

Research proposal writing

**THE IMPACT OF MONETARY POLICY ON EXCHANGE RATE
FLUCTUATIONS AND GLOBAL TRADE**

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Abstract

The Monetary policy significantly influences exchange rates and global trade due to the monetary shocks they come with. The monetary policies also influence a country's currency value, the costs of imports and exports, and global trade. Thus, policymakers and industry practitioners must understand the impact of monetary policy on exchange rate fluctuations and global trade. The proposed study will explore the relationship between monetary policy, exchange rates, and global trade to provide insights for policymakers and other policy players to make informed decisions to address the challenges and improve the economy.

The findings of the proposed study will be used to provide insights and guidance to policymakers and industry players to develop effective monetary policy and the general improvement of global trade. Furthermore, the study will be used to improve the existing literature on the impact of monetary policy on exchange rate fluctuations and global trade.

The proposed research will examine the existing gaps in the literature about the impact of monetary policy on exchange rates and global trade. Although there is existing literature about the impacts of monetary policy on the exchange rate and global trade, several gaps still exist about the topic. The gaps result from the difference in the regions where the studies were conducted. The impacts identified in some regions will not be similar to those of others due to the different geographic locations. In some areas, the studies may not be comprehensive; thus, the outcomes may not be reliable or applicable to other regions. The difference in policies, such as tariffs and quotas on importation and exportation, may also lead to a difference in research gaps. The proposed research will involve data collection, analysis, and interpretation to allow readers to understand the study. It will use mixed design to analyze the impacts of monetary policy on exchange rates and global trade. The mixed design involves qualitative and quantitative approaches.

The quantitative methods will be helpful for evaluations and statistical and numerical data analysis. The statistical and numerical data for the study will be acquired through surveys, questionnaires, and statistical data collected from secondary sources and calculative approaches. This approach will also focus on areas with statistical and numerical data supporting the intention to ensure stable, inclusive and convergent reasoning instead of divergent one. Meanwhile, the qualitative methods will focus on theoretical and inductive approaches to provide insights into the study's concepts. They will rely on the open-ended information gathered from the existing literature, such as reports from central banks, UNCTAD and World Bank, and other financial bodies. The outcomes of the studies cannot be statistically tested as the findings cannot be implied in different contexts apart from the studies analyzed on the reports or other secondary sources. The proposed study will employ the error connection and vector autoregression models to help establish the relationship between monetary policy, exchange rates, and global trade. The models will understand the relationships in-depth and determine the monetary policy's

impact. Furthermore, the models will help estimate the long-term and short-term effects of the monetary policy on exchange rates and global trade. The proposed study will utilize descriptive statistics in analyzing the trends and patterns of data collected from the research participants. The regression analysis will also be employed in the proposed study to help the researcher to estimate the impact of the monetary policy on the exchange rate and global trade. The qualitative analysis will help the researchers to analyze the responses collected from the interviews and surveys. The results from the analyzed data will be interpreted to help in the discussion section. The discussion will focus on the implications of policymakers and industry practitioners to inform their decisions that will stabilize the exchange rates and global trade activities. The analyzed data results will further help the researcher identify the study's limitations and make recommendations for future research.

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The Impact of Monetary Policy on Exchange Rate Fluctuations and Global Trade

Introduction

Global economies are interconnected; thus, any change in the economy of a region can affect other regions in the world. Therefore, the relationship between monetary policy, exchange rate and global trade has been perceived as a topic of interest that has attracted the attention of economists and researchers across the globe (Nicita, 2013). The topic demonstrates the internal operations of a country's economy and methods that can be adopted to limit the economic powers of a country. The global economy has experienced various financial crashes and booms from different factors. This has caused economists to consider monetary policy to have effects on the financial market (Nicita, 2013). There is considerable literature about monetary economics that creates a connection between monetary policies, exchange rates and global trade.

Comprehensively, the relationship between monetary policies, exchange rates and global trade has been determined as a valuable domain that encourages research with substantial economic practices across all economic sectors (Revelli, 2020). As per the doctrine of other policies, the development of monetary policies is an obligation of the government to create suitable conditions for economic growth and sustainability in the context of exchange and global rates (Bostan et al., 2018). It also increases the economic levels and standards of a country.

