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Analyzing The Impact of Exchange Rate Volatility on India's Gems and Jewelry Industry

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Abstract

This study investigates the impact of exchange rate volatility on India's gems and jewelry industry, a vital sector contributing significantly to the country's export earnings. Using secondary data from 2010 to 2020, the research evaluates how currency fluctuations influence trade performance, export destinations, and competitiveness. The findings reveal that while exchange rate movements present operational challenges, their effect on export volumes remains minimal and statistically insignificant. India's jewelry exports have remained stable due to strong external demand, diversified product offerings, and strategic market positioning. The analysis also highlights a continued trade deficit with raw material sources like Belgium, yet India's competitive advantages in craftsmanship, scale, and adaptability have helped maintain its global trade strength. This paper concludes that exchange rate volatility is not the primary driver of performance in this sector but remains a relevant factor for strategic risk management.

Keywords; Exchange rate volatility, Gems and jewelry, Export competitiveness, Trade balance, India.

INTRODUCTION

Exchange rate volatility plays a crucial role in shaping the performance of India's gems and jewelry industry, particularly due to its strong dependence on international trade. As a key exporter, the sector is highly sensitive to fluctuations in currency values, especially the INR/USD rate. This volatility introduces multiple forms of risk—transactional, translational, and economic—which directly affect profitability, pricing, and strategic planning.

The relationship between exchange rate movements and stock returns in this industry has shown to be dynamic, particularly during periods of financial stress such as the 2007–2008 global crisis. These linkages reflect how shifts in the currency market can influence market performance and investor behavior. Past research highlights that exchange rate instability not only impacts trade flows but also influences investor confidence, often due to broader macroeconomic factors like inflation, interest rates, and regulatory outlooks.

Given India's reliance on global trade, managing exchange rate risk becomes essential for sustaining growth and competitiveness in the gems and jewelry sector. The study aims to analyze the INR/USD volatility across different economic phases to understand its broader implications on the industry.

Problem Statement

Exchange rate volatility arises from fluctuations in a country's currency value influenced by factors such as interest rates, inflation, political conditions, and overall economic performance. These fluctuations pose significant challenges for industries engaged in international trade, particularly the gems and jewelry sector in India. Given its export-oriented nature and reliance on imported raw materials like gold and rough diamonds, the industry is especially exposed to currency risk.

Despite the critical need for managing exchange rate exposure, Indian firms face structural limitations. Access to sophisticated hedging tools remains limited due to regulatory restrictions and underdeveloped financial markets, unlike in more advanced economies. This issue is compounded by the higher volatility of emerging market currencies like the Indian Rupee, which experiences more abrupt and unpredictable movements compared to stable currencies such as the US Dollar or Euro.

Operating on thin margins, especially in manufacturing and export segments, the industry lacks the financial buffer to absorb such shocks. This study investigates the extent of exchange rate volatility's impact on India's gems and jewelry sector, identifies current gaps in risk management, and suggests measures to strengthen resilience against currency fluctuations.

Research question

a. How does exchange rate volatility impact the financial performance and pricing strategies of India's gems and jewelry industry?
b. How do Indian gems and jewelry exporters manage currency risk compared to their global competitors?
c. What are the effects of government policy changes, such as import duties and trade agreements, on the growth and competitiveness of India's gems and jewelry industry?

Research Objectives

a. To assess the impact of exchange rate volatility on the financial performance and export competitiveness of India's gems and jewelry industry.
b. To evaluate the key differences in currency risk management practices between Indian gems and jewelry exporters and their global counterparts, selected countries.
c. To analyze how policy interventions, such as import duties, trade agreements, and government incentives, influence the strategies and growth of India's gems and jewelry industry.

Significance of the Study

This study addresses the broader implications of exchange rate volatility on India's gems and jewelry industry, extending beyond individual firms to its macroeconomic impact and global trade competitiveness. Currency fluctuations influence key operational areas such as pricing, cash flow, logistics, and revenue management. Understanding these effects at a detailed level can support businesses in minimizing risk and improving financial planning.

The findings aim to inform policymakers on how exchange rate volatility affects export-oriented sectors. While India has employed tools such as capital controls, monetary policy shifts, and forex interventions to manage currency instability, these measures involve trade-offs. This research underscores the importance of strategic policy design, suggesting that both trade and financial openness can help buffer the adverse effects of exchange rate fluctuations. Moreover, it highlights that policy responses must consider the non-linear nature of volatility impacts—particularly the diminishing returns of aggressive stabilization efforts at lower volatility levels.

