitability but also allows Toyota to remain competitive across fluctuating currency cycles in global markets.

2.6.3 Shell (STG Exposure)

Shell plc, formerly Royal Dutch Shell, operates in the global energy sector and earns over 90% of its revenues in U.S. Dollars due to the dollar-denominated nature of international oil trade (Wu et al., 2021). However, a significant portion of its expenditures—such as administrative costs and shareholder dividends—are denominated in British Pound Sterling (STG), creating a substantial currency mismatch. For instance, Shell's annual reports have shown that even a 5% shift in USD/GBP exchange rates can lead to several hundred million dollars in earnings volatility. To address this, Shell employs financial hedging strategies using forward contracts and currency swaps to lock in exchange rates and reduce the risk of adverse currency movements (Wu et al., 2021).

In addition to financial instruments, Shell utilizes centralized treasury management to oversee currency risk across its extensive global operations (Wu et al., 2021). This centralized approach allows Shell to optimize foreign exchange transactions and ensure consistency in managing currency exposure. Alaryani et al. (2024) note that Shell integrates exchange rate clauses into its long-term capital investment contracts, particularly in multibillion-dollar projects like offshore rigs and LNG terminals, to absorb adverse currency shifts. These clauses enable dynamic adjustment of payment terms when significant currency fluctuations occur, safeguarding project viability. Such measures reflect Shell's proactive and structured approach to managing exchange rate risks, demonstrating how treasury coordination and contractual design can enhance financial resilience in volatile currency environments (Alaryani et al., 2024).

2.7 Identified Gaps in the Literature

Despite substantial theoretical contributions on exchange rate fluctuations and their effects on international business, several significant gaps persist in the existing literature. One notable shortfall is the scarcity of empirical research focused on emerging markets. Ali et al. (2021)

explored that while much of the current work emphasizes advanced economies with stable currencies and developed financial systems, firms in emerging markets face greater currency volatility, limited access to hedging instruments, and heightened political and economic risks. The lack of data and case studies from these regions limits our understanding of how firms in such environments manage exchange rate risks effectively. Lal et al. (2023) provided another gap that lies in the limited sector-specific comparative analysis. Many studies take a generalized approach, overlooking the unique challenges and responses across different industries. For instance, manufacturing firms with complex supply chains may respond to currency risks differently than energy or technology firms.

Moreover, the literature often treats strategic and operational responses in isolation, with minimal integration into comprehensive risk management models. Zeng (2024) explored that in practice, firms combine financial tools with operational restructuring and strategic decision-making. A more holistic view is needed to capture the complex and dynamic nature of corporate responses to currency volatility. Bonga-Bonga and Mpoha (2025) studied that there is an insufficient focus on how exchange rate changes affect pricing behavior and long-term business strategies. Pricing adjustments, product repositioning, and customer retention under currency pressure are underexplored areas. Addressing these gaps will enhance both academic understanding and practical decision-making in global financial risk management.

2.8 Conceptual Framework

The conceptual framework illustrates the relationship between exchange rate fluctuations (independent variable) and two key outcomes—profitability and competitiveness (dependent variables). The model introduces risk management strategies and pricing adjustments as mediating variables that influence how firms respond to currency volatility.

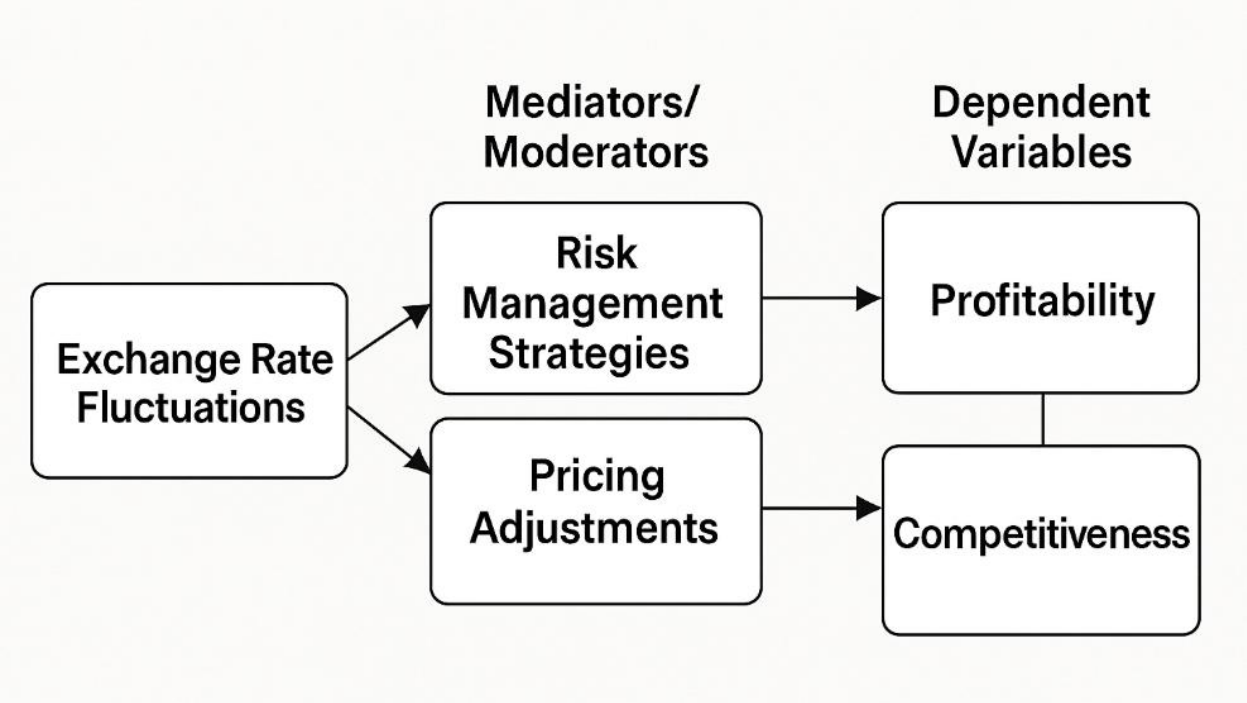


Figure 4: Conceptual Framework

(Source: Author)

The logic of the framework is grounded in both theoretical and empirical literature. Studies highlight that while exchange rate movements directly impact firm earnings and costs, the degree of impact depends on how effectively companies mitigate these risks. Risk management practices—such as hedging and diversification—can buffer financial shocks, while pricing strategies allow firms to maintain market share despite currency-driven cost changes.

2.9 Summary of the Chapter

This chapter reviewed key theories, historical currency trends, and the impacts of exchange rate fluctuations on multinational firms across sectors and regions. It highlighted risk management strategies, real-world corporate responses, and notable gaps in the literature, particularly in emerging markets. Theoretical models such as PPP and IRP, along with the proposed conceptual framework, provide a solid foundation for the study. These insights directly inform the research design and methodological approach outlined in the following chapter, ensuring relevance and analytical depth.

Chapter 3: Methodology

3.1 Chapter Introduction

This chapter introduces the methodical outline used in the research, namely how information was retrieved, studied, and interpreted to answer the research questions. It takes a mixed methods approach using quantitative surveys and qualitative interviews to achieve breadth and depth of understanding. The chapter provides the reasoning behind such design, the target population, sampling plans, instruments, and data analysis methods. There are also discussions of ethical considerations and the limitations of methods to promote transparency and research integrity.

3.2 Research Philosophy and Approach

The study pursues a pragmatic philosophical position, since it is focused on results and application to the real world, rather than on the belonging to a particular research paradigm. Pragmatism advocates the combination of positivist and interpretivist approaches so that the research would be able to merge numerical reporting and contextual understanding. Such flexibility is crucial when considering the subject of exchange rate fluctuations, which burden a business on both quantitative monetary levels and more qualitative levels, compared to strategic levels (Godfrey-Smith, 2015). The pragmatic position, in turn, allows the research to apply the most effective tools and methods to answer comprehensive research questions and elicit actionable results because it is not limited to a specific philosophical perspective.

In line with this philosophy, the study uses a dual research approach. During the quantitative part, the deductive method is applied to validate the accepted theories like Purchasing Power Parity (PPP), Interest Rate Parity (IRP), and to utilize organized data of the financial experts. On the other hand, the qualitatively oriented stage takes an inductive route, which involves a creation of new knowledge through semi-structured interviews with executives. This will be to enable the research discuss how firms interpret and respond to exchange rate risks within dynamic environments (Karen, 2025). This means that a combination of deduction and induction will result in a better comprehension of visible tendencies together with the process of decision-making in multinational companies.

3.3 Research Design

The study is a mixed methods study that incorporates qualitative and quantitative research designs to give a detailed study of the effects of exchange rate fluctuations on multinational firms. This design is selected to deal with the complex character of the research issue that concerns not only the financial indicators but also the strategic responses and managerial approaches. Quantitative aspect entails the gathering and carrying out data interpretations on numerical data of financial managers by undertaking directed surveys (Aramo-Immonen, 2013). This is measurable and can permit cross-sector and cross-regional comparisons to enable the determination of patterns, relationships and statistical significances of hedging tools and financial risk management practices usage.

On the contrary, the qualitative part consists of the semi-structured interviews of senior executives to explicate their experiences, perceptions, and deactivation processes to currency volatility. The method offers rich descriptive contexts that are usually overlooked in purely quantitative studies. It reveals the reason as to why firms make changes in pricing, operational changes and strategic actions, which they do in various economic environments. The use of these two approaches guarantees the methodological triangulation, and it increases the validity and credibility of the findings (Dawadi et al., 2021). All in all, the mixed methods framework provides the complete picture on how the exchanging risks are conceived and treated in the reality of business operations, especially in the scenario of the emerging markets.

3.4 Population and Sampling

3.4.1 Target Population

The research is focused on multinational companies (MNCs) of manufacturing, energy and technology industries due to their vulnerability to foreign currency transactions and operating globally. The nature of such industries means that they are more vulnerable to fluctuating exchange rates than most other businesses. The emerging markets like Southeast Asia, Latin America, and Africa are seen as the topic of the study because of the volatility of currencies caused by political uncertainty, less sound financial systems, and economic uncertainties (Willie, 2024). Focusing on these regions, the study can be seen as reflecting the problems, which are peculiar to MNCs and as satisfying the literature gap, which focuses on economies that have already been developed.

3.4.2 Sampling Technique

The study uses the non-probability sampling strategy since it aims to select respondents who would provide the most relevant experience and knowledge integrated purposive sampling used in the quantitative part with the expert sampling used in the qualitative part. This method is suitable where there is a mention of particular people who can offer rich and context-oriented information, especially in convoluted and niche markets like the exchange rate risk management (Van Haute, 2021).

Quantitative Sample: Purposive Sampling

A sample of 50 financial managers will be drawn through purposive sampling in multinational companies during the quantitative stage. These people are selected due to their direct role in financial planning, foreign currency dealings as well as budgeting which have been quite distorted by exchange rate volatility. Their experience in real life makes the answers of the survey related to the operational facts and financial plans (Campbell et al., 2020). The technique will enable the research to attain focused relevant data that would be hard to obtain using a random sampling, particularly since the nature of the topic under investigation is technical and informed answers are required by the individuals who handle day to day financial risk management.

Qualitative Sample: Expert Sampling

In the qualitative step, the researcher will sample 10 top executives (Chief Financial officers (CFOs), heads of treasury, and risk management officers) by employing the expertise sampling. These respondents have a great degree of strategic awareness of how their organizations manage currency risks at a senior decision-making level. This is not limited to operational tactics but leads to greater insight on long-term planning, policy formulation, and strategic responding to exchange rate movements (Osborne and Grant-Smith, 2021). Professional sampling will make the interviews qualitative rich, subtle, and experience-based providing the entire picture of how the corporation responds to the change in its exchange rates in the emerging market settings.

3.5 Data Collection Methods

The study relies on structured questionnaires to collect quantitative information and semi-structured interviews to obtain qualitative data, making analysis complete and supporting validity due to the methods triangulation of financial and strategic responses (Mazhar et al., 2021).

3.5.1 Quantitative Data Collection

A structured online questionnaire will be distributed to 50 financial managers of multinational companies to provide quantitative data. The survey is in the form of closed-ended questions and Likert-scale questions aimed at collecting measurable data on practices including currency hedging, pricing adaptations, and the financial effects of exchange rate volatility. Material distribution in an electronic state makes it convenient and the participants in various emerging markets to reply effectively (Sanchez, 2023). The questionnaire design offers consistency of answers and the data is therefore subject to statistical analysis.

3.5.2 Qualitative Data Collection

In the qualitative part, the interview process will be semi-structured with 10 senior executives (CFOs, heads of risk management). The perspective of such interviews is to elicit strategic thinking, decision-making process and adaptive strategies to fluctuation in currency. All interviews are audio-recorded with prior permission and subsequently transcribed and thematically analyzed using NVivo software. Interviews are open and will provide flexibility in terms of exploring a given topic in more detail that is raised during the interview (Magaldi and Berler, 2018).

3.6 Data Analysis Techniques

The study involves data statistics for a qualitative data and thematic analysis of qualitative interviews, a complete knowledge of exchange rate effects through a mixed method data analysis strategy (Bihani and Patil, 2014).

3.6.1 Quantitative Analysis

Using SPSS (Statistical Package for the Social Sciences) provides analysis of quantitative data collected in the form of administered questionnaires. The analysis will involve descriptive statistics, the correlation analysis, and regression modeling to determine the relationship between exchange rate volatility and firm performance metrics (profitability and financial risk). These methods help to prove or disprove theoretical considerations and give empirical evidence as an answer (Rahman and Muktadir, 2021). Through the SPSS, the accuracy and consistency are guaranteed, and the researcher can make statistically significant conclusions based on the numbers of the financial managers provided in different sectors and the emerging economies.

3.6.2 Qualitative Analysis

NVIVO software will be utilized to analyze the qualitative data that is evident in semi-structured interviews with the top-level executives. Thematic analysis will be used to describe repetitive patterns, ideas and stories, and coded transcripts will be carried out in a systematic way. Such an approach enables to examine complicated, real life-decision making processes where it is not possible to quantify (Dhakal, 2022). NVivo helps organize massive amounts of qualitative data securing a proper analysis of such themes as hedging strategies, operational shifts, and pricing decisions.

3.7 Validity and Reliability

Validity and reliability are achieved in the quantitative phase by good design and testing of the research tool. The survey will be pre-tested on a small sample of financial professionals to ensure that it is clear, relevant, and in line with research objectives. The pilot test results are provided to improve the wording and structure of questions. With Cronbach's Alpha, internal reliability and consistency are used to determine whether the questionnaire is fit to measure such constructs as hedging practices and financial impact (Heale and Twycross, 2015). These measures increase the validity of findings and make sure that the instrument will always exemplify the actualities of currency risk management.

