



A Handbook on  
**INTERNATIONAL FINANCE  
AND  
FOREIGN EXCHANGE**

**Mrs. Nandini Jagannarayan**  
**Dr. P.G. Gopalakrishnan • Dr. T.A. Jayachitra**



**Certified as  
TRUE COPY**

**Principal**  
Ramkrishnan Jhunjhunwala College,  
Chalkopar (W), Mumbai-400086

**Himalaya Publishing House**  
ISO 9001:2015 CERTIFIED



# A HANDBOOK ON INTERNATIONAL FINANCE AND FOREIGN EXCHANGE

**PROF. (MRS.) NANDINI JAGANNARAYAN**

Assistant Professor,  
Head of Department of B.Com.,  
(Banking & Insurance),  
R.J. College of Arts, Science & Commerce, Ghatkopar,  
Mumbai - 86.

**DR. P.G. GOPALAKRISHNAN**

Retired Principal,  
S.L.W.S College,  
Wadala, Mumbai - 31.

**PROF. (DR.) T.A. JAYACHITRA**

Assistant Professor,  
Department of Economics,  
Avinashilingam Institute for Home Science for Women,  
Coimbatore - 43.

**Certified as  
TRUE COPY**

  
**Principal**

Ramniranjan Jhunjhunwala College,  
Ghatkopar (W), Mumbai-400086.



**Himalaya Publishing House**

ISO 9001:2015 CERTIFIED



© AUTHORS

No part of this publication shall be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording and/or otherwise without the prior written permission of the publisher.

**FIRST EDITION : 2022**

- Published by** : Mrs. Meena Pandey for Himalaya Publishing House Pvt. Ltd., "Ramdoot", Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004. Phone: 022-23860170, 23863863; Fax: 022-23877178  
E-mail: himpub@bharatmail.co.in; Website: www.himpub.com
- Branch Offices** :
- New Delhi** : "Pooja Apartments", 4-B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi - 110 002.  
Phone: 011-23270392, 23278631; Fax: 011-23256286
- Nagpur** : Kundanlal Chandak Industrial Estate, Ghat Road, Nagpur - 440 018. Nagpur - 440 018.  
Phone: 0712-2721215, 2721216
- Bengaluru** : Plot No. 91-33, 2nd Main Road, Seshadripuram, Behind Nataraja Theatre,  
Bengaluru - 560 020. Phone: 080-41138821; Mobile: 09379847017, 09379847005
- Hyderabad** : No. 3-4-184, Lingampally, Besides Raghavendra Swamy Matham, Kachiguda,  
Hyderabad - 500 027. Phone: 040-27560041, 27550139
- Chennai** : No. 34/44, Motilal Street, T. Nagar, Chennai - 600 017. Mobile: 09380460419
- Pune** : "Laksha" Apartment, First Floor, No. 527, Mehunpura, Shaniwarpath (Near Prabhat Theatre),  
Pune - 411 030. Phone: 020-24496323, 24496333; Mobile: 09370579333
- Lucknow** : House No. 731, Shekhupura Colony, Near B.D. Convent School, Aliganj,  
Lucknow - 226 022. Phone: 0522-4012353; Mobile: 09307501549
- Ahmedabad** : 114, "SHAIL", 1st Floor, Opp. Madhu Sudan House, C.G. Road, Navrang Pura,  
Ahmedabad - 380 009. Phone: 079-26560126; Mobile: 09377088847
- Cuttack** : Plot No. 5F-755/4, Sector 9, CDA Market Nagar, Cuttack - 753 014, Odisha. Mobile: 09338746007
- Kolkata** : 108/4, Beliaghata Main Road, Near ID Hospital, Opp. SBI Bank, Kolkata - 700 010.  
Phone: 033-32449649; Mobile: 07439040301
- DTP by** : Sudhakar Shetty (On behalf of HPH Pvt. Ltd.)
- Printed at** : Charita Impressions, Hyderabad (On behalf of HPH Pvt. Ltd.)

**Certified as  
TRUE COPY**

  
**Principal**

**Ramnirajan Jhunjhunwala College,  
Ghatkopar (W), Mumbai-400086.**



## ABOUT THE BOOK

This book presents all aspects of international monetary theory, foreign exchange markets, international financial management and investment analysis. The book is relevant to real world problems in the sense that it provides guidance on how to solve policy issues as well as practical management tasks. This in turn helps the reader to gain an understanding of the theory and refines the framework.

The book can be used in graduate and advanced undergraduate programmes in international or global finance, international monetary economics, and international financial management.