Exchange Rate Volatility

Exchange rate volatility refers to fluctuations in the value of one currency relative to another, which can significantly influence both the operational cash flows and overall valuation of firms. These fluctuations are particularly relevant for export-oriented industries such as India's gems and jewelry sector. Economic theory suggests that exchange rate movements can directly affect stock prices, especially for companies engaged in international trade or dependent on imported inputs (Grambovas et al., 2006). Indirect effects are also evident for domestic firms competing with imported goods, as volatility impacts the cost structure and pricing strategies across sectors.

The sensitivity of firm performance to currency movements has attracted the attention of economists, policymakers, and business leaders due to its implications for competitiveness and profitability. In countries like India, where trade plays a crucial role in economic growth, foreign exchange instability can affect household income, consumption patterns, firm-level investment, employment, and broader fiscal and monetary policies (Adebiyi, 2006).

Afza et al. (2014) further observed that as firms in the gems and jewelry industry expand into international markets, they not only gain profitability but also face increased exposure to financial risks. Consequently, effective risk management strategies are essential to mitigate the variability in cash flows arising from foreign exchange fluctuations and to maintain financial stability in a competitive global environment.

Foreign Exchange Risk and Exposure

Foreign exchange exposure arises from fluctuations in exchange rates, affecting the revenues, costs, and overall

financial performance of firms engaged in cross-border operations. This risk is particularly relevant for the gems and jewelry industry, which relies heavily on exports and imported raw materials. Currency volatility can impact profitability, asset valuations, liabilities, and investment decisions by creating uncertainty in cash flows (Adler et al., 1984). Even under stable exchange rate regimes, exposure may exist without immediate risk. Companies engaged in international trade—whether SMEs or multinationals—must understand and manage these exposures to safeguard against adverse financial outcomes. In this context, foreign exchange exposure is typically categorized into three types: accounting (translation), transaction, and operating (economic) exposure. Each reflects different dimensions of risk and requires distinct strategies for measurement and mitigation.

Table 1 Types of Foreign Exchange Exposur

Type of Exposure	Definition	Key Characteristics	Management Techniques
Accounting Exposure	Also called translation exposure; arises from converting financial statements of foreign subsidiaries.	Affects consolidated equity due to currency translation in reporting.	Hedging with forward contracts; adjusting capital structure or pricing strategy.
Transaction Exposure	Arises from contractual obligations denominated in foreign currencies.	Involves changes in cash flows of existing contracts after exchange rate changes.	Forward contracts, options, or swaps; timing of payments and receipts.
Operating Exposure	Also called economic or strategic exposure; impacts future expected cash flows.	Arises from long-term shifts in exchange rates affecting competitiveness and strategy.	Strategic planning; diversification; top-down or bottom-up exposure assessment.

Table 2 Mechanisms of Exchange Rate Determination

Exchange Rate Regime	Key Features	Mechanism	Examples / Application
Fixed Exchange Rate	Currency is pegged to another currency or a basket of currencies.	Central bank maintains a fixed value by intervening in the forex market—buying or selling currency to maintain the rate.	India (till early 1990s), Currency Boards, Eurozone (intra-union peg), Hard and Soft Pegs.
Floating Exchange Rate	Currency value determined solely by market forces—supply and demand.	Exchange rates fluctuate freely. Central bank does not intervene except in rare circumstances to correct extreme volatility.	USD, GBP, EUR (major economies today).
Managed Floating Rate	A hybrid of fixed and floating systems; allows market forces with occasional central bank intervention.	Exchange rate floats within a pre-defined band. Central bank intervenes when currency breaches thresholds to maintain stability.	India (post-1991), Singapore, Egypt, Romania.