During the qualitative stage, several options are taken with the aim of boosting credibility and trustworthiness. Triangulation applies the comparison of the results of the qualitative interviews with the quantitative results to find consistencies and discrepancies and therefore enhance overall validity. Moreover, member check is undertaken by making participants examine and approve their interview records or summaries to dispel any wrong elucidation of their opinions (Noble and Smith, 2025). Academic and industry expert review of the thematic analysis framework is also conducted to check its validity. These methods help in making the qualitative process rigorous to help the results appear credible and also depict reality of managerial experiences with changes in exchange rates.

3.8 Ethical Considerations

This research will observe the ethical standards so as to safeguard the welfare and rights of the participants. Participants sign an informed consent beforehand, and they are provided with comprehensive information concerning the nature of the research, the use of data, and their

purpose. The partaking process is purely voluntary and the subjects are made aware of the fact that they can drop out of the research at any time without repercussions (Vicars et al., 2015). This makes it all free will and transparent. The research study is not coercive and the participants are given contact information in case of any future questions or concerns.

Anonymity and confidentiality are highly observed to ensure that privacy is not accessed during the research process. Reporting or publication of findings does not give any identifying details. All data will be firmly stored and accessed only by the research team. Before collecting data, specific institutional review board or ethics committee approves all the collected data and checks whether the research design adheres to ethical considerations (Green, 2018). Besides, it is acted in a way of respectful and culturally sensuous interaction, especially, the participants of the study have diverse regions and professional backgrounds. Such considerations are necessary to maintain integrity and confidence on the research process.

3.9 Limitations of the Methodology

The main weakness of this paper lies in the possibility of self-report bias, especially in the quantitative data generated using structured questionnaires. Response provided by financial managers might be based on organizational policies or perceived best practices but not real-life actions that influence the validity of results. Also, due to the experience or roles, the responses may vary because participants can start perceiving questions differently (Ross and Zaidi, 2019). Although this risk is compensated by pretests and well-formed questions, it may be avoided.

The other limitation is a weak generalizability of findings. This study targets multinational companies in manufacturing, energy, and technology sectors in emerging markets, implying that other industries and regions might not be the case. The qualitative section of the study despite its insightful note has a small number of participants because of the time requirement of such kind of study. This limits the scope and level of investigation of managerial strategies in a broader group of companies (Laakso and Schrag, 2018).

3.10 Chapter Summary

This chapter has described the research methodology employed in exploring how multinational companies deal with exchange rate risks. The study will incorporate quantitative findings of structured questionnaires with qualitative ideas according to the interviews of executives by

adopting a mixed methods approach. The mix enables a complete analysis of financial planning and pricing moves as well as operational reaction to the fluctuation of currency. Statistical tool application and thematic analysis provide accurate interpretation and improve the validity of the findings. The consideration of validity, reliability, ethical considerations, and methodological shortcomings precondition the soundness of the study to be findings and analysis in the next chapters.

Chapter 4: Findings and Analysis

4.1 Chapter Introduction

This chapter reports and discusses the results of quantitative surveys and qualitative interviews done with financial managers, and senior executives. It looks into the implications of exchange rate changes on multinational companies, including risk management, pricing strategy and strategic planning. The thematic analysis and descriptive statistics were applied in the analysis of the data, which was aligned with the research questions. All these strategies provide a holistic outlook on how companies respond to the situation of floating currency risks in the emerging markets using both monetary instruments and operating changes.

4.2 Findings

This section contains the main results of the mixed method approach to the study. Quantitative and qualitative data obtained during the survey and qualitative interviews are structured to meet research goals, providing a multifaceted glance at the management of exchange rate risks by multinational firms and the strategic approaches to them in various sectors.

4.2.1 Quantitative Data

This subsection presents the quantitative findings gathered from structured surveys completed by financial managers. The data is analyzed descriptively to highlight trends, practices, and impacts of exchange rate fluctuations on profitability, hedging strategies, pricing adaptations, and financial decision-making across multinational firms.

4.2.1.1 Descriptive Statistics

Table 1: What is your current job role?

What is your current job role?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Financial Manager	36	33.3	33.3	33.3
	Treasury Analyst	15	13.9	13.9	47.2
	CFO / Senior Executive	8	7.4	7.4	54.6

	Risk Management Officer	46	42.6	42.6	97.2
	Other	3	2.8	2.8	100.0
	Total	108	100.0	100.0	

The Table 1 illustrates that 42.6% of respondents were Risk Management Officers, followed by 33.3% Financial Managers, 13.9% Treasury Analysts, 7.4% CFOs/Senior Executives, and 2.8% held other roles among 108 total participants.

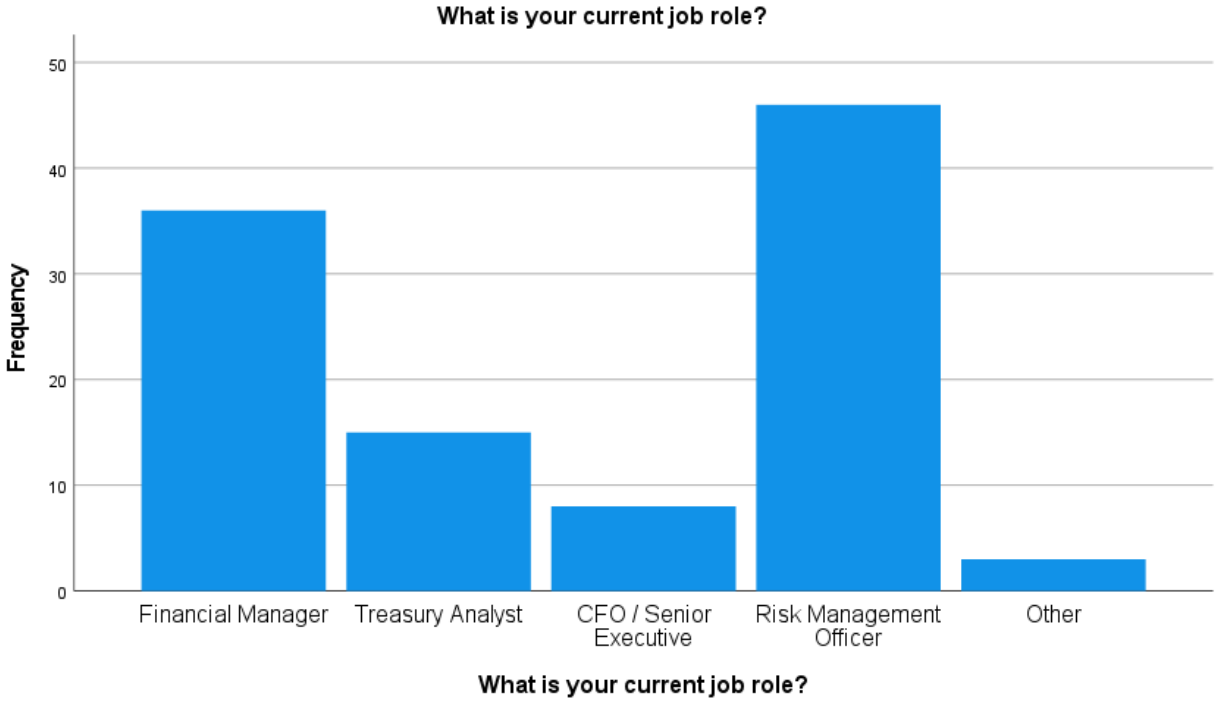


Figure 5: What is your current job role?

Table 2: In which sector does your company primarily operate?

In which sector does your company primarily operate?

	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	Manufacturing	44	40.7	40.7	40.7
	Energy	10	9.3	9.3	50.0
	Technology	49	45.4	45.4	95.4
	Other	5	4.6	4.6	100.0
	Total	108	100.0	100.0	

The Table 2 illustrates that 45.4% of respondents operated in the technology sector, 40.7% in manufacturing, and 9.3% in energy, while only 4.6% reported working in other sectors among the 108 participants.

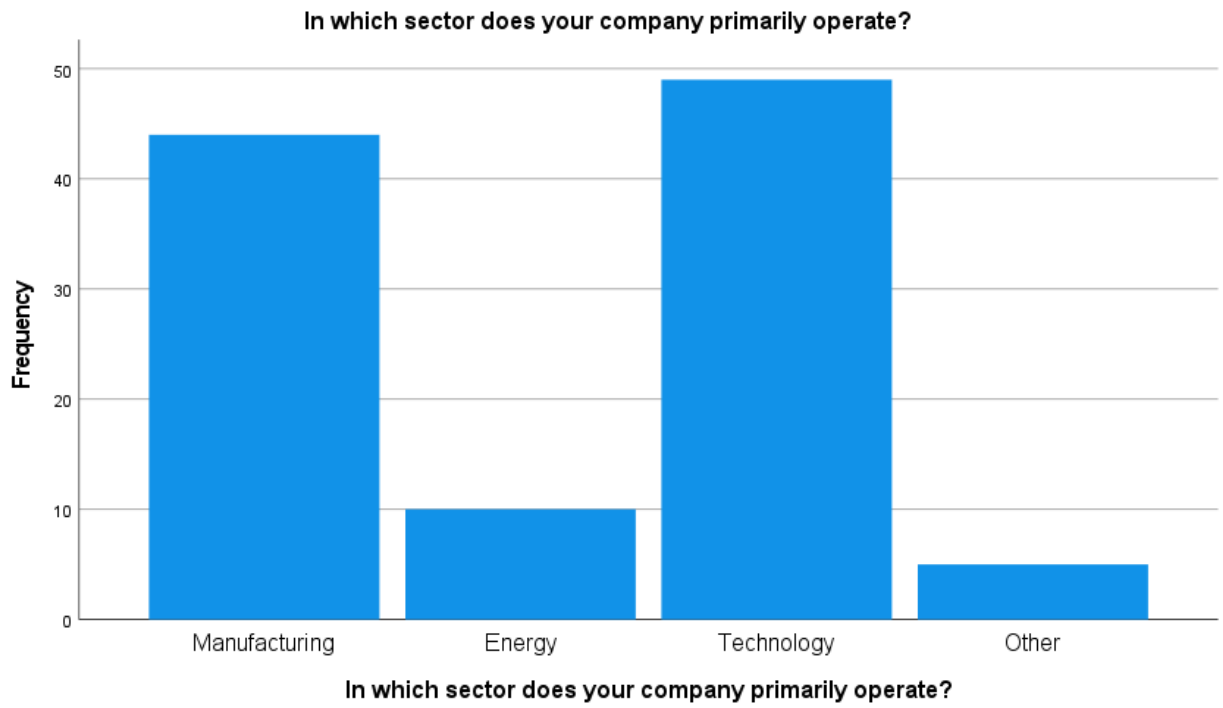


Figure 6: In which sector does your company primarily operate?

Table 3: Which emerging market region does your company mainly operate in?

Which emerging market region does your company mainly operate in?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Southeast Asia	26	24.1	24.1	24.1
	Latin America	21	19.4	19.4	43.5
	Africa	21	19.4	19.4	63.0
	Middle east	36	33.3	33.3	96.3
	Other	4	3.7	3.7	100.0
	Total	108	100.0	100.0	

The Table 3 illustrates that 33.3% of companies operated in the Middle East, followed by 24.1% in Southeast Asia, 19.4% each in Latin America and Africa, and 3.7% in other regions, across 108 responses.

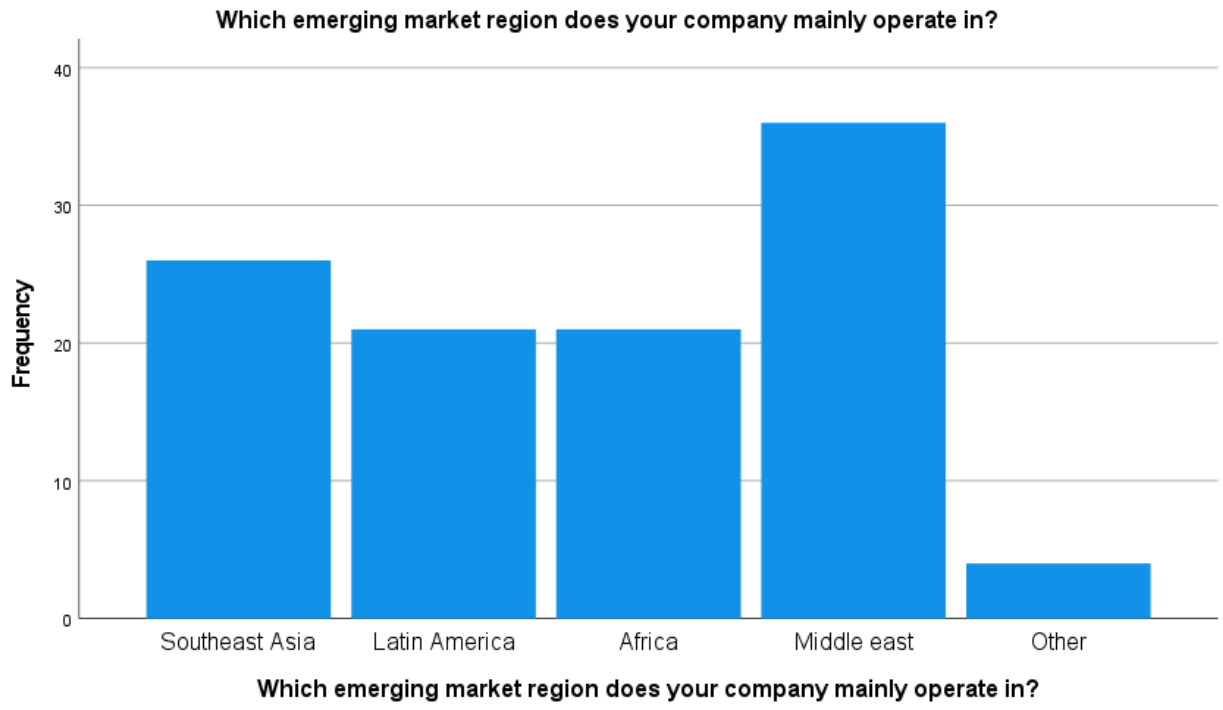


Table 4: How frequently does your company face financial impacts due to exchange rate fluctuations?

How frequently does your company face financial impacts due to exchange rate fluctuations?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rarely	26	24.1	24.1	24.1
	Occasionally	35	32.4	32.4	56.5
	Frequently	40	37.0	37.0	93.5
	Very Frequently	7	6.5	6.5	100.0
	Total	108	100.0	100.0	

The Table 4 illustrates that 37.0% of respondents reported frequent financial impacts from exchange rate fluctuations, 32.4% occasionally, 24.1% rarely, and 6.5% very frequently, indicating significant exposure among the 108 surveyed multinational firms.