The Monetary policies significantly influence economic activities, including exchange rates and global trade, due to the monetary shocks they come with. The monetary policies also influence a country's currency value, the costs of imports and exports, and global trade. Thus, policymakers and industry practitioners must understand the impact of monetary policy on exchange rate fluctuations and global trade (Hayakawa and Kimura, 2008). The proposed study will explore the relationship between monetary policy, exchange rates, and global trade to provide insights for policymakers and other policy players to make informed decisions to address the challenges and improve the economy.

Background of the study

Monetary policies are crucial for the central banks to make decisions about the exchange rates of their respective countries. This is because the fluctuations in exchange rates have a ripple effect on the prices of imports and exports of a country and domestic businesses (Calomiris and Mamaysky, 2019). Therefore, most researchers, economists, and industry players have researched the impact of monetary policy on economic growth (Kang and Dagli, 2018). Still, little attention has been given to its impacts on exchange rates and global trade. There are still gaps in the existing literature about the impacts of monetary policy that need to be addressed.

The fluctuations in exchange rates and global trade have been happening in the global economy over the years. However, no standardized criteria and procedures are developed to help address these

challenges because different factors have been associated with the fluctuations (Mueller et al., 2017). Due to the difference in these factors, it has been difficult for the policymaker to monitor the economic activities and identify the problems (Pasricha, 2020). This makes obtaining the prevalence of the problems in the global economy challenging. However, it is essential to note that many of these challenges result from ineffective policies that guide business processes in a country's economic activities (Di Giovanni and Rogers, 2022). Despite the significant improvements in the existing policies, the fluctuations remain pervasive over the years due to the natural causes of recession and other factors contributing to the fluctuations.

In the global survey, many economies have been experiencing challenges in their policies, making them more vulnerable to fluctuations in the exchange rate. The persistently high incidences of inflation and recessions have prompted policymakers to review policies to adapt to the changing dynamics (Eugster et al., 2022). The policy failures may cause economic strains, affecting trade activities and the general economy. Therefore, the proposed study will investigate the existing gaps in the topic by investigating the impact of monetary policy on the fluctuations of exchange rates and global trade.

Research questions

The proposed study will evaluate the relationship between monetary policy, exchange rates, and global trade. Therefore, it will elucidate the perceptions of researchers and economists from different countries. The study outcomes will be implemented to guide the decision-making processes. The proposed study will further reveal the challenges of implementing monetary policies in various economies. Thus, the following research questions have been developed to help meet the objectives of the study;

- I. How does monetary policy affect exchange rate fluctuations?
- II. What are the effects of monetary policy on global trade?
- III. How does monetary policy affect global trade due to the fluctuations in the exchange rates?

Research objectives

The objectives of the proposed study are;

- a. To analyze monetary policies and their relationship with the exchange rates and global trade.
- b. To analyze and understand the impact of these monetary policies on the exchange rate fluctuations to guide appropriate decisions for the economies
- c. To investigate the effects of monetary policy on and make necessary recommendations on suitable policies.

Significance of the study

The findings of the proposed study will be used to provide insights and guidance to policymakers

and industry players to develop effective monetary policy and the general improvement of global trade. Furthermore, the study will be used to improve the existing literature on the impact of monetary policy on exchange rate fluctuations and global trade.

Literature review

The literature review of the proposed study will provide a holistic understanding of the concepts of monetary policy, exchange rate fluctuations, and global trade. These concepts are the core of all the operations as they determine how the exchange fluctuations and global trade can be addressed. The literature review will focus on the key concepts to comprehensively conduct the research methodology. It will be conducted in the context of different countries to help fulfill the posited research aims and objectives. Furthermore, the literature review will make the readers aware of the studies conducted by other scholars and academicians in the realm.

The literature review chapter of the proposed study will explore different intricacies of the impact of monetary policies on exchange rate fluctuations and global trade, including the contributing factors that would impact its implementation. The monetary policy has been regarded as a critical component of organizational operation. It is usually developed to ensure seamless and organized economic operations within government law prescribed by lawmakers and the respective regulatory bodies for extensive benefits to the interested parties (Kolasa, et al., 2022). The primary objective behind the monetary policy is to guide critical economic practices within defined structures and laws to ensure stability in global trade and stable exchange rates. The proposed study aims to critically evaluate the impact of monetary policy on the exchange rate and global trade. To better understand the topic, a review of existing literature is essential to give a clear background to help the researchers in the later phases of the study.