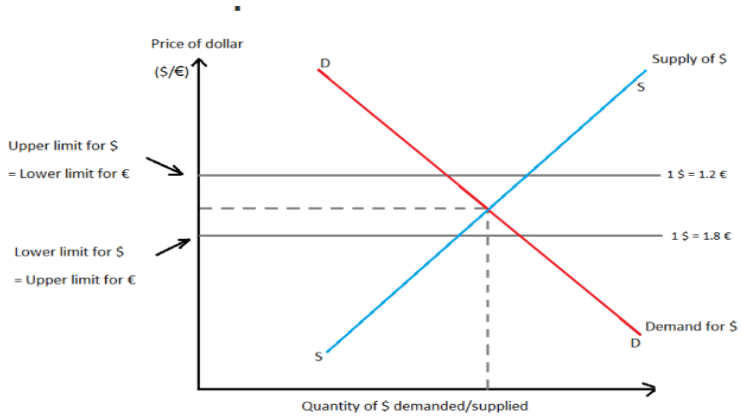

Figure 1 Mechanism of fixed exchange rate system
Source; (Scholarly Community Encyclopedia)

Gems and Jewelry Industry in India

The 'gems and jewelry' industry is a vital component of India's economy, contributing significantly to employment generation, foreign exchange earnings, and value addition. It is the country's second-largest foreign exchange earner after textiles and has consistently demonstrated steady growth. Diamonds constitute the bulk of India's gems and jewelry exports, reinforcing the nation's position as a global leader in diamond cutting and polishing—accounting for approximately 95% of the world's processed diamonds by volume.

The industry is predominantly fragmented, with about 80% of the market controlled by indigenous firms and family jewellers, many of whom operate in the informal sector. However, the emergence of branded retail outlets is gradually restructuring the market, promoting formalization and better organization. Cultural practices and traditions—particularly weddings and festivals—drive consistent domestic demand, while the affordability and labour-intensive nature of the sector make it highly export-oriented.

India's dominance in the global jewelry trade is further supported by its share in global consumption (29%) and its contribution to merchandise exports (16%). Between 2014 and 2019, the industry recorded a CAGR of 15.9%, aided by favourable trade policies, rising disposable incomes, and increased foreign direct investment (FDI) in gold and diamond segments.

Despite these strengths, the industry faces challenges related to regional design preferences and limited innovation in certain segments. The Government of India continues to promote "Brand India" through initiatives aimed at attracting advanced technologies, skilled labour, and investment. For long-term competitiveness, the sector must address structural inefficiencies and enhance productivity through innovation and modernization.

Exchange Rate Volatility and International Trade Competitiveness of the Gems and Jewelry Industry in India

India is a major player in the global gems and jewelry trade, contributing significantly to the country's foreign exchange earnings. According to Badiger Sivananthan (2019), the sector has earned priority status under India's export promotion strategies, having contributed approximately US$ 34.75 billion in FY14 alone. However, this industry's success is deeply intertwined with foreign exchange dynamics, as it relies heavily on both the import of raw materials like gold and diamonds and the export of finished products. With nearly 75% of its cash flows denominated in foreign currencies, the sector is particularly vulnerable to exchange rate fluctuations. Appreciation of the Indian Rupee results in reduced export earnings, while depreciation increases input costs, thereby narrowing margins. Additionally, global gold price volatility, to which domestic prices are aligned, intensifies the challenge, especially given jewellers' limited pricing flexibility. Retailers are often unable to pass on cost hikes to customers without risking a fall in demand. Literature generally suggests that exchange rate volatility has a negative effect on trade flows (Chowdhury, 1993; Arize, 1998; Chit et al., 2010), though a few exceptions argue for possible positive outcomes (De Grauwe, 1992). Furthermore, Dhasmana (2017) highlighted that firm-level investments are adversely affected by real exchange rate fluctuations, particularly when pricing power and trade exposure are low. Combined with increased online price transparency and intense competition, these factors have made the Indian gems and jewelry industry increasingly exposed to international currency risks, demanding robust hedging and financial risk management practices.

Table 3 Impact of Exchange Rate Volatility on India's Gems & Jewelry Industry

Component	Details
Contribution to Forex Earnings	~US$ 34.75 billion in FY14 (Badiger Sivananthan, 2019)
Import-Export Ratio	75% of total cash flows in foreign currencies
Major Raw Material	Gold – prices aligned with international markets
Pricing Flexibility	Limited; retailers often unable to transfer cost increases to consumers
Profit Margins	Moderate due to low value addition
Key Risks	Currency appreciation/depreciation, global gold price fluctuations, limited pricing power
Negative Trade Impact Evidence	Chowdhury (1993), Arize (1998), Chit et al. (2010)
Alternate Views (Possible Trade Boost)	De Grauwe (1992), Broll & Eckwert (1999)
Effect on Investment	Real exchange rate volatility reduces firm-level investment (Dhasmana, 2017)
Mitigating Factors	Foreign equity ownership reduces exchange rate impact; domestic equity access does not