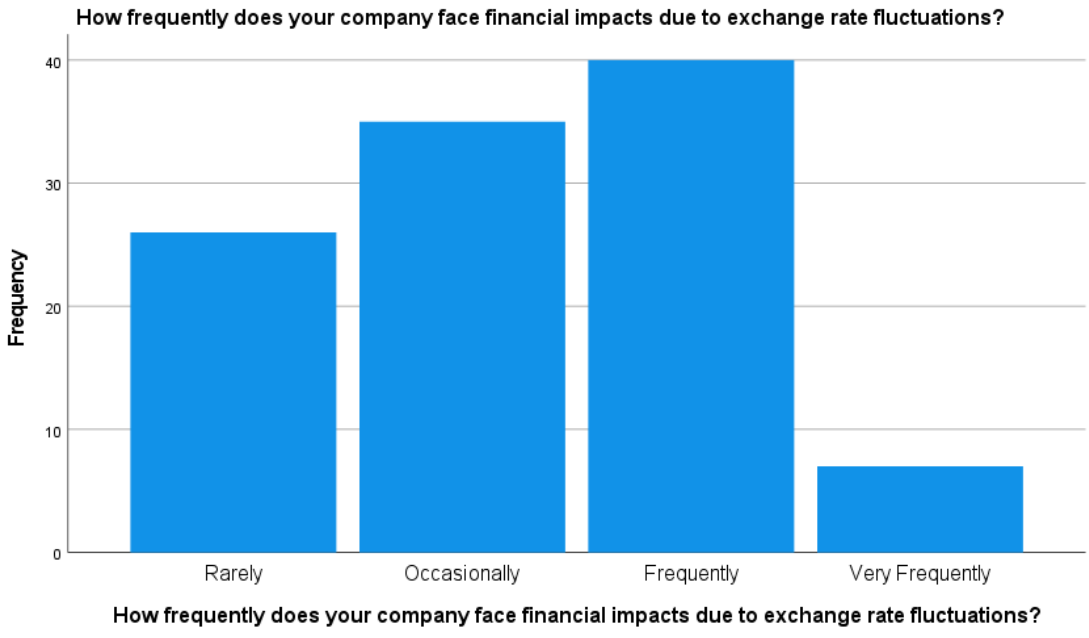


Figure 7: How frequently does your company face financial impacts due to exchange rate fluctuations?

Table 5: To what extent has exchange rate volatility affected your company's profitability in the past 3 years?

To what extent has exchange rate volatility affected your company's profitability in the past 3 years?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not at all	17	15.7	15.7	15.7
	Slightly	24	22.2	22.2	38.0
	Moderately	36	33.3	33.3	71.3
	Significantly	28	25.9	25.9	97.2
	Extremely	3	2.8	2.8	100.0
	Total	108	100.0	100.0	

The Table 5 illustrates that 33.3% of firms reported moderate impact on profitability, 25.9% significant, 22.2% slight, 15.7% none, and 2.8% extreme, highlighting varying degrees of vulnerability among 108 multinational companies.

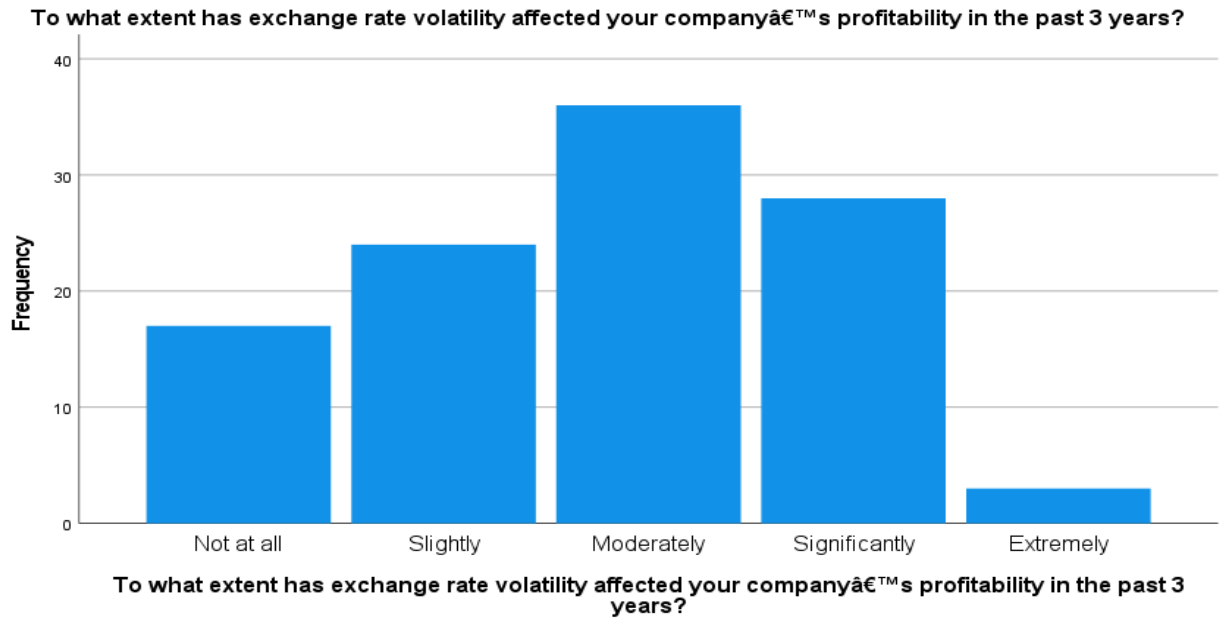


Figure 8: To what extent has exchange rate volatility affected your company's profitability in the past 3 years?

Table 6: What is your company's primary financial hedging tool?

What is your company's primary financial hedging tool?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Forward Contracts	32	29.6	29.6	29.6
	Options	28	25.9	25.9	55.6
	Swaps	39	36.1	36.1	91.7
	We don't use financial instruments	9	8.3	8.3	100.0
	Total	108	100.0	100.0	

The Table 6 illustrates that 36.1% of firms primarily use swaps, 29.6% forward contracts, and 25.9% options, while 8.3% reported not using any financial instruments for hedging, based on responses from 108 participants.

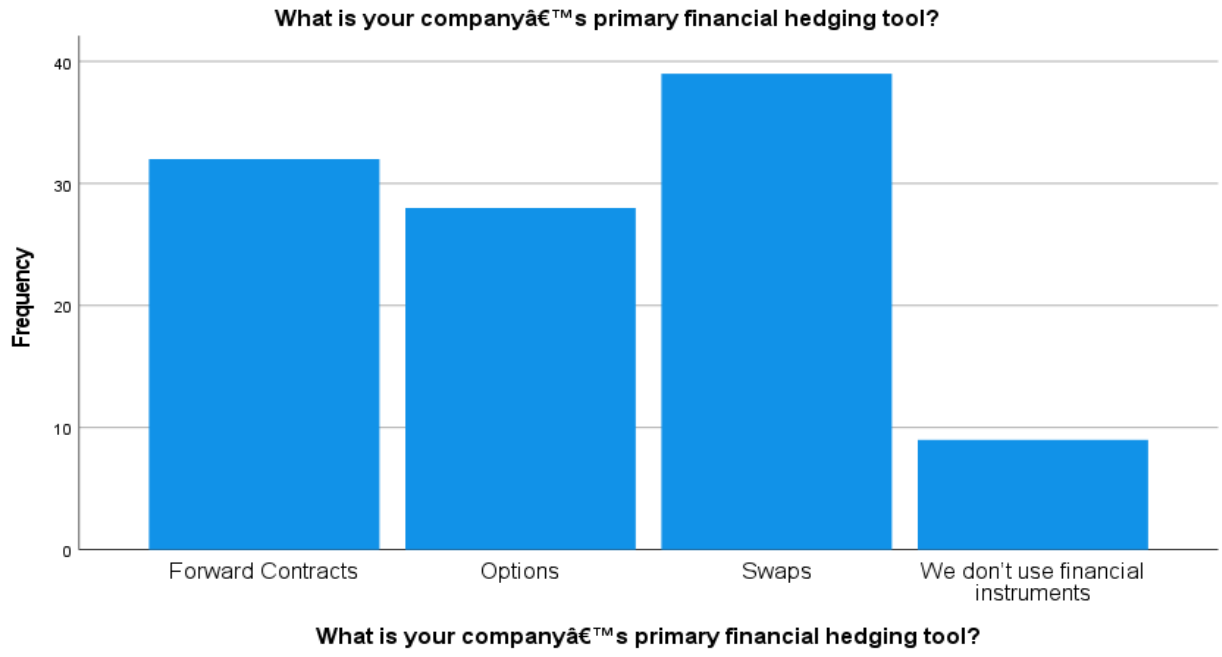


Figure 9: What is your company's primary financial hedging tool?

Table 7: How effective do you consider your company's current exchange rate risk management strategy?

How effective do you consider your company's current exchange rate risk management strategy?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not effective	24	22.2	22.2	22.2
	Slightly effective	22	20.4	20.4	42.6
	Moderately effective	32	29.6	29.6	72.2
	Very effective	24	22.2	22.2	94.4
	Extremely effective	6	5.6	5.6	100.0
	Total	108	100.0	100.0	

The Table 7 illustrates that 29.6% of respondents rated their exchange rate risk strategy as moderately effective, 22.2% as very effective, another 22.2% as not effective, 20.4% slightly effective, and 5.6% extremely effective.

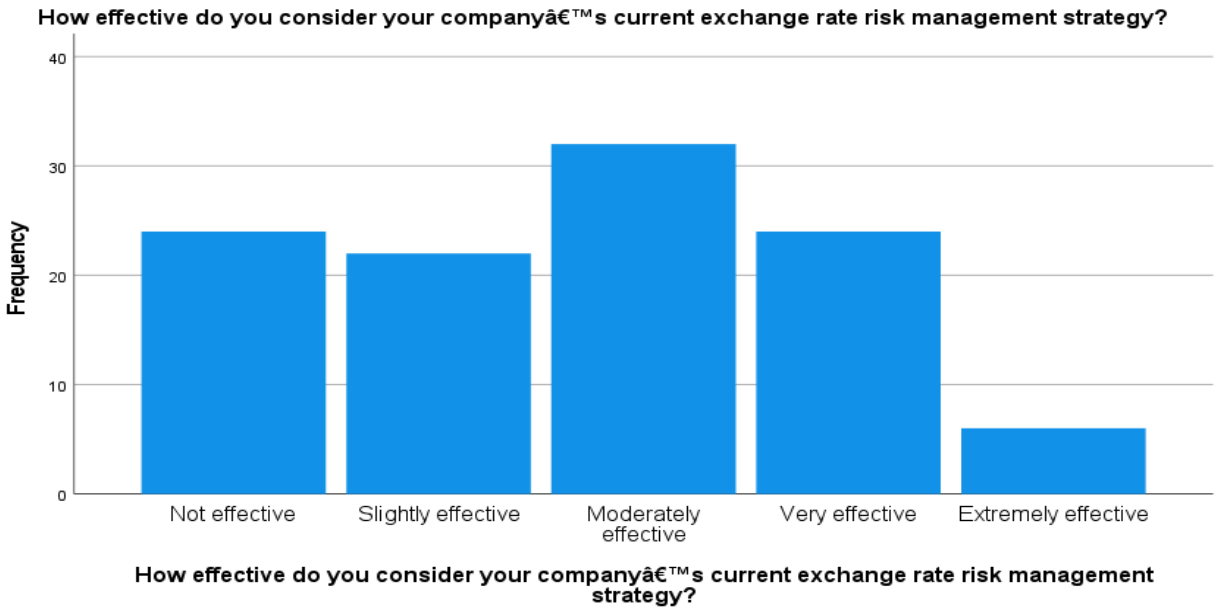


Figure 10: How effective do you consider your company's current exchange rate risk management strategy?

Table 8: Which operational strategy does your company most frequently use to mitigate currency risks?

Which operational strategy does your company most frequently use to mitigate currency risks?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Geographic diversification	26	24.1	24.1	24.1
	Local sourcing	27	25.0	25.0	49.1
	Multi-currency pricing	46	42.6	42.6	91.7
	None applied	9	8.3	8.3	100.0
	Total	108	100.0	100.0	

The Table 8 illustrates that 42.6% of firms use multi-currency pricing, 25.0% adopt local sourcing, 24.1% apply geographic diversification, while 8.3% reported no operational strategy, highlighting varied approaches among the 108 surveyed companies.

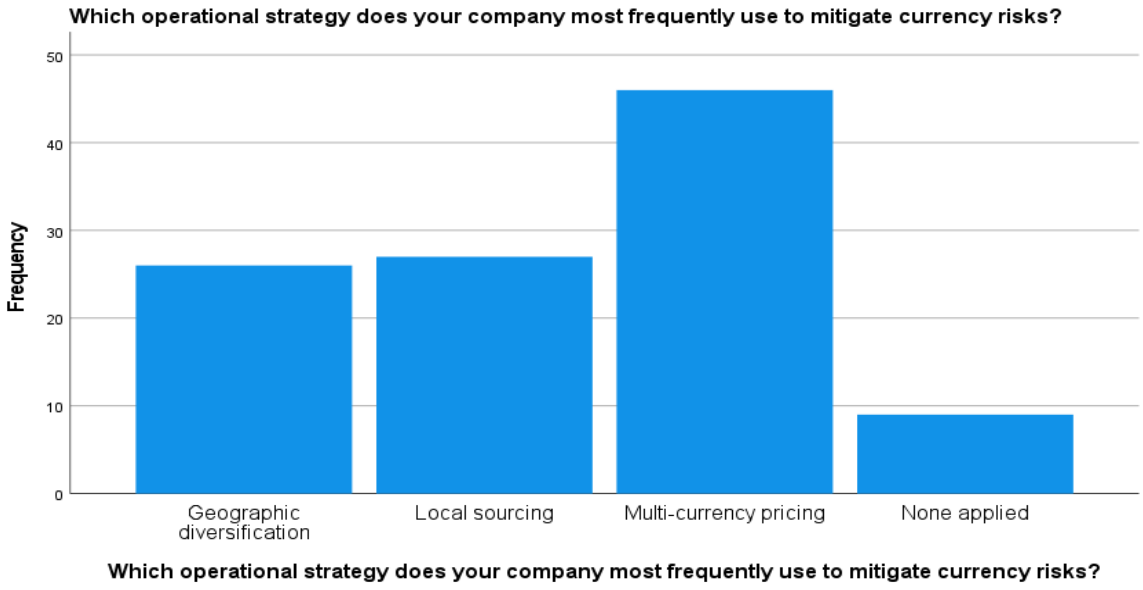


Figure 11: Which operational strategy does your company most frequently use to mitigate currency risks?

Table 9: How does your company respond to currency depreciation in a key market?

How does your company respond to currency depreciation in a key market?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Adjust product pricing	30	27.8	27.8	27.8
	Shift operations	27	25.0	25.0	52.8
	Reduce market exposure	41	38.0	38.0	90.7
	No specific response	10	9.3	9.3	100.0
	Total	108	100.0	100.0	

The Table 9 illustrates that 38.0% of firms reduce market exposure in response to currency depreciation, 27.8% adjust product pricing, 25.0% shift operations, while 9.3% report no specific response, based on 108 participants.

