



Determination of Indian Rupee / US Dollar Exchange Rate using Monetary Approach - A Review Paper

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Abstract

The present study attempts to evaluate the literature on determination of exchange rate under monetary framework. The review of literature was carried out for developed countries, developing countries and India. One can interpret from the review that monetary approach to determine exchange rate offers valid model in the long-run. Though the predictability of the model is doubtful in the short run, it certainly provides valuable information on exchange rate determination based on value of money stock, inflation expectation, interest rates differential and relative output.

Keywords: Exchange rate, monetary model, India.