CONCEPTUAL FRAMEWORK

Exchange rate volatility is a major outcome of a flexible exchange rate regime. As far as the study conducted by (Hooper et al., 1978), a theoretical explanation of the relationship between exchange rate volatility and international trade argued that higher exchange rate

volatility tends to enhance the cost for the risk-averse traders by taking extra risk of the exchange rate and creates an unpredictable condition in the movement of exchange rates, which is supposed to reduce trade. On the other side, there may be more trade under the uncertain situation to maximize current profit due to the expected fall in future profit, and this positive effect of exchange rate volatility is documented by De Grauwe (1988).

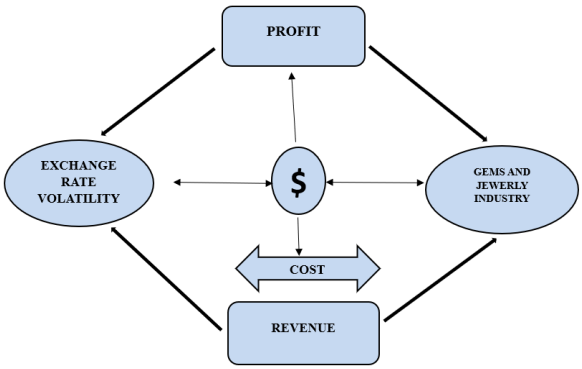

Figure 2 A conceptual framework showing the Impact of Foreign Exchange Volatility on the Performance of Multinational Corporations

Source: Created by the author

RESEARCH METHODOLOGY

The study adopts a quantitative research methodology relying primarily on secondary data to assess the impact of exchange rate volatility on India's gems and jewelry industry. Historical data on exchange rates and trade flows over a 10-year period (2010–2020) was collected from reputable sources such as the Reserve Bank of India (RBI), the Gems and Jewelry Export Promotion Council (GJEPC), and the Ministry of Commerce & Industry. The research focuses on six major trading partners with high export-import volumes: the United Arab Emirates, United States, Hong Kong, Belgium, Israel, and the United Kingdom.

A random sampling technique was employed to ensure unbiased representation. Data was processed and organized into Excel for analysis, where averages, trade balances, and exchange rate trends were computed. R was used for statistical analysis, including trend analysis, correlation, and regression to understand the relationship between exchange rate movements and trade performance. Ethical considerations were minimal, but data integrity and source credibility were ensured. The study was delimited to macroeconomic factors and the export-import segment, excluding smaller markets and non-exporting businesses.

Component	Description
Research Approach	Quantitative (Secondary Data Analysis)
Research Design	Historical and correlational analysis using trade and exchange rate data over a 10-year period
Study Population	Indian gem & jewelry exporters and major trade partners (UAE, USA, HK, Belgium, Israel, UK)
Sampling Method	Random sampling from 85 countries, selecting top 6 based on trade volumes
Sample Size	6 countries (2010–2020)
Data Sources	GJEPC, RBI, Ministry of Commerce, DGFT, World Gold Council, peer-reviewed journals
Data Analysis Tools	MS Excel (data cleaning & averaging), R (trend, correlation, regression analysis)
Key Techniques	Trend Analysis, Correlation, Regression
Ethical Considerations	Use of credible sources, proper citation, no data manipulation
Delimitations	Focus on export-import sector, macroeconomic factors only, excluded small markets and primary data

DATA ANALYSIS AND RESULTS

This section presents a detailed examination of how fluctuations in exchange rates relate to India's gems and jewelry trade, using secondary data collected from reliable sources spanning 2010 to 2020. The analysis centers on India's major trade partners—UAE, Hong Kong, USA, Belgium, Israel, and the UK. The focus is on identifying patterns in exports, imports, and trade balances, and interpreting whether currency volatility has any observable impact on trade performance over the period studied.

Descriptive Statistics

To begin, country-wise average values for exports, imports, and trade balances were computed for the ten-year period.