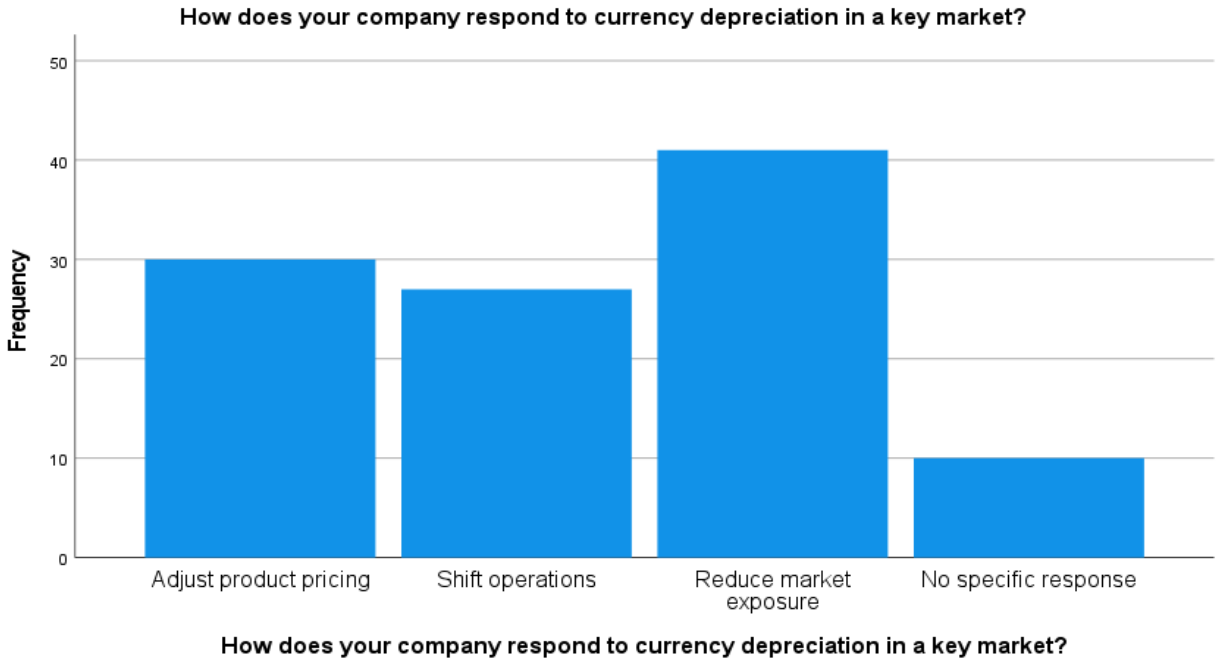


Figure 12: How does your company respond to currency depreciation in a key market?

Table 10: What percentage of your company's revenue is affected by currency translation risk?

What percentage of your company's revenue is affected by currency translation risk?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10%	23	21.3	21.3	21.3
	10%–25%	34	31.5	31.5	52.8
	26%-50%	36	33.3	33.3	86.1
	More than 50%	15	13.9	13.9	100.0
	Total	108	100.0	100.0	

The Table 10 illustrates that 33.3% of firms reported 26%–50% of revenue affected by currency translation risk, 31.5% indicated 10%–25%, 21.3% less than 10%, and 13.9% over 50%, among 108 respondents.

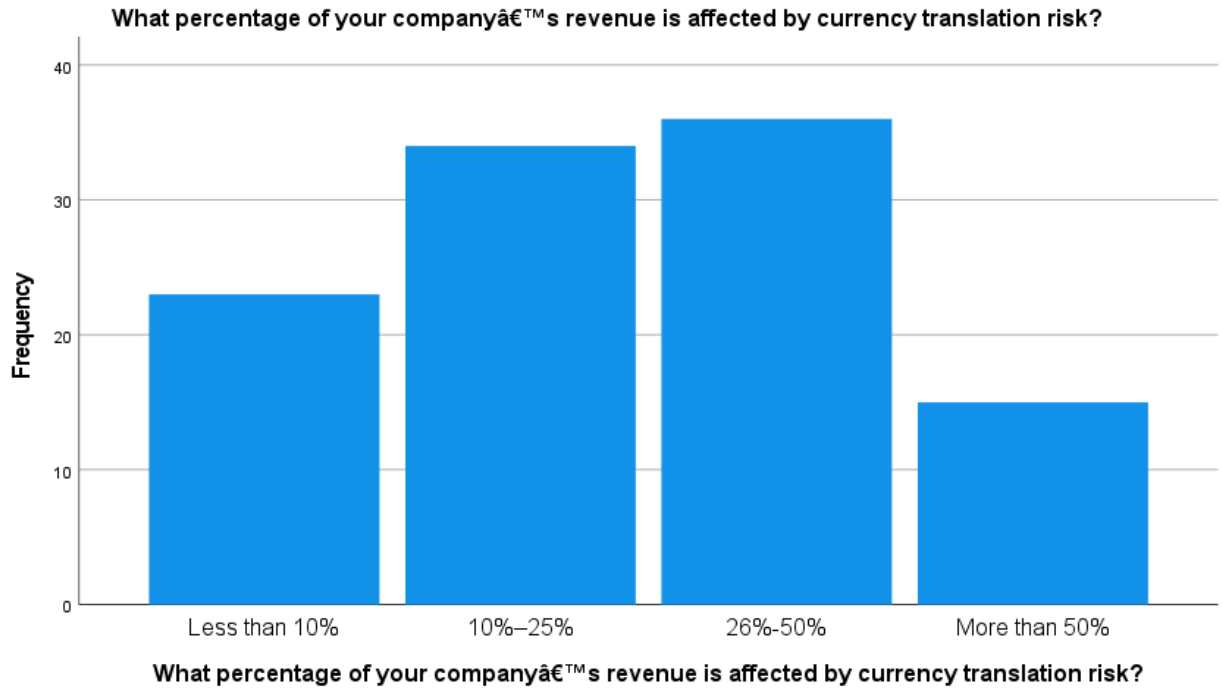


Figure 13: What percentage of your company's revenue is affected by currency translation risk?

Table 11: How accessible are financial hedging instruments (e.g., options, swaps) in your operating region?

How accessible are financial hedging instruments (e.g., options, swaps) in your operating region?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very accessible	30	27.8	27.8	27.8
	Somewhat accessible	27	25.0	25.0	52.8
	Limited access	41	38.0	38.0	90.7
	Not accessible at all	10	9.3	9.3	100.0
	Total	108	100.0	100.0	

The Table 11 illustrates that 38.0% of respondents reported limited access to hedging instruments, 27.8% found them very accessible, 25.0% somewhat accessible, while 9.3% indicated no access at all, across 108 companies.

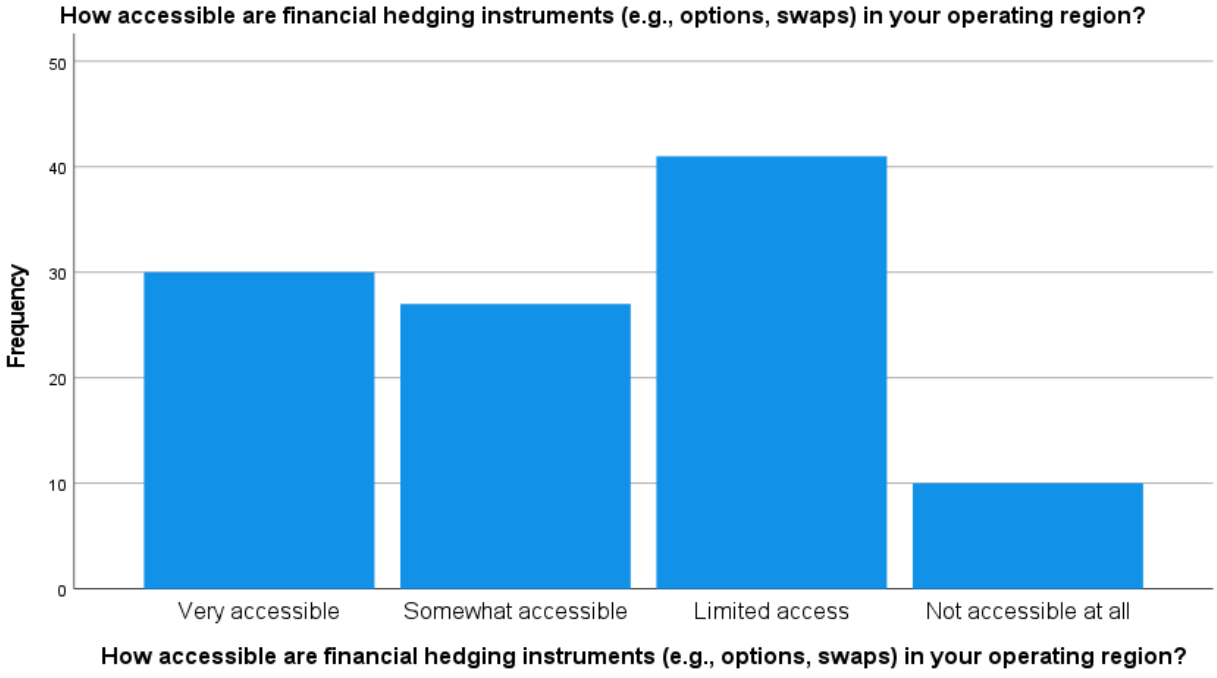


Figure 14: How accessible are financial hedging instruments (e.g., options, swaps) in your operating region?

Table 12: How regularly do your company review and adjust its pricing based on exchange rate movements?

How regularly do your company review and adjust its pricing based on exchange rate movements?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	21	19.4	19.4	19.4
	Annually	36	33.3	33.3	52.8
	Quarterly	36	33.3	33.3	86.1
	Monthly or more frequently	15	13.9	13.9	100.0
	Total	108	100.0	100.0	

The Table 12 illustrates that 33.3% of firms adjust pricing annually, another 33.3% quarterly, 19.4% never review pricing, and 13.9% do so monthly or more frequently, based on data from 108 companies.

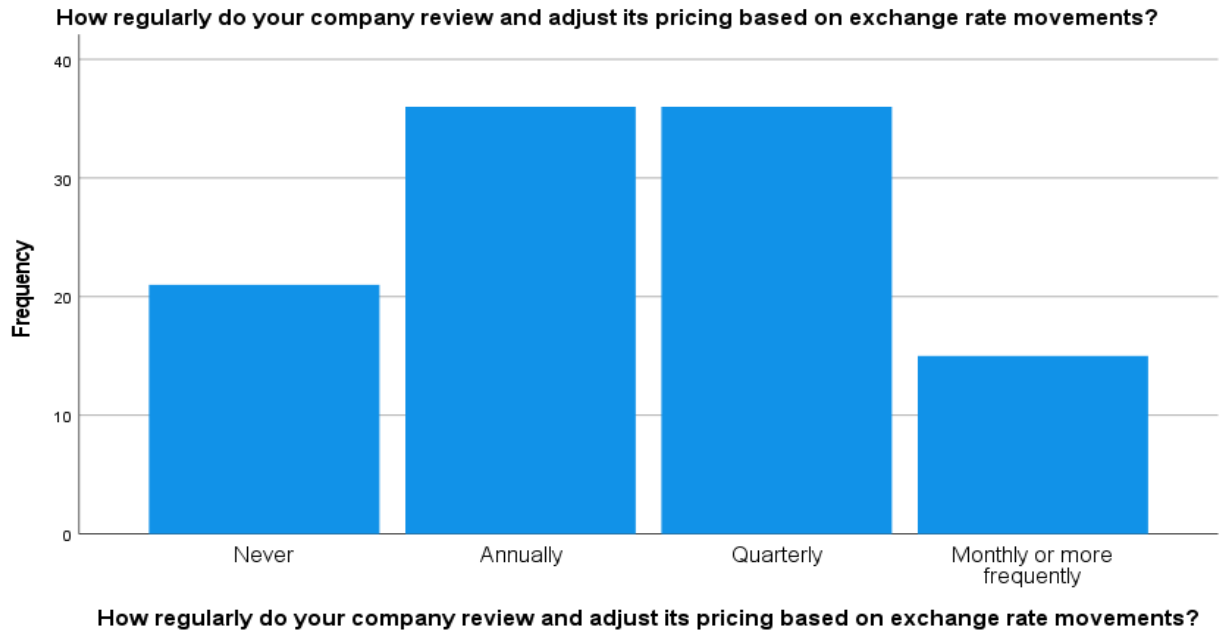


Figure 15: How regularly do your company review and adjust its pricing based on exchange rate movements?

Table 13: How confident are you in forecasting future currency movements in your region?

How confident are you in forecasting future currency movements in your region?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not confident	23	21.3	21.3	21.3
	Slightly confident	28	25.9	25.9	47.2
	Moderately confident	44	40.7	40.7	88.0
	Very confident	13	12.0	12.0	100.0
	Total	108	100.0	100.0	

The Table 13 illustrates that 40.7% of respondents were moderately confident in forecasting currency movements, 25.9% slightly confident, 21.3% not confident, and 12.0% very confident, reflecting mixed forecasting abilities among 108 participants.

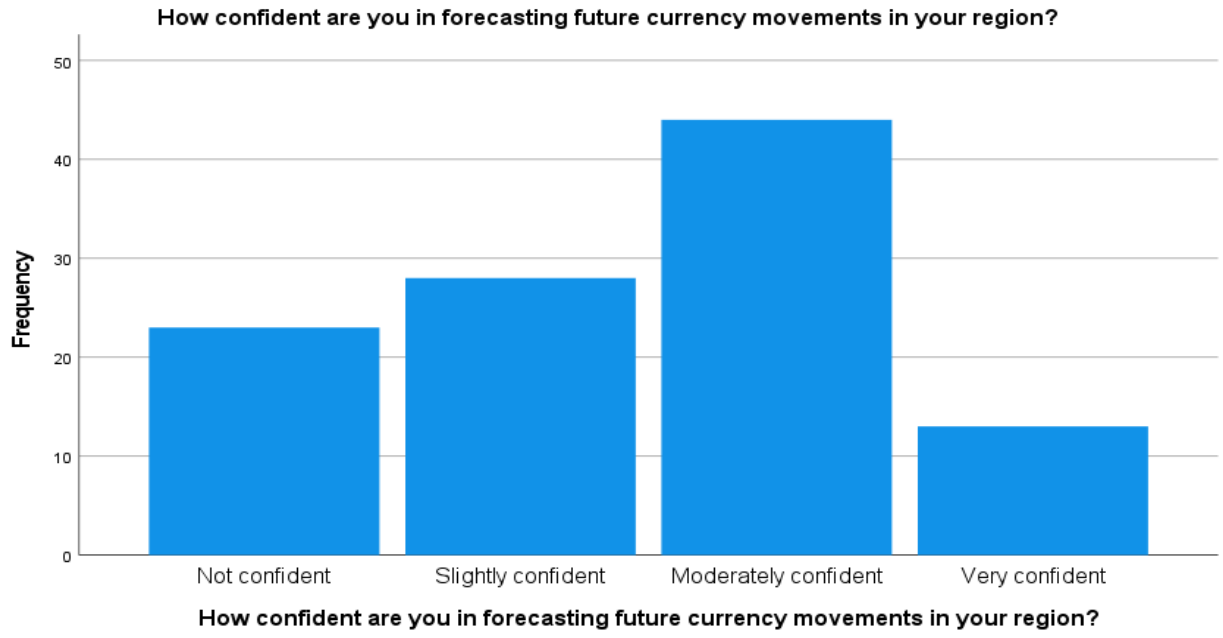


Figure 16: How confident are you in forecasting future currency movements in your region?

