

"A man is
great by
deeds, not by
birth"

-Chanakya

Welcome to IIMK



INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Working Paper

IIMK/WPS/503/FIN/2022/01

March 2022

Effect of Foreign Exchange Interventions on Corporate Hedging Activities: Evidence from Indian Firms

Ekta Sikarwar¹

¹Assistant Professor, Finance, Accounting & Control Area, Indian Institute of Management Kozhikode, IIMK Campus PO, Kunnamangalam, Kozhikode, Kerala 673 570, India; Email - ekta@iimk.ac.in, Phone Number - 0495-2809676

Effect of Foreign Exchange Interventions on Corporate Hedging Activities: Evidence from Indian Firms

Abstract

This study investigates the effect of foreign exchange interventions on corporate hedging. Using a sample of 419 Indian firms over the period 2001-2019, the results report that firms leave their exposure unhedged or partly hedged in response to high forex intervention. This indicates that firms consider interventions as a guarantee against sharp exchange rate fluctuations. Additionally, the effects of positive and negative interventions on hedging are asymmetric and, vary for importers and exporters. These findings offer important insights and implications for firm managers as well as policy makers.

Research Office

Indian Institute of Management Kozhikode

IIMK Campus P. O.,

Kozhikode, Kerala, India,

PIN - 673 570

Phone: +91-495-2809237/ 238

Email: research@iimk.ac.in

Web: <https://iimk.ac.in/faculty/publicationmenu.php>