Table 4 Country-wise average exports, imports, and trade balance (2010–2020)

Country	Average export (INR crores)	Average import (INR crores)	Trade balance (export-import)
United Arab Emirates	85,197.06	44,295.93	+40,901.13
Hong Kong	59,069.13	25,996.83	+33,072.30
United States of America	44,221.01	7,087.36	+37,133.65
Belgium	12,885.99	38,663.69	-25,777.71

Key observations include:

a. The UAE emerged as India's most significant trading partner in terms of exports, maintaining a strong trade surplus.

b. Positive trade balances were also recorded with Hong Kong, USA, and Israel, while Belgium and the UK reflected persistent deficits.
c. The largest trade surplus was with the UAE, followed by the USA.

This distribution underscores the strategic importance of the Middle Eastern and North American markets to India's gems and jewelry sector.

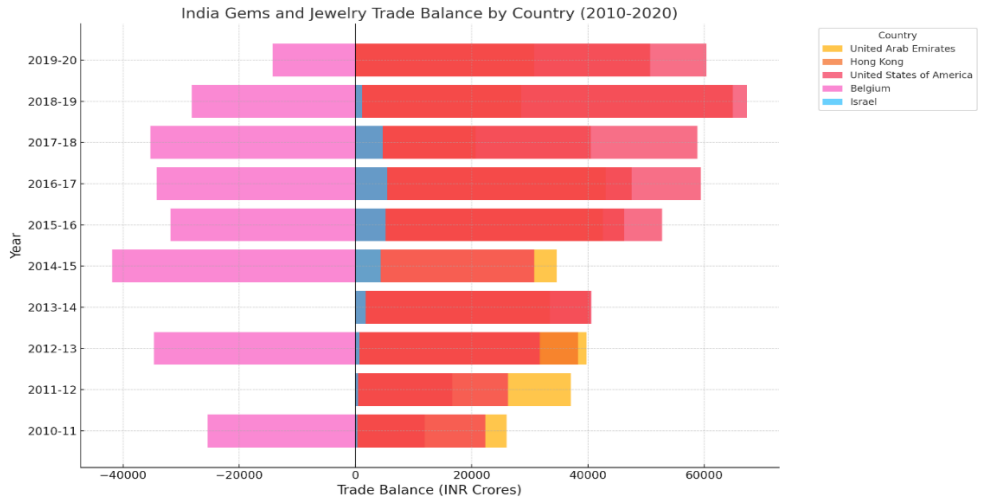

Figure 3 Country-wise trade balance (2010–2020)

Source: GJEPC

Further analysis revealed year-wise trade performance:

a. UAE, Hong Kong, USA, and Israel consistently contributed to India's surplus.
b. Belgium showed a consistent trade deficit due to India's import of rough diamonds.
c. In some years, especially post-2015, the gap narrowed, likely due to sourcing changes and lower diamond imports.

The data suggests that trade balances are sensitive to both international events and currency-related dynamics.

Trend Analysis

The trend analysis highlights change in export and import behavior across countries, providing insight into how trade has evolved alongside currency fluctuations.

Export Trends

Figure 4 Country-wise average exports of Indian gems and jewelry (2010-2020)

Source: GJEPC

Key patterns

a. UAE maintained dominance throughout, with a temporary slump during 2012–2014, possibly linked to INR-USD volatility.
b. Hong Kong saw strong growth till 2017, followed by a decline attributed to regional unrest and pandemic-related disruptions.
c. USA displayed a steady upward trend, indicating strong and stable demand regardless of exchange rate fluctuations.
d. Belgium showed no clear trend, reflecting volatility and niche dependence.
e. Israel remained stable, albeit with smaller export volumes.

From a strategic standpoint, the UAE and USA have proven to be India's most reliable export destinations.

Import Trends

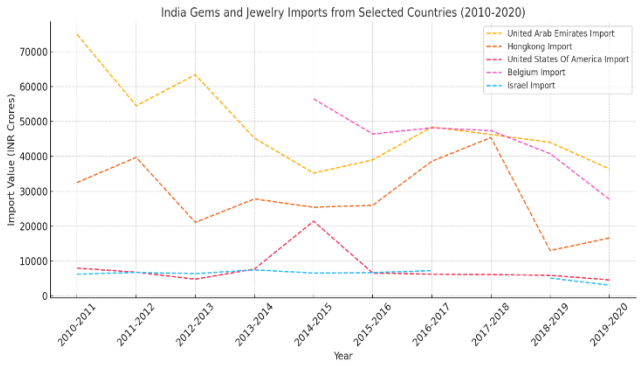

Figure 5 Country-wise average imports of Indian gems and jewelry (2010-2020)

Source: GJEPC

Highlights:

a. Belgium led in imports, reflecting India's dependency on rough diamonds.
b. Imports from UAE and Hong Kong were volatile, peaking around 2012 but dropping after policy and exchange rate shifts.
c. USA remained a minor import source, strengthening India's trade surplus.
d. Israel imports remained limited and stable.