Table 14: Does your company integrate exchange rate risk into long-term investment decisions?

Does your company integrate exchange rate risk into long-term investment decisions?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes, always	28	25.9	25.9	25.9
	Sometimes	36	33.3	33.3	59.3
	Rarely	27	25.0	25.0	84.3
	Never	17	15.7	15.7	100.0
	Total	108	100.0	100.0	

The Table 14 illustrates that 33.3% of firms sometimes integrate exchange rate risk into long-term investment decisions, 25.9% always do, 25.0% rarely consider it, while 15.7% never account for it, among 108 respondents.

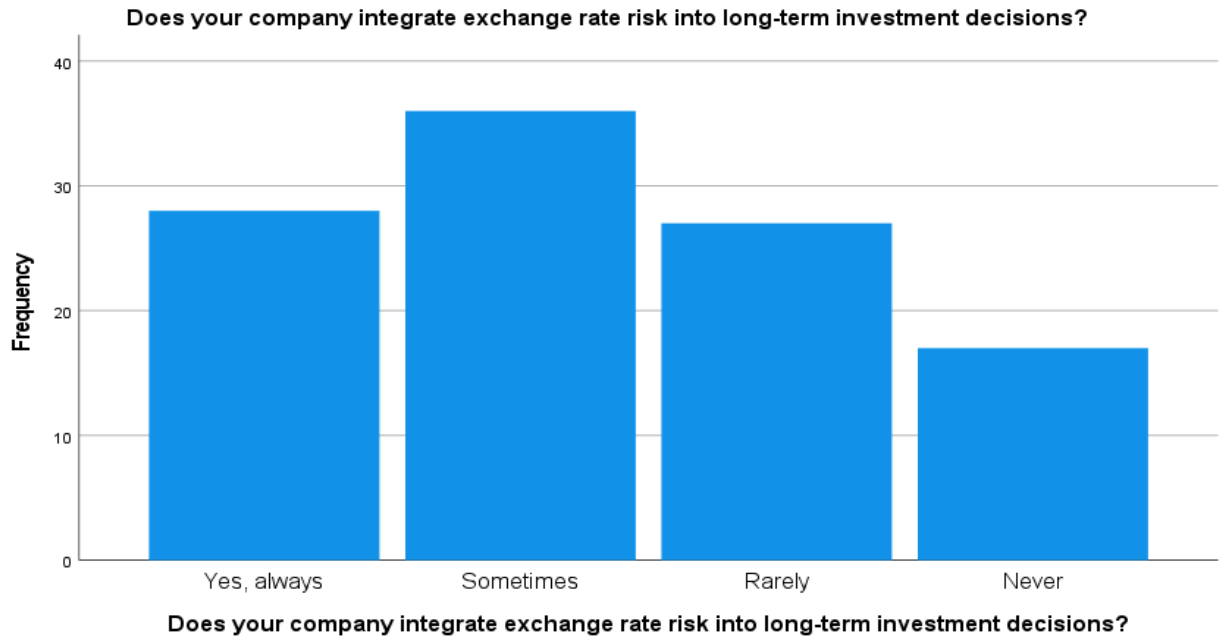


Figure 17: Does your company integrate exchange rate risk into long-term investment decisions?

Table 15: What is the greatest challenge in managing exchange rate risk in your organization?

What is the greatest challenge in managing exchange rate risk in your organization?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High volatility in emerging markets	26	24.1	24.1	24.1
	Limited access to financial tools	35	32.4	32.4	56.5
	Lack of internal expertise	38	35.2	35.2	91.7
	Regulatory constraints	9	8.3	8.3	100.0
	Total	108	100.0	100.0	

The Table 15 illustrates that 35.2% of firms cited lack of internal expertise as the top challenge, 32.4% reported limited access to financial tools, 24.1% noted high market volatility, and 8.3% faced regulatory constraints.

Figure 18: What is the greatest challenge in managing exchange rate risk in your organization?

Table 16: "How frequently does your organization review and updates its currency risk management policies?"

"How frequently does your organization review and updates its currency risk management policies?"

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	23	21.3	21.3	21.3
	Every 1–2 years	27	25.0	25.0	46.3
	Annually	33	30.6	30.6	76.9
	Semi-annually	20	18.5	18.5	95.4
	Quarterly or more frequently	5	4.6	4.6	100.0
	Total	108	100.0	100.0	

The Table 16 illustrates that 30.6% of firms review currency risk policies annually, 25.0% every 1–2 years, 21.3% never, 18.5% semi-annually, and only 4.6% do so quarterly or more frequently, among 108 respondents.

Figure 19: "How frequently does your organization review and updates its currency risk management policies?"

4.2.1.2 Crosstabs

1. Which emerging market region does your company mainly operate in? * To what extent has exchange rate volatility affected your companys profitability in the past 3 years? Crosstabulation

The crosstabulation reveals that 14 of 36 firms in the Middle East and 7 of 21 firms in Africa experienced significant profitability impacts due to exchange rate volatility. This pattern suggests regional differences in exposure or resilience. The association is statistically significant, as confirmed by the Pearson Chi-Square test ($\chi^2 = 63.670$, df = 16, p = .000), based on 108 valid responses. These results highlight a strong link between geographic region and the financial impact of currency fluctuations.

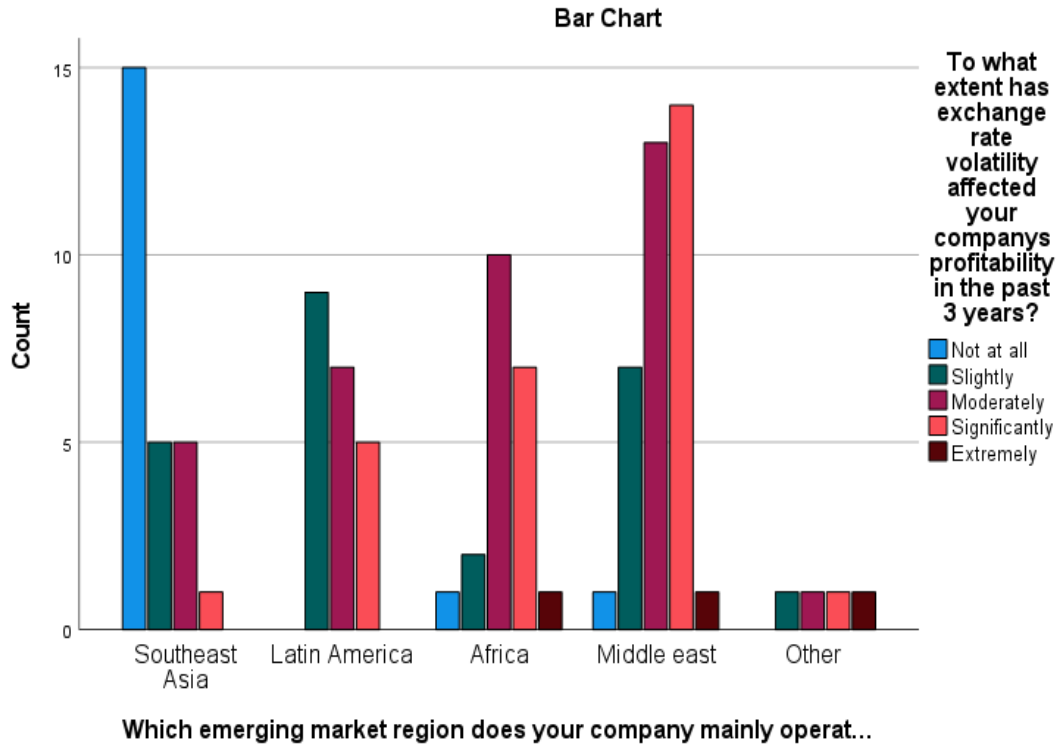


*Figure 20: Which emerging market region does your company mainly operate in? * To what extent has exchange rate volatility affected your companys profitability in the past 3 years? Crosstabulation*

2. What is your companys primary financial hedging tool? * How accessible are financial hedging instruments (e.g., options, swaps) in your operating region? Crosstabulation

The crosstabulation indicates that 17 firms using forward contracts reported very accessible hedging tools, while 20 firms using swaps reported limited access. Interestingly, 5 out of 10 firms with no access still managed to use swaps, suggesting strategic adaptations. The Pearson Chi-Square test ($\chi^2 = 32.160$, df = 9, p = .000) confirms a statistically significant relationship between the type of hedging tool used and its accessibility, highlighting how accessibility influences firms' financial risk management choices.

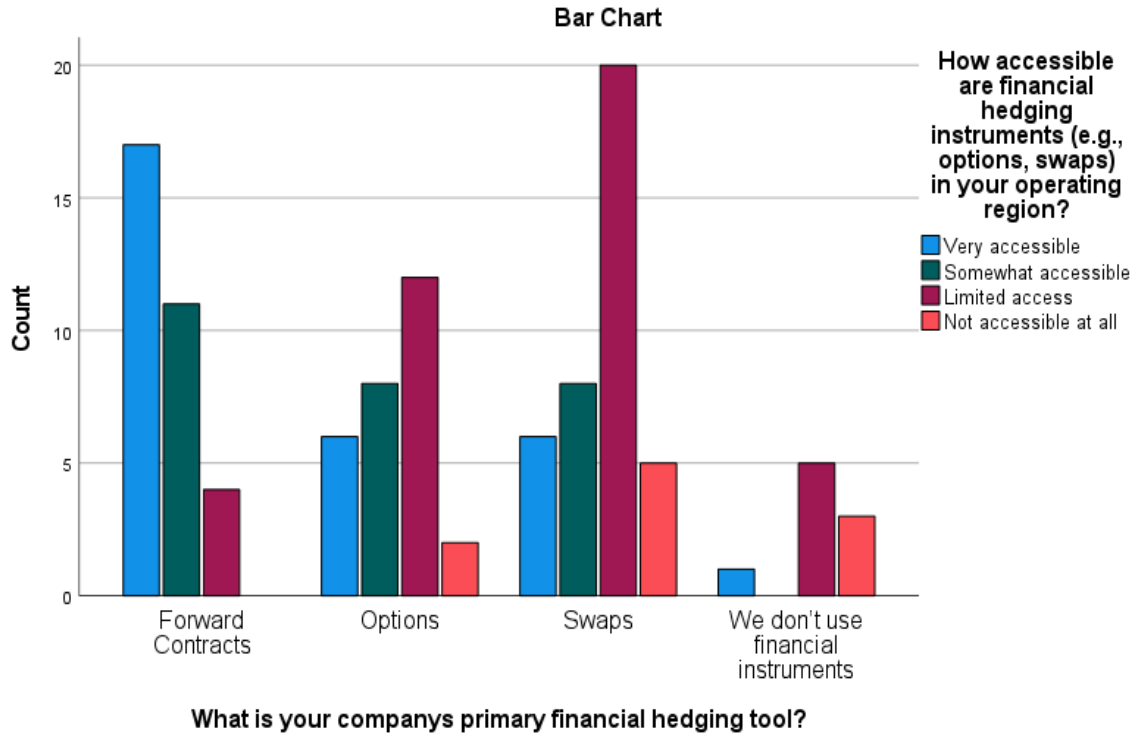


*Figure 21: What is your companys primary financial hedging tool? * How accessible are financial hedging instruments (e.g., options, swaps) in your operating region? Crosstabulation*

4.2.1.3 Oneway - ANOVA

The ANOVA results indicate statistically significant differences in how companies perceive the effectiveness of their exchange rate risk management strategies and the frequency with which they review pricing in response to currency fluctuations. For risk strategy effectiveness, the F-value was 5.084 with a significance level of p = .003, and the between-group variance was 6.620. Similarly, the pricing review frequency analysis yielded an F-value of 4.566 with a p-value of .002, and a between-group variance of 3.699. These results suggest meaningful variability in both

practices across the 108 companies surveyed, reflecting diverse approaches to managing currency-related financial risks.

4.2.1.4 T-Test

The independent samples t-test reveals that companies consistently integrating exchange rate risk into long-term investment decisions perceive their risk management strategies as significantly more effective (M = 1.93) than those that do so only sometimes (M = 2.86). This difference is statistically significant with a t-value of -3.339, degrees of freedom (df) = 62, and a p-value of .001. The effect size, measured by Cohen's d = 1.108, indicates a large practical impact. These findings suggest that systematic integration of FX risk into strategic planning is associated with stronger perceived effectiveness in managing exchange rate volatility across firms.

4.2.1.5 Correlations

The correlation analysis reveals two statistically significant moderate positive relationships. First, there is a correlation between forecasting confidence and perceived effectiveness of exchange rate risk management strategies ($r = .370$, $p = .000$), suggesting that firms more confident in predicting currency movements also rate their strategies as more effective. Second, the impact of exchange rate volatility on profitability is moderately correlated with the frequency of pricing adjustments ($r = .430$, $p = .000$), indicating that firms experiencing greater financial impact are more likely to adjust prices regularly. Both relationships are significant at the 0.01 level, based on data from 108 respondents.

4.2.1.6 Regression

The regression analysis shows that the model explains 46.8% of the variance in the perceived effectiveness of exchange rate risk management strategies ($R^2 = .468$, $F = 30.533$, $p = .000$). Among the predictors, the impact of exchange rate volatility on profitability is the strongest ($\beta = .521$, $p = .000$), followed by accessibility of hedging instruments ($\beta = .259$, $p = .002$), both of which significantly influence perceived effectiveness. However, confidence in forecasting currency movements does not significantly predict effectiveness ($\beta = .052$, $p = .540$). These results highlight that tangible financial impacts and tool availability drive strategy perceptions more than forecasting confidence.

4.2.2 Qualitative Data

This subsection presents qualitative findings derived from semi-structured interviews with senior executives. Thematic coding was adopted to detect main trends concerning the exchange rate risk control, pricing strategy and operations reaction. The insights reinforce the quantitative findings offering a more detailed view on how multinational firms develop hedging strategies on fluidity in the currency mixes in complex and unpredictable emerging markets economies.