The implications of the exchange rate fluctuations on global trade

The exchange rate fluctuations have significant implications for global trade. For instance, an increase in a country's currency value against another country's currency value cause its import costs to be expensive for foreign buyers while its imports become cheaper for domestic buyers (Khan, 2020). As a result, it will lead to a reduction in exports and an increase in imports, having a negative impact on the country's balance of trade. However, a decrease in a country's currency against another country's currency value causes its exports to become cheaper for foreign buyers while its imports become expensive for the domestic buyer (Kohlscheen, 2011). Whenever this happens, there can be an increase in exports and a decrease in imports, positively impacting the country's balance of trade.

The fluctuations in exchange currency significantly influence the profitability of economies that participate in international trade. For instance, a company whose home currency is gaining value against the currency of a country it is trading with will have its exports expensive, decreasing its profit (Tarawalie

and Kpana, 2022). In contrast, a company whose home currency is decreasing in value will have its exports becoming cheaper, increasing its profitability. The fluctuations also impact consumer prices in that when a country's currency value decreases, the costs of the goods it imports increase, having a ripple effect on consumer prices (Tarawalie and Kpana, 2022). In contrast, a country whose currency appreciates will experience a reduction in the costs of imported goods, causing a reduction in consumer prices.

Generally, exchange rate fluctuations severely impact global trade and, ultimately, a country's balance of trade, the profitability of organizations participating in international trade, and the consumer prices of countries and organizations whose import and export costs are affected by the fluctuating exchange rates (Ncube et al., 2013).

Previous empirical studies

In this section, the proposed study will explore the existing literature on the impacts of exchange rates on global trade. The study will analyze the outcomes of various studies to allow the researchers to understand the trends of the implications of exchange rate fluctuations on global trade and develop effective policies that will ensure stability in the exchange rate.

Research gaps

Over the years, global trade has been experiencing challenges such as fluctuations in exchange rates on global trade. Several studies have been conducted on the topic; however, the outcomes have been inconsistent and inconclusive due to regional differences and the economic tools used in the studies. The fluctuations in exchange rates on global trade have been recognized as a significant problem affecting many countries globally. Thus, previous studies have aimed to find solutions to these problems and adopt effective policies to ensure success in global businesses. The primary focus of all the existing studies is to provide solutions applicable to all countries' business environments and achieve uniformity in the stability of the exchange rates and global trade.

The existing studies have encouraged governments to adopt suitable policy structures and mechanisms to ensure high performance in global trade and stable exchange rates. The research gaps in the proposed study define how monetary policies should be adopted by both small and big businesses to enjoy their benefits. Learning about these gaps in literature provides insights into addressing the challenges and ensuring stability in the exchange rates and the global business. It is essential for policymakers to determine the dominant businesses in their respective countries and to make policies that are effective in their markets.

There has been a large number of articles and literature related to the topic; however, most of them are focused on other perspectives that do not directly address the impacts of monetary policy on exchange rates and global trade.

The researchers must conduct comprehensive investigations on different regions to establish the factors contributing to the fluctuations of foreign exchange and global trade and help develop customized policies for regions to address the specific issues. Few studies have been limited to the nature of businesses and not the causes of the fluctuations. Further studies have focused on the effects of fluctuations in exchange rates without examining the country's overall political and economic conditions.

The proposed research will examine the existing gaps in the literature about the impact of monetary policy on exchange rates and global trade. Although there is existing literature about the impacts of monetary policy on the exchange rate and global trade, several gaps still exist about the topic. The gaps result from the difference in the regions where the studies were conducted. The impacts identified in some regions will not be similar to those of others due to the different geographic locations (Khordehfrush Dilmaghani and Tehranchian, 2015). In some areas, the studies may not be comprehensive; thus, the outcomes may not be reliable or applicable to other regions. The difference in policies, such as tariffs and quotas on importation and exportation, may also lead to a difference in research gaps.

Furthermore, the gaps may result from the difference in the econometric models applied in the studies. While some models capture detailed information, including the complex relationship between monetary policy, exchange rates, and global trade, some models capture shallow information for the study, thus, unpredictable outcomes. The study will engage more robust econometric models that capture complex relationships between monetary policy, exchange rates, and global trade to address the challenges and the identified literature gaps.

Research Methodology

The principal intent of the proposed study methodology is to explain the processes to conduct the research to achieve specific goals. Analyzing a broader concept about the samples, procedures for the study, and the practices utilized to address the research concerns is critical. The methodology chapter provides detailed factors of the research to help the readers fully understand the intention of the research. Therefore, research methodology is the path towards authenticating various steps the researcher applies to inspect the known and unknown pertinent concerns.