Overall, imports responded more sharply to exchange rate fluctuations than exports, particularly during the 2013–2015 period.

Key Observations from Trade Trends

a. Trade values fluctuated the most during 2013–2014 and 2018–2019, coinciding with high currency volatility.

b. USA exports were least affected, suggesting product strength and steady demand.

c. The decline in Hong Kong exports in later years points to regional instability and changing trade routes.

d. The Belgium trade deficit continues due to India's reliance on raw diamond imports.

In summary, India's gems and jewelry sector is relatively resilient, but still exposed to external currency risks.

Correlation Analysis

To examine the statistical relationship between exports and imports, Pearson's correlation coefficient was used.

Table 5 Correlation between Total Exports and Imports (2010–2020)

VARIABLES	EXPORTS	IMPORTS
Exports (INR Crores)	+1.00	-0.14
Imports (INR Crores)	-0.14	+1.00

Positive correlation, Negative correlation

(Source: Author's calculations)

a. The correlation coefficient was -0.140, indicating a very weak negative relationship.
b. This suggests that exports and imports do not follow a shared linear pattern.
c. A weak inverse link may stem from the fact that imports (raw materials) and exports (finished goods) respond differently to market and exchange conditions.

Thus, India's gems and jewelry trade components are driven by distinct supply and demand forces rather than moving in tandem.

Regression Analysis

A simple linear regression model was used to explore how much exchange rate volatility (approximated through import changes) affects export performance.

Regression Model:

Export Performance = $\beta_0 + \beta_1$(Exchange Rate Volatility proxy) + ϵ

Table 6 Regression Output Summary

PARAMETER	VALUE
Intercept (β0)	74,352.21
Slope (β1)	-0.541
R-Squared (R^2)	0.0195
Adjusted R^2	-0.095
p-value for β1	0.646

(Source: Author's calculations)

Intercept (β_0): 74,352.21

Slope (β_1): -0.541

R^2: 0.0195

p-value: 0.646

Interpretation:

a. The slope suggests a very weak and statistically insignificant inverse relationship between imports (used as a volatility proxy) and exports.
b. The low R^2 implies the model explains less than 2% of export variation, meaning that other factors (not volatility) play dominant roles.

In essence, the regression results confirm the trend and correlation findings: exchange rate volatility has minimal direct effect on long-term export performance.

Comparative Analysis with Global Competitors

To assess India's relative position, trade practices were compared with Belgium, Hong Kong, and Israel.

Export Competitiveness

a. India maintains high and diverse exports (diamonds, gold, silver, crafted jewellery).
b. Belgium specializes in rough diamond trade, with limited finished goods export strength.
c. Hong Kong acts as a re-export hub; recent instability weakened its trade leadership.
d. Israel serves niche, high-value markets but has smaller volumes.

India's ability to serve both high-end and mass markets offers a clear competitive advantage.

Import Dependency & Vulnerability

a. India depends heavily on Belgium for raw diamonds, exposing it to price and currency risk.
b. Hong Kong and UAE import reliance has declined but was notable pre-2015.
c. Israel plays a smaller role in raw imports.

This dependency adds a layer of strategic risk, especially during currency depreciation phases.

Resilience Against Volatility

a. India showed robust performance even during global disturbances in 2013 and 2018–2019.
b. Hong Kong, by contrast, saw sharp export contractions.
c. Belgium and Israel maintained stability, though at smaller trade volumes.

India's breadth of product range, skilled labor, and evolving branding give it an edge in riding out volatility-driven shocks.

KEY FINDINGS AND DISCUSSION

This study investigates the impact of exchange rate volatility on India's gems and jewelry industry, drawing insights from trade data spanning 2010 to 2020. The analysis highlights several core findings. Firstly, India's export performance remained robust, particularly to markets such as the UAE and USA, despite global economic uncertainties. The UAE consistently ranked as the top trading partner, while Belgium exhibited persistent trade deficits due to India's reliance on rough diamond imports.