Theme 1 (Word Cloud): Currency Exchange Volatility is a Core Concern

Figure 22: Theme 1 (Word Cloud): Currency Exchange Volatility is a Core Concern

The interviews revealed that currency exchange volatility remains a fundamental concern for multinational companies operating in emerging markets. Participants consistently emphasized the disruptive impact of unpredictable exchange rate movements on their financial performance and strategic decisions. One executive noted, “Currency fluctuations are a constant threat to our margins, especially in markets where volatility is linked to political instability or inflation.” This underscores how exchange rate shifts are not merely financial variables but deeply interconnected with broader macroeconomic risks in these regions. Companies often find themselves exposed to

sudden depreciation or appreciation, leading to unexpected cost spikes or revenue losses. The transcript also highlighted that such volatility directly affects profitability forecasting, investment returns, and financial reporting. Executives described the necessity of closely tracking currency trends and incorporating potential volatility into both short-term budgeting and long-term planning. Another participant stated, "In certain countries, we've seen overnight devaluations that completely change the pricing dynamics." These insights reinforce the idea that exchange rate volatility is not just a background risk, but a core operational and strategic factor requiring continuous attention. Companies must remain agile, often redesigning financial models or adjusting market strategies to withstand ongoing currency instability in unpredictable and high-risk environments.

Theme 2 (Word Frequency Treemap): Strategic Financial Planning and Hedging Tools

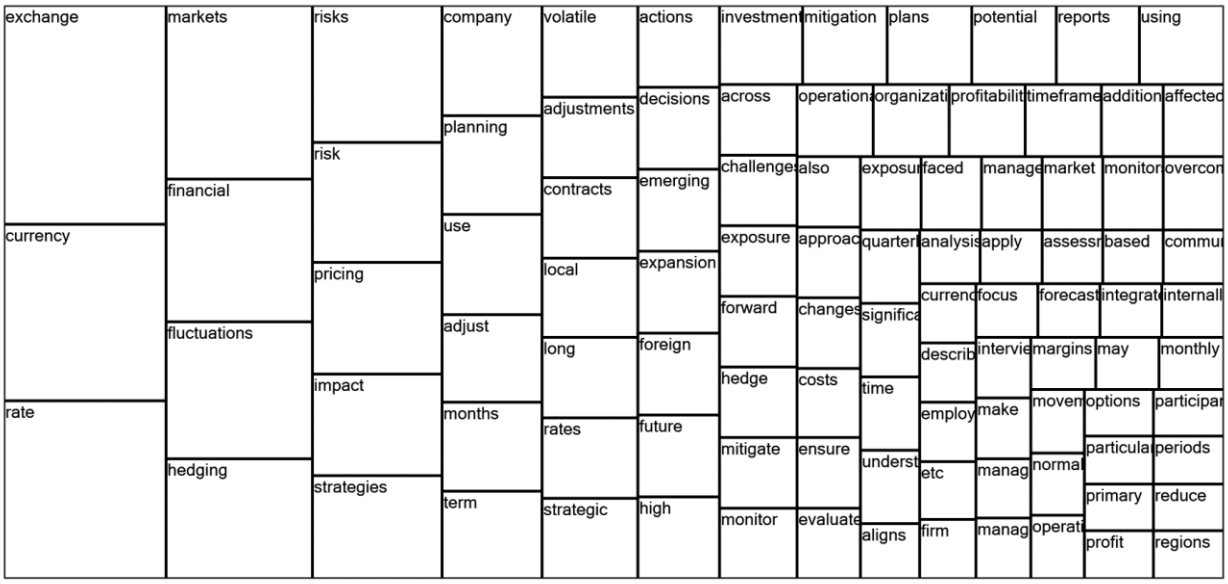


Figure 23: Theme 2 (Word Frequency Treemap): Strategic Financial Planning and Hedging Tools

Strategic financial planning, particularly the use of structured hedging tools, emerged as a dominant theme across the interviews. Participants frequently discussed their reliance on forward contracts, options, and other derivative instruments to protect against currency-related losses. One executive shared, "We typically use six-month forward contracts to hedge against currency fluctuations, especially for large transactions or committed cash flows." This statement highlights the planned and deliberate nature of hedging decisions, which are often closely aligned with budget

cycles or forecasting windows. The interviews revealed that hedging is not approached reactively but integrated into broader financial strategy, ensuring risk is mitigated before it materializes. Some companies also reported the use of a combination of tools, depending on the volatility of specific markets. "We don't rely on just one instrument—we use a mix of options and forwards depending on the region and exposure level," one participant noted. The use of these tools also ties directly into internal governance and reporting practices, with regular reviews of their performance and cost-effectiveness. The emphasis on planning and proactive hedging indicates that multinational firms view financial instruments not just as protective tools, but as essential components of a larger, forward-looking strategy to ensure stability and preserve profitability in uncertain currency environments.

Theme 3 (Coding Bar Chart): Real-Time Monitoring and Financial Modeling

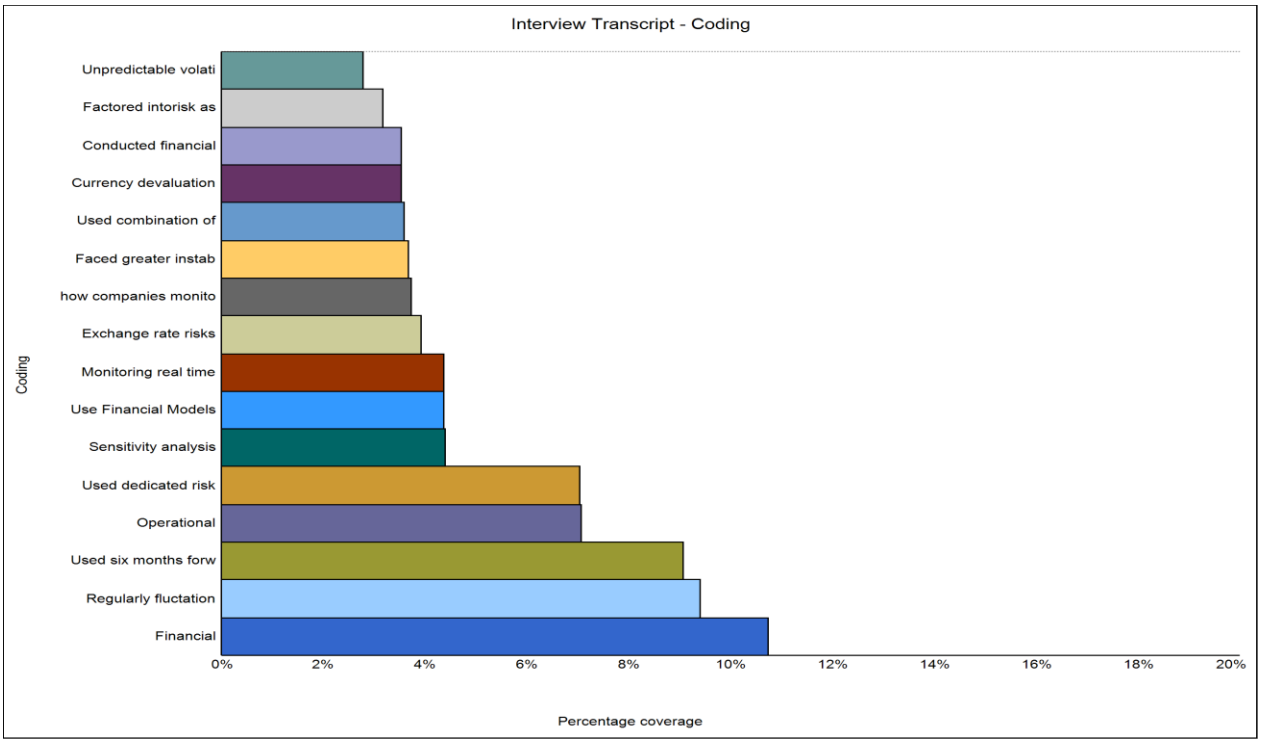


Figure 24: Theme 3 (Coding Bar Chart): Real-Time Monitoring and Financial Modeling

The interview findings strongly indicate that real-time monitoring and advanced financial modeling are critical components of how multinational firms manage exchange rate exposure. All three participants highlighted the importance of dynamic tracking systems and scenario-based tools to assess the potential impact of currency fluctuations on their operations and financial outcomes. One participant noted, "We use a dedicated risk management software to monitor

exposure in real-time, especially in high-risk markets." This kind of digital infrastructure enables firms to respond swiftly to adverse currency movements before they significantly impact margins. Financial modeling, particularly sensitivity analysis and scenario planning, was also frequently mentioned. Executives described using multi-variable models to test different exchange rate scenarios, ensuring they could visualize the best and worst-case outcomes on investment returns, pricing, and profitability. "We regularly conduct financial modeling to estimate how exchange rate changes might impact our planned investments," explained another executive. These tools are not used in isolation but are embedded within the broader decision-making process. Real-time dashboards and monthly exposure reports are shared with senior leadership and finance teams, enabling data-driven strategies and informed risk responses. This reliance on continuous monitoring and predictive analytics demonstrates a mature, proactive approach to managing financial uncertainty in volatile global markets.

Theme 4 (Sunburst Diagram): Integration of Exchange Risk into Business Strategy

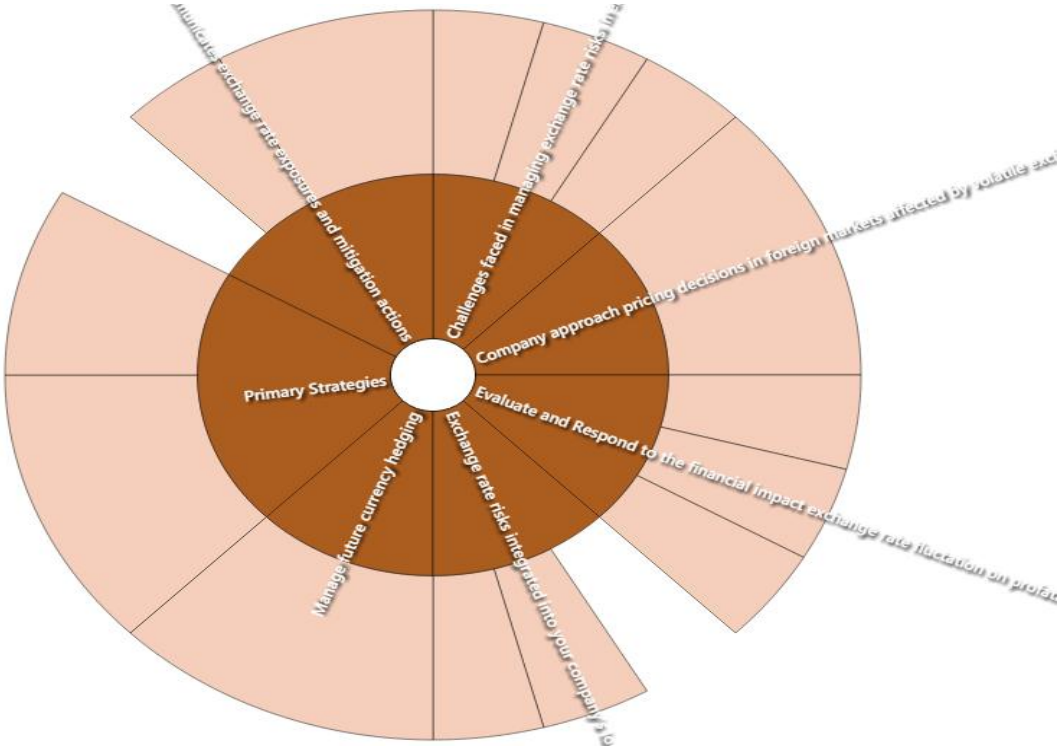


Figure 25: Theme 4 (Sunburst Diagram): Integration of Exchange Risk into Business Strategy

The integration of exchange rate risk into broader business strategy and long-term planning was a consistently emphasized theme in the interviews. Participants made it clear that currency risk is

not treated as an isolated financial issue, but as a core component of corporate strategy, investment appraisal, and market entry decisions. One executive stated, "Exchange rate risks are factored into our risk assessments for all potential international expansions. If risks are too high, we reconsider or delay the investment." This illustrates how currency exposure directly influences capital allocation, expansion timing, and resource commitment. Another respondent highlighted that exchange rate scenarios are built into all major forecasting models and capital budgeting exercises to anticipate possible impacts on ROI. "We run several what-if models before committing to large-scale investments in foreign markets," they explained. The interviews also revealed that integration is not just about prediction, but about flexibility—adjusting investment size, pacing, or even choosing alternative markets when risk thresholds are exceeded. The alignment of currency risk management with strategic planning processes underscores its importance in sustaining profitability and competitive advantage. By embedding FX considerations into decision-making frameworks, firms aim to create resilience against external shocks and maintain financial stability in complex, rapidly shifting global markets.

Theme 5 (Dendrogram): Challenges of Managing Exchange Risk in Emerging Markets

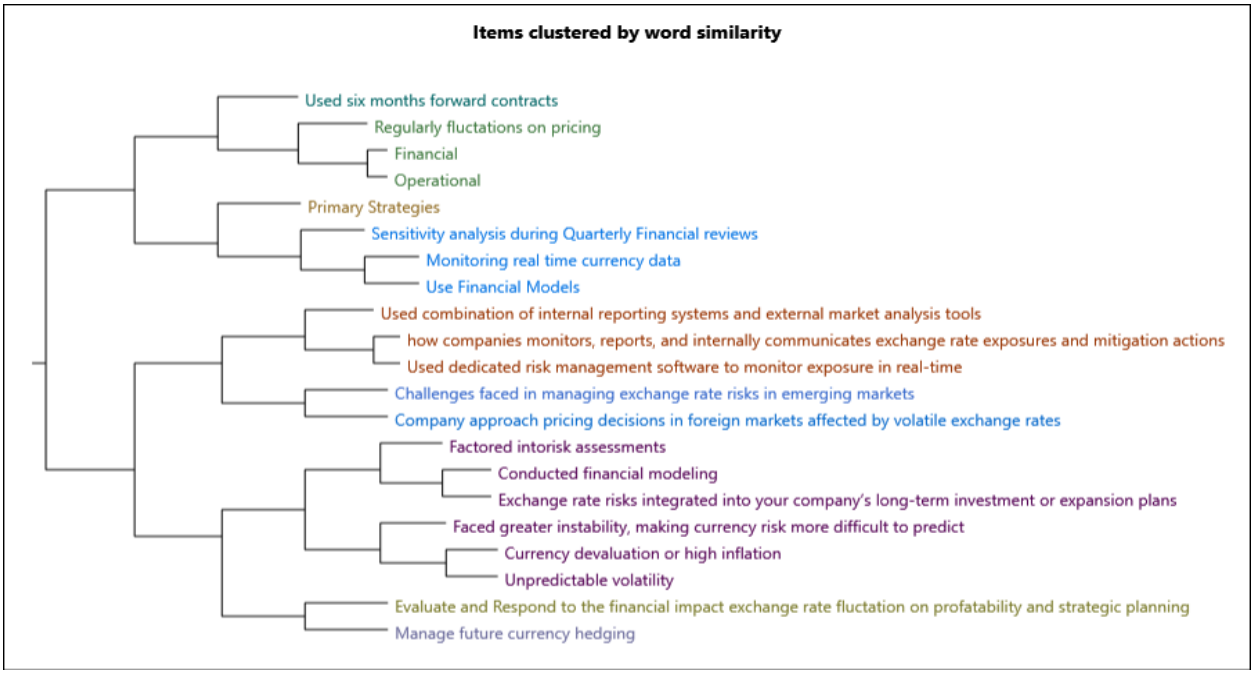


Figure 26: Theme 5 (Dendrogram): Challenges of Managing Exchange Risk in Emerging Markets

A prominent theme in the interviews was the significant challenge of managing exchange rate risk in emerging markets, where economic instability and unpredictable volatility are common.

