

The Relationship between Exchange Rate and International Flow of Goods and Services

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Abstract

The exchange rate is critical for international commerce. Imports and Exports are the two components of international trade that have the greatest impact on the exchange rate. The purpose of this study is to ascertain how imports and exports affect the possibility of a foreign exchange rate in Sri Lanka. The Study analyzed secondary data from the years 2000 to 2020. The regression analysis and E Views packages were used to analyze the data. The findings indicate that imports have a large negative impact on the foreign exchange rate on their own. However, exports have a large beneficial effect on the exchange rate. Imports and exports have a considerable impact on currency exchange rate fluctuations.

Keywords: *Exchange Rates, International Flow, Import, Export, International Trade*