The research methodology for the proposed study will help analyze the theoretical statements used in the research and present information about the research methods used. Although several scientific tools are available to examine research problems, they have limitations to some constraints and their potential to examine some problems. Therefore, the logical options available for the research methodologies are deducing the proper inferences and responding to different research-related questions.

Research design

The proposed research will involve data collection, analysis, and interpretation to allow readers to

understand the study. The proposed research will use mixed design to analyze the impacts of monetary policy on exchange rates and global trade. The mixed design involves qualitative and quantitative approaches.

The quantitative method

The proposed study will use quantitative methods for purposeful evaluations and statistical and numerical data analysis. The statistical and numerical data for the study will be acquired through surveys, questionnaires, and statistical data collected from secondary sources and calculative approaches. The quantitative approach will focus on areas with statistical and numerical data supporting the intention to ensure stable, inclusive and convergent reasoning instead of the divergent one.

Qualitative methods

Qualitative methods focus on theoretical and inductive approaches to provide insights into the study's concepts. The qualitative methods will rely on the open-ended information gathered from the existing literature, such as reports from central banks, UNCTAD and World Bank, and other financial bodies. The outcomes of the studies cannot be statistically tested as the findings cannot be implied in different contexts apart from the studies analyzed on the reports or other secondary sources.

The proposed study will implement a qualitative approach to data collection through observation and semi-structured interviews of various financial experts and officials in a country to address the research goals effectively. The methodology chapter of the proposed study will consider the defined motives, research questions, research approaches, strategies, and paradigm with the research design. The subsequent processes will determine the data collection method, sampling, identification of the sample sizes and data analysis tools for the proposed research.

The proposed study will also employ the quantitative research design with econometric methods to analyze the data collected. The data to be utilized in the proposal will be collected from secondary sources such as World Bank reports, the international monetary fund, and the central banks of various countries.

Data collection and analysis

The proposed study will connect data about monetary policy, exchange rates, and global trade. The data collection for the study will involve reviewing secondary sources such as world bank reports, central banks, and international monetary fund databases, and primary data collection through semi-structured surveys and interviews with policymakers, industry practitioners, and financial experts. The data analysis for the proposed study will utilize econometric models, descriptive statistics, and regression analysis.

The study will collect data from economies with varying economic development and monetary policy frameworks. The data for the proposed study will be collected within 15 years (2008-2023) to help

understand the dynamics in various economies globally.

Econometric models

The proposed study will employ the error connection and vector autoregression models to help establish the relationship between monetary policy, exchange rates, and global trade. The models will create an in-depth understanding of the relationships and determine the monetary policy's impact (Arratibel and Michaelis, 2014). Furthermore, the models will help estimate the long-term and short-term effects of the monetary policy on exchange rates and global trade.

Interviews and surveys

The interview and surveys will be conducted with the policymakers, experts in the financial sector, and industry practitioners from different countries. The surveys and interviews will provide the researcher with insights into the impact of monetary policy on exchange rate fluctuations and global trade. The interviews and surveys will respond to the role of monetary policy in achieving the goals and objectives of the study as well as challenges that the policymakers experience when managing the exchange rates and global trade.

Data analysis and results

The proposed study will utilize descriptive statistics in analyzing the trends and patterns of data collected from the research participants. The regression analysis will also be employed in the proposed study to help the researcher to estimate the impact of the monetary policy on the exchange rate and global trade. The qualitative analysis will help the researchers to analyze the responses collected from the interviews and surveys.

Discussion and implications

The results from the analyzed data will be interpreted to help in the discussion section. The discussion will focus on the implications of policymakers and industry practitioners to inform their decisions that will stabilize the exchange rates and global trade activities. The analyzed data results will further help the researcher identify the study's limitations and make recommendations for future research on the topic.

Conclusion

This section will summarize the study's findings and the contributions of the literature analyzed in the study. This section will also summarize the study's implications on policymakers and industry practitioners.

	Q1	Q2	Q3	Q4
Year 1	Review of existing literature	Data collection	Development of economic models	Preliminary analysis
Year 2	Refining the economic models	statistical analysis of data	Interpretation of the results of data analysis	Writing the research paper
Year 3	Completing research writing	submission of completed research	Presentation of research findings to the academic board	Sharing research findings with industry practitioners

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