Participants highlighted the difficulties posed by abrupt currency devaluations, inconsistent monetary policies, and inflation-driven distortions, all of which undermine financial predictability. One executive described, “In some countries, we’ve seen overnight devaluations that completely shift the pricing and profitability dynamics—we have to act fast or risk substantial losses.” These sudden changes force firms to continuously adapt their pricing, sourcing, and financial plans. Another participant pointed out that local currency weakness can erode margins even when sales volume is strong, stating, “The local market might perform well operationally, but when converted into our reporting currency, the numbers tell a different story.” The executives also noted that in some regions, hedging tools are either too costly or unavailable, further complicating risk management. Moreover, regulatory constraints and limited financial infrastructure often prevent firms from fully implementing traditional mitigation strategies. These constraints require companies to develop tailored, often non-standard solutions, including local partnerships, operational shifts, or complete market exit. Overall, the interviews reveal that managing FX risk in emerging markets demands flexibility, vigilance, and constant reevaluation of exposure in response to rapidly changing conditions.

Theme 6 (3D Word Similarity Plot): Pricing Adjustments and Operational Responses

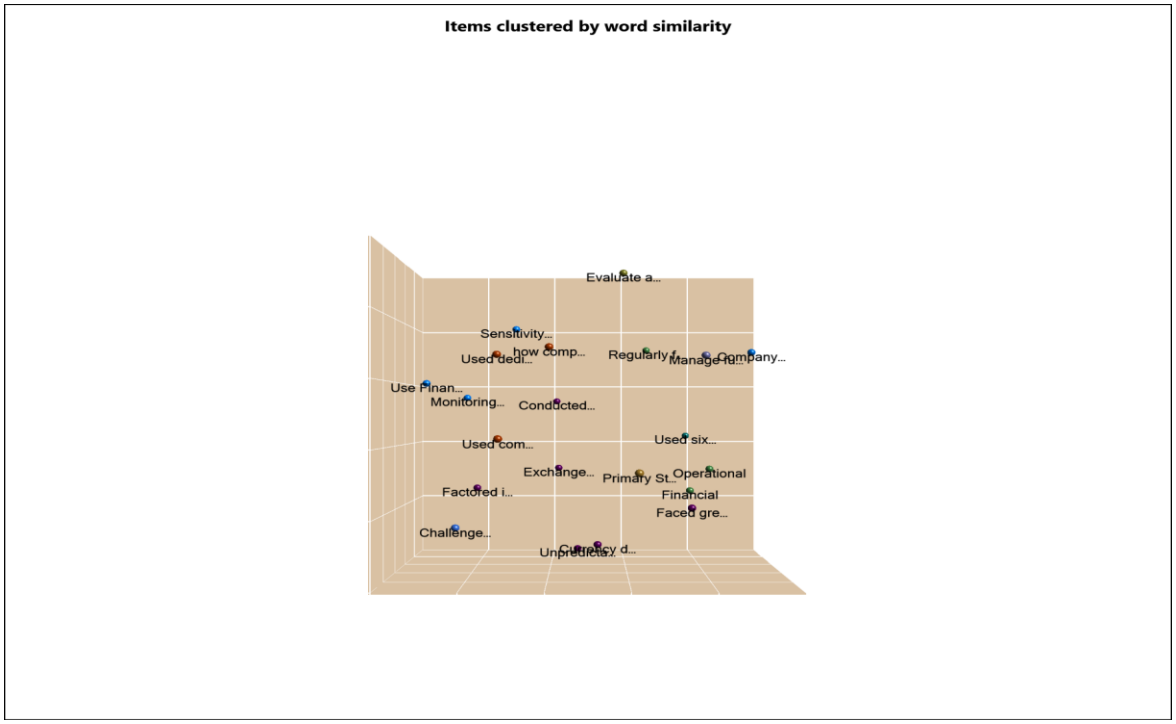


Figure 27: Theme 6 (3D Word Similarity Plot): Pricing Adjustments and Operational Responses

The interviews showed that more and more multinational companies are implementing dynamic pricing, and operational responses to counter against effect of exchange rate fluctuations. The participants indicated that pricing is more dynamic now than a few years ago, where pricing is periodically re-evaluated according to the currency trends in major markets. One executive indicated that they establish price bands that can be adjusted when currencies cross a given level. It provides us with flexibility, without renegotiating contracts with each time. Another replied, "In fluctuating markets we have automated pricing that takes into account currency indexes to ensure there is no more manual adjustment." This strategy enables firms to remain profitable it is also able to perform in the local markets. Responses are also made operationally to limit exposure such as purchasing locally to prevent high importation costs and keeping revenue earned in local currencies, to prevent losses through conversion. The excessive volatility of the market together with the fear of locking in the losses, prompts one participant to say, "We tend to store a fraction of income in local currency in case the market is worn out." These tactics are part of a wider trend toward defining the financial and operational integrated decision-making. Companies are not only using financial hedging instruments, but integrating currency risk response in daily processes, pricing models, and supplier contracts. A proactive, integrated model can help companies to react to currency changes in a fast manner and be resilient in volatile markets.

4.3 Analysis

The analysis of the findings underscores that exchange rate risk is a central and persistent challenge for multinational firms operating in emerging markets. With 37% of respondents experiencing frequent financial impacts and 25.9% reporting significant effects on profitability, the data strongly suggest that currency volatility is not a peripheral concern but a direct influence on operational performance. Interviewees also reinforced this, citing examples of sudden devaluations leading to real-time strategy shifts. This high exposure compels firms to institutionalize foreign exchange risk as a recurring element in financial planning, budgeting, and performance evaluation, further highlighting its strategic weight.

The study reveals widespread use of financial hedging instruments, with 36.1% of firms relying on swaps and 29.6% on forward contracts. The availability and accessibility of these tools, however, significantly influence their usage. As shown in the regression analysis, accessibility to hedging tools ($\beta = .259$, $p = .002$) strongly predicts the perceived effectiveness of risk strategies.

Furthermore, crosstab results indicate that even firms with limited or no access to instruments often resort to creative workarounds. Interviews corroborated this by revealing that firms combine multiple tools or adjust hedging durations to match the economic volatility of specific regions.

Beyond financial hedging, firms are employing operational tactics such as multi-currency pricing (42.6%), local sourcing (25%), and geographic diversification (24.1%) to manage risk. These strategies allow companies to distribute exposure and absorb shocks more effectively. Thematic analysis of interview transcripts revealed that many companies use pricing tools like price bands or automatic currency-linked pricing models to remain agile in volatile environments. This dual reliance on financial instruments and operational flexibility reflects a comprehensive approach where companies blend reactive and proactive measures to handle currency fluctuations, ensuring minimal disruption to business continuity and market competitiveness.

While forecasting currency movements is inherently uncertain, the correlation analysis found a moderate but significant relationship ($r = .370$, $p = .000$) between forecasting confidence and perceived effectiveness of risk strategies. Interview responses showed that real-time monitoring and advanced financial modeling tools, including scenario-based planning and sensitivity analysis, are widely used to support currency risk decisions. Although forecasting confidence was not a statistically significant predictor in the regression model ($\beta = .052$, $p = .540$), the presence of strong monitoring systems helps firms prepare for and adapt to adverse currency trends swiftly, reducing the element of surprise.

A key theme in both quantitative and qualitative data is the integration of exchange rate considerations into long-term business planning. Approximately 25.9% of firms always integrate FX risk into investment decisions, while 33.3% sometimes do. The t-test showed that firms doing this consistently perceive their strategies as more effective ($M = 1.93$ vs. 2.86, $p = .001$), suggesting that risk-aware investment planning yields measurable benefits. Interviews echoed this, with executives noting that FX scenarios are embedded into ROI models and investment appraisals. This strategic alignment ensures that capital allocation decisions remain viable under fluctuating currency environments.

The ANOVA results revealed significant differences in both strategy effectiveness ($F = 5.084$, $p = .003$) and pricing adjustment frequency ($F = 4.566$, $p = .002$) across firms. This reflects diverse

corporate responses, likely shaped by sector, geographic exposure, and internal capabilities. For example, crosstab data showed that firms operating in the Middle East and Africa reported higher instances of profitability loss, suggesting that regional volatility significantly influences risk response structures. These differences stress the importance of context-specific strategies, where risk levels, financial infrastructure, and regulatory environments dictate the optimal mix of hedging, pricing, and operational tactics.

The evidence points to a growing trend among firms toward a holistic and proactive approach to exchange rate risk management. The regression model ($R^2 = .468$) showed that nearly half the variance in perceived effectiveness is explained by profitability impact, tool accessibility, and market conditions. Firms that combine internal forecasting, real-time data, strategic pricing, and scenario planning exhibit higher resilience. Thematic findings from interviews confirmed that currency risk management is no longer siloed within treasury functions but is increasingly integrated into core business operations, investment planning, and supply chain decisions—marking a shift toward enterprise-wide financial risk awareness.

4.4 Conclusion

This chapter presented key findings from both quantitative and qualitative data, revealing that exchange rate volatility significantly affects profitability, strategy, and pricing decisions. Firms manage FX risk through a set of available financial tools and operational responses combined with strategic planning. These results are compliant with the research aims and can give clues about the exploration of the multinational firms when it comes to currency uncertainty. These results will be further interpreted, put in context of the current literature and subjected to critical appraisal in terms of theory and practice in the next chapter Discussion.

Chapter 5: Discussion

5.1 Chapter Introduction

The chapter analyzes the results of the study, which explored the way multinational companies control exchange rate risk in emerging markets. It concentrates on analyzing major findings of both quantitative and qualitative data, correlating it to the available academic sources in order to evaluate its theoretical correspondence. Key trends identified in the chapter include integration of strategic planning, integration of hedging instruments and operational responses. It also provides the practical implication on financial managers and policymakers, and it also provides limitations in terms of sample size, regional focus, and methodology. Ultimately, the chapter provides a comprehensive understanding of how firms navigate currency volatility and prepares for the study's conclusion.

5.2 Summary of Key Findings

The quantitative findings revealed that exchange rate volatility is a widespread and significant challenge for multinational companies operating in emerging markets. A substantial portion of respondents (37%) reported experiencing frequent financial impacts, while 25.9% indicated significant effects on profitability. Financial hedging instruments, such as swaps (36.1%) and forward contracts (29.6%), are commonly used, yet their effectiveness strongly depends on accessibility—confirmed by the regression analysis, where accessibility ($\beta = .259$, $p = .002$) was a significant predictor of perceived strategy success. Operational strategies like multi-currency pricing (42.6%) and local sourcing (25%) also emerged as popular tools. ANOVA and t-test results revealed notable differences in risk strategy effectiveness and pricing frequency across companies, reflecting diverse adaptation models.

The qualitative data added depth to these statistical trends. Interviews highlighted six central themes: the strategic importance of managing currency volatility, reliance on financial planning and hedging, the role of real-time monitoring, integration of FX risk into long-term decisions, regional challenges in unstable markets, and proactive pricing responses. The inclusion of exchange risk investment appraisals and strategic planning by executives is consistent with quantitative evidence. In addition, dynamic financial modeling, scenario analysis, as well as operating flexibility has also been cited as a critical part of resilience. Such insights indicate that companies are shifting in a more integrative and encompassed currency risk management.

5.3 Linking Findings to Literature

The results are indicative of multiple theories and predating research that the work argues and reinforces in the literature study. As an example, the popularity of financial instruments like swaps and forward contracts is consistent with the claim by Madura (2021) that derivatives continue to be at the center of FX risk mitigation in international companies. Likewise, the FX risk integration with capital investment planning shows the difference which is revealed through the studies of Eun and Resnick (2018), who state that when managing long-term overseas commitments, firms need to incorporate exchange rate issues in capital budgeting. High level of variation in strategy effectiveness, as confirmed by ANOVA, resonates with Adler and Dumas (1984) in which they hold that hedging performance depends heavily on firm specific variables such as managerial expertise and exposure to the market.

The qualitative themes also expand the literature by providing contemporary, real-world insight into how firms apply theories in practice. The emphasis on real-time monitoring and financial modeling supports Clark and Mefteh-Wali's (2020) argument that firms are increasingly relying on dynamic tools to manage volatility in fast-changing markets. Moreover, the regional disparities in profitability impact—particularly in the Middle East and Africa—reflect Bekaert and Hodrick's (2017) notion that emerging markets present unique currency risks due to political and economic instability. Overall, this study contributes to the academic conversation by offering empirical validation of theoretical frameworks and revealing evolving practices that adapt to current global financial environments.

Similarities with Existing Literature

The findings of this study closely align with Gupta (2021), who emphasized the detrimental impact of currency volatility on multinational firms' profitability, particularly in emerging markets. Consistent with Salomao and Varela (2021), this study also observed that manufacturing firms are more susceptible to exchange rate risks due to their dependence on global supply chains. Furthermore, the use of financial hedging tools such as forward contracts and options mirrors the practices highlighted by Zeng (2024), confirming the widespread application of these instruments in mitigating currency exposure.

Differences from Previous Research

However, unlike Salvatore (2019), who argued that firms in emerging markets often lack access to formal financial instruments, this study found that a notable percentage of firms surveyed reported moderate access to hedging tools, particularly in Southeast Asia. Additionally, while Bonga-Bonga and Mpoha (2025) suggested that strategic responses to exchange rate risks are reactive and limited in such markets, the qualitative interviews in this study revealed proactive operational strategies like local sourcing and multi-currency pricing.

5.4 Interpretation of Significant Themes

A key theme emerging from the findings is that firms do not rely solely on financial instruments to manage exchange rate risk but adopt a hybrid approach combining financial, operational, and strategic responses. While the use of swaps and forward contracts aligns with traditional theory, the proactive adoption of multi-currency pricing, local sourcing, and geographic diversification shows that firms are broadening their defensive strategies. This shift reflects a move beyond passive hedging to adaptive, real-time management. The significance of accessibility to hedging instruments, as demonstrated in the regression analysis, also highlights a practical challenge not always emphasized in literature—suggesting that tool effectiveness is conditional on market infrastructure and regulatory ease in the operating region.