Trend analysis revealed that while exports to Hong Kong declined post-2017 due to geopolitical unrest and global slowdown, exports to the USA continued to rise steadily, reflecting a resilient and demand-driven market. Correlation analysis showed a weak negative relationship between imports and exports, indicating that export performance was largely independent of import volumes. Regression analysis further demonstrated that exchange rate volatility had a statistically insignificant effect on export flows, suggesting the industry's resilience to currency fluctuations.

The findings support the theory of sectoral heterogeneity, wherein high-value sectors like gems and jewelry, characterized by customization, branding, and craftsmanship, are less vulnerable to exchange rate shocks. India's competitive strengths lie in its skilled labor force, manufacturing scale, and diversified product offerings, enabling it to maintain momentum despite raw material import dependency and global economic shocks.

The study reinforces that while exchange rate volatility poses operational challenges, it does not singularly dictate trade outcomes in this sector. Instead, structural factors such as market demand, policy support, and supply chain robustness play a more defining role. Therefore, strategic emphasis on market diversification, upstream integration, and brand positioning is vital for sustaining growth and reducing vulnerability.

Table 7 Impact of Exchange Rate Volatility on Key Aspects of the Gems and Jewelry Industry in India

Aspect	Impact of Exchange Rate Volatility
Export Revenue	A weaker rupee can increase export competitiveness, but benefits may be neutralized by higher input costs.
Import Costs	Depreciation raises the cost of imported raw materials such as gold, diamonds, and platinum, affecting profit margins.
Price Stability	Volatility hampers pricing consistency, leading to greater uncertainty in contracts and customer relations.
Profit Margins	High import dependence and limited pricing power constrain the ability to absorb currency shocks, increasing margin pressure.
Investment Decisions	Increased volatility raises risk perceptions, often deterring capital investment in capacity expansion or innovation.
Policy Implication	Encourages the use of hedging tools, trade diversification, and calls for a balanced exchange rate policy that supports stability without excessive market intervention.

CONCLUSION

This study examined how exchange rate volatility affects India's gems and jewelry industry, especially in terms of its impact on international trade and competitiveness. By analysing secondary data from 2010 to 2020, several important conclusions were drawn. First, changes in exchange rates had very little and statistically insignificant effect on the industry's exports. The sector showed strong stability due to consistent global demand, value-added production, and good market positioning. Second, India's jewelry exports remained strong with key trading partners like the United Arab Emirates and the United States, while exports to Hong Kong declined after 2018.

The study also found that India had a regular trade deficit with Belgium, mainly because of its need to import rough diamonds. However, this dependency did not weaken the industry, as it remained strong due to its wide range of products and strong branding. Indian jewelry covers both affordable and luxury segments, which helped the sector reach various customer groups and protect itself from market shocks. Moreover, there was a very weak link between total imports and exports, which shows that export growth is driven more by international demand than by how much is imported.

Compared to other major players like Belgium, Hong Kong, and Israel, India performed better in global jewelry trade. This is due to India's strengths in skilled craftsmanship, large-scale production, and the ability to adjust to changing market trends. In conclusion, while exchange rate fluctuations do pose some risks, they are not the main factor behind India's trade success in this sector. Instead, long-term competitiveness, export diversity, and industry resilience are the key reasons for India's strong performance.

Table 8 Illustrating the findings

Research Question	Answer
1. How does exchange rate volatility impact the financial performance and pricing strategies of Indian gems and jewelry exporters?	The impact is minimal and statistically insignificant. Exporters seem to adjust pricing strategies effectively, relying more on quality and branding rather than being heavily influenced by short-term exchange rate movements.
2. How do Indian exporters compare with global competitors in managing currency risks and maintaining competitiveness?	Indian exporters have demonstrated higher resilience compared to counterparts in Hong Kong and Belgium. Diversification, market penetration, and domestic manufacturing capacity are key competitive strengths.
3. What role do trade policy initiatives and global demand patterns play in shaping the industry's response to currency volatility?	Trade policies such as MEIS incentives and global demand trends (especially in the USA and UAE) have been more critical determinants of export performance than currency fluctuations. Proactive government support and strategic market targeting have played significant roles.

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