Topics covered include:

- an introduction to international finance and international financial environment
- foreign exchange markets and foreign exchange rates
- exchange rate regimes and international monetary systems
- international parity conditions
- balance of payments and international investment positions
- open economy macroeconomics
- balance of payments issues and exchange rate movements: the elasticity approach, the absorption approach, the monetary approach, and analysis of FDI and trade balance interactions
- models of exchange rate determination: the Mundell-Fleming model, the flexible price monetary model, the Dornbusch model, the real interest rate differential model, and the portfolio balance model
- global derivatives markets
- derivative financial instruments for foreign exchange risk management: currency futures, currency options, and currency swaps
- measurement and management of transaction exposure, economic exposure and accounting exposure
- country risk analysis and sovereign risk analysis
- foreign direct investment and international portfolio investment

## ABOUT THE AUTHORS

**Prof. (Mrs.) Nandini Jagannarayan** holds to her credit M.Phil. (Commerce), Master of Applied Finance (MAF) from University of Western Sydney, Australia and Masters in Economics with a Second distinction in University from Avinashilingam University, Coimbatore, Tamilnadu. Currently working as Assistant Professor, heading the B.Com Banking and Insurance (BBI) department of the R.J. College of Arts, Science and Commerce, Ghatkopar, Mumbai has extensive training and experience in Banking, Finance and Investments from India and abroad. Mrs. Nandini Jagannarayan co-authored 11 books in Finance with Dr. Gopalakrishnan. She has presented 11 research papers in various national and international level conferences, and has published 8 research papers.

**Dr. P.G. Gopalakrishnan** holds to his credit Masters in Law (Gold Medalist from Mumbai University), Masters in Commerce (Second in University merit), M.Phil. and Ph.D. in Commerce (Banking and Finance) from Mumbai University. He is a Research guide to M.Phil. and Ph.D. students, and claims to be senior student forever in life. He is also a Fellow Member of the Institute of Chartered Accountants of India (ICAI), an Associate Member of the Institute of Company Secretaries of India (ICSI) and Member of Indian Management Association. He has three decades of teaching and has varied experience of profession and industry. He is currently involved in various charitable, cultural and social activities.

**Dr. T.A. Jayachitra** is currently working as Assistant Professor in the Department of Economics, with Avinashilingam Institute for Home Science for Women, Coimbatore. Dr. Jayachitra holds her Ph.D. in the area of Banking and Finance. Her major areas of interest being research, has participated in various national and international level conferences. With her area of expertise in econometrics, she has published over 15 research papers in various national and international level journals. She is a recipient of ICSSR scholarship for her research activity.

www.himpub.com

ISBN: 978-93-5495-173-2



ISBN: 978-93-5495-173-2

Ramviranjan Jhunjhunwala College,  
Ghatkopar (W), Mumbai-400086.

₹ 798/-



© **Authors**

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording and/or otherwise without the prior written permission of the publisher.

**First Edition : 2017**

**Edition : 2018**

**Edition : 2019**

**Edition : 2021**

**Edition : 2022**

**Published by** : Mrs. Meena Pandey for Himalaya Publishing House Pvt. Ltd.,  
"Ramdoot", Dr. Bhalerao Marg, Girgaon, Mumbai - 400 004.  
**Phone:** 022-23860170, 23863863, **Fax:** 022-23877178  
**E-mail:** himpub@vsnl.com; **Website:** www.himpub.com

**Branch Offices** :

**New Delhi** : "Pooja Apartments", 4-B, Murari Lal Street, Ansari Road, Darya Ganj, New Delhi - 110 002. Phone: 011-23270392, 23278631; Fax: 011-23256286

**Nagpur** : Kundanlal Chandak Industrial Estate, Ghat Road, Nagpur - 440 018.  
Phone: 0712-2738731, 3296733; Telefax: 0712-2721216

**Bengaluru** : Plot No. 91-33, 2nd Main Road, Seshadripuram, Behind Nataraja Theatre, Bengaluru - 560020. Phone: 08041138821; Mobile: 09379847017, 09379847005

**Hyderabad** : No. 3-4-184, Lingampally, Besides Raghavendra Swamy Matham, Kachiguda, Hyderabad - 500 027. Phone: 040-27560041, 27550139

**Chennai** : New No. 48/2, Old No. 28/2, Ground Floor, Sarangapani Street, T. Nagar, Chennai - 600 012. Mobile: 09380460419

**Pune** : First Floor, "Laksha" Apartment, No. 527, Mehunpura, Shaniwarpet (Near Prabhat Theatre), Pune - 411 030. Phone: 020-24496323, 24496333; Mobile: 09370579333

**Lucknow** : House No. 731, Shekhupura Colony, Near B.D. Convent School, Aliganj, Lucknow - 226 022. Phone: 0522-4012353; Mobile: 09307501549

**Ahmedabad** : 114, "SHAIL", 1st Floor, Opp. Madhu Sudan House, C.G. Road, Navrang Pura, Ahmedabad - 380 009. Phone: 079-26560126; Mobile: 09377088847

**Ernakulam** : 39/176 (New No. 60/251) 1st Floor, Karikkamuri Road, Ernakulam, Kochi - 682011. Phone: 0484-2378012, 2378016; Mobile: 09387122121

**Bhubaneswar** : 5 Station Square, Bhubaneswar - 751 001 (Odisha).  
Phone: 0674-2532129; Mobile: 09338746007

**Kolkata** : 108/4, Bellaghata Main Road, Near ID Hospital, Opp. SBI Bank, Kolkata - 700 010. Phone: 033-32449649; Mobile: 07139940801

**DTP by** : Rakhi

**Printed at** : Rose Fine Art, Mumbai. On behalf of HPH.

**Certified as  
TRUE COPY**

**Principal**

**Ramniranjan Jhunjhunwala College,  
Ghatkopar (W), Mumbai-400086.**