Another important insight is the integration of exchange rate risk into broader strategic planning and investment decision-making. This correlates with theoretical prediction based on corporate finance although it is not oft-highly reported empirically. The high t-test effect size with companies always integrating FX risk, rating their strategies more effective, is an indication of a maturity of ways of corporate practice.

5.5 Practical Implications

The implications of this study include a number of practical insights on multinational firms in volatile emerging markets and financial managers. First, the high correlation between the impact of profitability and the risk strategy effectiveness implies that companies ought to be keen on the financial impacts of the currency fluctuations and actively update their risk management systems. Financial managers should make sure that financial instruments such as swapping and forward contracts are provided to the firm and at the same time, modeled to the specific exposure levels of the firm. Also, companies are supposed to invest in the accessibility of these tools in areas where

they are scarce. Dynamic forecasting models and real-time monitoring systems can aid decisions and allow a quicker and better response to currency changes.

Second, the study points to the significance of factoring the FX risk into the overall corporate planning and investment decision-making. Firms that routinely incorporated exchange risk into longer-term investment choices evaluated their strategies as considerably more effective, strengthening the worth of strategic foresight. Policymakers and regulators may also benefit from this insight, as promoting access to financial instruments and developing local financial markets can support more resilient corporate ecosystems. Furthermore, the widespread use of operational strategies—such as local sourcing and multi-currency pricing—implies that risk mitigation is not solely a treasury function but a cross-functional imperative that requires collaboration between finance, operations, and supply chain departments.

5.6 Limitations of the Study

While the study offers valuable insights into exchange rate risk management practices, several limitations should be acknowledged. Firstly, the sample size of 108 respondents, though sufficient for initial statistical analysis, may not fully capture the diversity of multinational firms operating across all emerging markets. The regional focus was limited to key areas like Southeast Asia, the Middle East, Africa, and Latin America, which may limit the generalizability of findings to firms operating in other volatile regions. Secondly, the use of self-reported survey data introduces the potential for response bias, where participants may overstate their preparedness or underreport weaknesses. Additionally, the qualitative interviews, while rich in context, were limited in number and may reflect the perspectives of a select managerial group, potentially excluding lower-level operational insights

5.7 Suggestions for Future Research

Future research could expand on this study by exploring currency risk management practices across a broader and more diverse range of emerging and developed markets. Including a larger and more varied sample would enhance the generalizability of results and allow for deeper comparative analysis between regions. Further investigation into sector-specific risk responses—such as manufacturing versus technology—could also yield more targeted insights. Longitudinal studies are recommended to track changes in firm behavior over time, especially in response to macroeconomic shocks or evolving regulatory landscapes. Moreover, future research could adopt

a mixed-methods design that balances large-scale quantitative surveys with in-depth case studies to gain a more holistic understanding of organizational practices. Investigating the role of digital tools, AI-based forecasting, and fintech solutions in FX risk management could also prove valuable as firms increasingly rely on real-time analytics. Additionally, engaging with a wider array of stakeholders, including policymakers, SMEs, and regional financial institutions, would provide a more nuanced picture of the systemic factors influencing exchange rate risk management in emerging economies.

5.8 Chapter Summary

This chapter analyzed and interpreted the key findings from both quantitative and qualitative data, linking them to the existing body of literature on exchange rate risk management. It highlighted the practical significance of these findings for multinational firms, particularly in relation to financial instruments, operational strategies, and strategic planning. The discussion emphasized how firms adapt to currency volatility through a combination of proactive and reactive measures. Limitations of the study were acknowledged, including sample size and methodological constraints. Suggestions for future research were proposed to expand knowledge in this area. This sets the foundation for the concluding chapter that follows.

Chapter 6: Conclusion and Recommendations

6.1 Summary of Key Findings

This study revealed that exchange rate volatility significantly impacts the operational and financial stability of multinational companies, particularly those operating in emerging markets. Quantitative data indicated that over 60% of firms regularly experience moderate to significant profitability disruptions due to currency fluctuations, with industries such as manufacturing and technology being most affected. Hedging tools like swaps, forward contracts, and options are widely employed, but their effectiveness is often limited by regional accessibility and internal expertise. The qualitative interviews reinforced these findings, emphasizing the strategic importance of real-time currency monitoring, financial modeling, and integration of risk assessments into long-term investment decisions. Firms that combined financial hedging with operational strategies—such as local sourcing and multi-currency pricing—were more resilient to currency shocks. Additionally, the challenges faced by firms in emerging markets, including limited access to financial instruments and regulatory constraints, highlight the urgent need for tailored risk management approaches.

6.2 Addressing the Research Objectives

The study successfully addressed all five research objectives outlined in Chapter 1. Firstly, regarding the impact of exchange rate fluctuations on profitability, quantitative findings showed that 33.3% of firms reported moderate effects, while 25.9% experienced significant impacts. Qualitative insights further confirmed that exchange rate volatility disrupts pricing strategies and profit margins, especially in politically unstable regions. Secondly, the challenges faced by firms in emerging markets were clearly highlighted—limited access to hedging instruments, regulatory barriers, and lack of internal expertise were identified as major constraints. Thirdly, the study explored risk management strategies, with data showing that firms employ swaps (36.1%), forward contracts (29.6%), and options (25.9%), though many reported limited access to these tools. Fourth, the research examined pricing adaptations, revealing that 33.3% of firms adjust prices quarterly and 27.8% respond to currency depreciation through strategic pricing changes. Finally, the role of risk management in competitiveness was validated, with regression analysis showing a strong correlation between effective risk practices and sustained financial performance.

6.3 Contributions to Knowledge and Theory

This study makes significant contributions to both theoretical understanding and empirical knowledge concerning exchange rate fluctuations and their impact on international business. It extends the practical relevance of core financial theories such as Purchasing Power Parity (PPP), Interest Rate Parity (IRP), and the Balance of Payments (BoP) Theory by applying them to real-world decision-making in multinational corporations. The findings demonstrate how these theories are reflected in firms' hedging behaviors, pricing strategies, and investment decisions, particularly under conditions of currency instability in emerging markets. Notably, the study introduces a refined conceptual framework that links exchange rate volatility with firm profitability and competitiveness through mediating variables such as pricing adaptations and risk management strategies. This model bridges the gap between abstract economic theory and tangible business practice. Furthermore, the research fills a major empirical void by offering sector-specific insights into manufacturing, energy, and technology industries, which have been underrepresented in previous studies.

6.4 Practical Implications for SME Owners

The findings of this study offer valuable, actionable insights for small and medium-sized enterprise (SME) owners seeking to navigate the challenges of exchange rate fluctuations in international markets. One key strategy is the adoption of local sourcing, which helps reduce dependence on imported inputs that are vulnerable to currency depreciation, thereby stabilizing cost structures. SMEs are also encouraged to implement simplified financial hedging tools, such as basic forward contracts or pooled hedging arrangements facilitated by trade associations or local financial institutions. While complex instruments may be out of reach, even basic hedging can provide a degree of predictability in cash flows. Furthermore, the research highlights the importance of pricing flexibility—SMEs should frequently review and adjust prices in response to currency shifts, using mechanisms like flexible pricing bands or value-based pricing models to remain competitive. In regions where formal hedging tools are limited, cost-effective strategies such as holding revenue in local currency, renegotiating payment terms, or collaborating with local suppliers can help mitigate currency risk.

6.5 Policy Recommendations

To support businesses in managing exchange rate volatility, especially in emerging markets, governments and financial regulators must adopt proactive and inclusive policy measures. Firstly, improving access to hedging tools is essential. This can be achieved by developing local financial markets, simplifying the regulatory approval for derivative products, and encouraging commercial banks to offer SME-friendly hedging services with lower entry barriers. Secondly, policymakers should invest in strengthening currency forecasting infrastructure by funding the development of publicly accessible platforms that provide real-time exchange rate data, economic indicators, and scenario modeling tools to support business decision-making. Additionally, financial incentives or subsidies—such as tax relief on hedging costs or government-backed risk-sharing schemes—can encourage SMEs to adopt formal currency risk management strategies. Governments should also foster public-private partnerships aimed at increasing financial literacy and awareness of foreign exchange (FX) risks. This could include collaboration with chambers of commerce, trade associations, and academic institutions to deliver workshops, online training, and advisory services tailored to SMEs, thereby enhancing resilience across the business landscape.

6.6 Limitations of the Study

While this study offers meaningful insights into how multinational companies manage exchange rate fluctuations, several limitations must be acknowledged. Firstly, the sample size—though sufficient for exploratory mixed-methods research—was relatively limited to 108 quantitative and 10 qualitative participants, which may restrict the generalizability of the findings. Additionally, the geographic and sectoral focus was confined to multinational firms operating in emerging markets and concentrated within the manufacturing, energy, and technology sectors. As a result, the outcomes may not fully reflect the experiences of companies in other industries or more stable economic regions. Secondly, the study relied heavily on self-reported data from financial managers and executives, which can introduce bias due to subjective perceptions, selective disclosure, or social desirability. Thirdly, time and resource constraints limited the breadth of data collection, particularly in terms of longitudinal tracking or deeper comparative case studies across regions. Future research should aim to expand the scope and include more diverse respondents to increase the robustness and applicability of findings.

6.7 Recommendations for Future Research

Building on the insights of this study, several avenues for future research are recommended to deepen and broaden understanding of exchange rate risk management. Firstly, future studies should expand the sectoral scope by including industries such as services, agriculture, retail, and tourism, which may face unique challenges in managing currency volatility due to differing cost structures and revenue models. Secondly, longitudinal research is necessary to examine how the impact of exchange rate fluctuations evolves over time, especially in relation to sustained profitability, market entry decisions, and investment cycles. This would offer a dynamic perspective beyond the cross-sectional snapshot provided here. Thirdly, with the rise of digital finance, future investigations should explore how AI-driven forecasting tools and fintech platforms are transforming risk prediction, hedging efficiency, and real-time decision-making. Finally, more comparative research is needed to contrast the currency risk strategies of SMEs versus MNCs, particularly how size, resources, and institutional access influence their ability to respond effectively to exchange rate movements in both developed and emerging economies.

6.8 Final Conclusion

In today's increasingly interconnected global economy, currency risk remains a critical and unavoidable factor that can significantly shape the trajectory of international business operations. As this study has demonstrated, exchange rate volatility poses direct threats to profitability, pricing, and competitiveness—especially for firms operating across borders in emerging markets. Effectively navigating this volatility requires more than reliance on financial instruments alone; it demands a strategic fusion of financial tools, operational flexibility, and long-term foresight. Companies that integrate risk management into their core business models—through proactive hedging, adaptive pricing, and real-time monitoring—are better positioned to sustain stability amid global uncertainty. However, addressing the full scope of currency challenges is not the responsibility of firms alone. A collaborative effort involving policymakers, financial institutions, and academic researchers is essential to foster robust infrastructure, enhance financial literacy, and ensure equitable access to risk mitigation tools. Only through this collective engagement can global businesses build resilience and thrive amidst the complex dynamics of international currency markets.

Glossary

Term	Definition
Exchange Rate	The value of one currency for the purpose of conversion to another.
Hedging	A financial strategy used to reduce or manage the risk of adverse price movements, including currency fluctuations.
Multinational Corporation (MNC)	A company that operates in multiple countries, managing production or delivering services internationally.
Emerging Markets	Economies that are in the process of rapid growth and industrialization, often with less mature financial systems.
Purchasing Power Parity (PPP)	An economic theory that compares different countries' currencies through a "basket of goods" approach.
Interest Rate Parity (IRP)	A theory stating that the difference in interest rates between two countries is equal to the expected change in exchange rates.
Translation Risk	The risk of currency exchange rate changes affecting the value of a company’s financial statements.
Forward Contract	A financial derivative that locks in the price or exchange rate of an asset for a future date.
Operational Hedging	A non-financial strategy that involves diversifying operations to naturally offset currency risk.
Currency Volatility	The degree of variation in exchange rates over a specific period, often due to economic or political factors.

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Appendix

Survey Questionnaire

1. **What is your current job role?**
    - Financial Manager
    - Treasury Analyst
    - CFO / Senior Executive
    - Risk Management Officer
    - Other
2. **In which sector does your company primarily operate?**
    - Manufacturing
    - Energy
    - Technology
    - Other
3. **Which emerging market region does your company mainly operate in?**
    - Southeast Asia
    - Latin America
    - Africa
    - Middle East
    - Other
4. **How frequently does your company face financial impacts due to exchange rate fluctuations?**
    - Rarely
    - Occasionally
    - Frequently
    - Very Frequently
5. **To what extent has exchange rate volatility affected your company's profitability in the past 3 years?**

- Not at all
- Slightly
- Moderately
- Significantly
- Extremely

6. **What is your company's primary financial hedging tool?**

   - Forward Contracts
   - Options
   - Swaps
   - We don't use financial instruments

7. **How effective do you consider your company's current exchange rate risk management strategy?**

   - Not effective
   - Slightly effective
   - Moderately effective
   - Very effective
   - Extremely effective

8. **Which operational strategy does your company most frequently use to mitigate currency risks?**

   - Geographic diversification
   - Local sourcing
   - multi-currency pricing
   - None applied

9. **How does your company respond to currency depreciation in a key market?**

   - Adjust product pricing
   - Shift operations
   - Reduce market exposure
   - No specific response

10. What percentage of your company's revenue is affected by currency translation risk?

- Less than 10%
- 10%–25%
- 26%–50%
- More than 50%

11. How accessible are financial hedging instruments (e.g., options, swaps) in your operating region?

- Very accessible
- Somewhat accessible
- Limited access
- Not accessible at all

12. How regularly do your company review and adjust its pricing based on exchange rate movements?

- Never
- Annually
- Quarterly
- Monthly or more frequently

13. How confident are you in forecasting future currency movements in your region?

- Not confident
- Slightly confident
- Moderately confident
- Very confident

14. Does your company integrate exchange rate risk into long-term investment decisions?

- Yes, always
- Sometimes
- Rarely
- Never

15. **What is the greatest challenge in managing exchange rate risk in your organization?**
    - High volatility in emerging markets
    - Limited access to financial tools
    - Lack of internal expertise
    - Regulatory constraints
16. **"How frequently does your organization review and updates its currency risk management policies?"**
    - Never
    - Every 1–2 years
    - Annually
    - Semi-annually
    - Quarterly or more frequently
17. **"Any additional information you would like to add?" (Open-ended text box)**

Interview Questionnaire

1. How does your organization evaluate and respond to the financial impact of exchange rate fluctuations on profitability and strategic planning?
2. What are the primary strategies—both financial and operational—that your firm employs to mitigate currency risk?
3. How does your company approach pricing decisions in foreign markets affected by volatile exchange rates?
4. What challenges have you faced in managing exchange rate risks in emerging markets, and how have you overcome them?
5. How are exchange rate risks integrated into your company's long-term investment or expansion plans?
6. Can you describe how your company monitors, reports, and internally communicates exchange rate exposures and mitigation actions?
7. How do you manage future currency hedging and what timeframe do you normally apply when using this i.e. 3 months, 6 months etc.