Abstract No: 573 *Economics and Management*

Impact of the exchange rate regime change on the value of sri lankan currency

M. Gunathilake*

Department of Business Finance, Faculty of Management, University of Peradeniya, Sri Lanka
**maduhanigunathilake@gmail.com*

Different countries adopt different exchange rate policies. Sri Lanka had a fixed exchange rate system in place from 1950 to 1976. It got changed into a managed floating exchange rate system in 1977 and finally an independent floating exchange rate system since 2001. The objective of this study is to examine the relationship between the exchange rate regime change and the value of Sri Lankan currency, from the perspective of an emerging economy.

Current state and trends of exchange rate and the value of Sri Lankan currency have been analyzed using descriptive statistics. Regression analysis has been performed to investigate the impact of the exchange rate regime change on the value of the Sri Lankan currency. The exchange rate regime change is demonstrated using dummy variables and therefore, the study classifies the exchange rate systems in Sri Lanka into three categories, namely; fixed exchange rate system from 1950 to 1976, managed floating exchange rate system from 1977 to 2000, and independent floating exchange rate system from 2001 to 2015.The value of Sri Lankan currency is expressed as the amount of US dollars per one rupee and measured using the annual average exchange rate of US dollar from 1950 to 2015.

Findings of the descriptive statistics revealed that the exchange rate is relatively higher in floating exchange rate regimes compared to fixed exchange rate regime. It detects that the value of Sri Lankan currency has depreciated in floating exchange rate regimes. Further, regression results found out that there is a negative relationship between the value of currency and the exchange rate regime change in Sri Lanka, and that the value of the Sri Lankan rupee is lowered during the floating exchange rate regimes than the fixed exchange rate regime.