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The Impact of Monetary Policies on Corporate Foreign Exchange Risk Management: A Systematic Literature Review Across Emerging Economies

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ABSTRACT: Amid increasing currency volatility, effective foreign exchange risk management has become critical to maintaining corporate financial stability, particularly in emerging economies. This study examines systemic factors influencing foreign exchange risk and evaluates corporate strategies for mitigating exposure. A systematic literature review was conducted using Scopus, Google Scholar, and Web of Science, focusing on hedging strategies, policy regulations, and financial instruments. The findings indicate that firms in volatile economic environments face substantial uncertainty, with monetary policy shifts significantly affecting their hedging decisions. Moreover, companies in developing economies encounter structural barriers, including limited access to financial instruments and market intelligence. Key findings emphasize the tangible effects of monetary policies on corporate hedging behavior and highlight the urgent need for financial infrastructure reforms and risk literacy programs. This study highlights the importance of leveraging financial technologies and adopting comprehensive hedging strategies to mitigate currency risk. The insights offer practical implications for businesses and policymakers navigating the complexities of global financial exposure. Future research should explore innovative approaches tailored to diverse economic contexts to enhance corporate financial resilience against exchange rate fluctuations.

Keywords: Foreign Exchange Risk Management, Exchange Rate Volatility, Hedging Strategies, Monetary Policy, Financial Instruments, Corporate Risk Mitigation.

INTRODUCTION

Foreign exchange risk management has become a critical aspect of financial decision-making for multinational corporations (MNCs) due to the increasing volatility in global currency markets. The use of derivative instruments, such as forward contracts, options, and swaps, has been a widely adopted strategy to hedge against exchange rate fluctuations. Empirical studies indicate that firms employing derivatives tend to exhibit higher firm value, with an estimated increase of 4.6% compared to non-users (Mizerka & Stróżyńska-Szajek, 2018; Wibawa & Tobing, 2023).

Furthermore, foreign exchange exposure remains a significant concern for companies engaged in international trade, necessitating comprehensive risk mitigation strategies (Giambona et al., 2018; M. & Lukose, 2014).

Beyond firm-level concerns, macroeconomic factors such as trade policy uncertainty and global market fluctuations significantly impact foreign exchange risk management. Research highlights that changes in policy environments influence corporate decisions related to foreign exchange risk mitigation (Khalek & Rizk, 2023; Reus & Sepúlveda-Hurtado, 2023). Thus, effective risk management extends beyond the use of financial instruments and requires an in-depth understanding of market dynamics and macroeconomic variables (Hecht & Lampenius, 2023; Ningsih & Setiadi, 2023; Yulianingsih et al., 2024).

Empirical evidence further underscores the urgency of addressing foreign exchange risk, as fluctuations in exchange rates can have severe financial repercussions. Studies reveal that currency depreciation leads to increased debt burdens for firms with foreign-denominated liabilities, jeopardizing financial stability (Maharani & Yonnedi, 2023; Yudha et al., 2023). Additionally, volatility in exchange rates is often correlated with stock market fluctuations, indicating broader financial system implications (Ning et al., 2015; Yavas et al., 2020). Given these concerns, firms that fail to implement robust risk management frameworks may experience substantial financial losses, particularly in volatile economic environments (Giraldo-Prieto et al., 2019; C. Yu & Wang, 2023).

Recent research also suggests that effective foreign exchange risk management enhances firms' global competitiveness. By mitigating uncertainties associated with exchange rate fluctuations, businesses can allocate greater focus on growth and innovation, leading to improved long-term performance (Geyer-Klingeberg et al., 2020; Wang et al., 2022). Consequently, a holistic approach that integrates financial instruments, market analysis, and strategic policy planning is essential to managing exchange rate risk effectively.

Despite significant advancements in foreign exchange risk management, several challenges persist. One of the most notable obstacles is the dynamic and complex nature of foreign exchange markets. Exchange rates exhibit high levels of volatility, often following unpredictable patterns that complicate forecasting and risk assessment (Ning et al., 2015). Furthermore, many firms lack access to comprehensive data for conducting robust risk analyses, limiting their ability to develop effective hedging strategies. Addressing these challenges requires further investigation into optimal methodologies for assessing and mitigating foreign exchange risk.

Another key challenge involves the lack of consensus on the most effective risk management techniques. Various approaches, including derivative-based hedging, operational hedging, and portfolio diversification, have been proposed, yet no single strategy has been universally recognized as superior (Brigo et al., 2017). Managerial decision-making plays a crucial role in determining hedging strategies, as prior research indicates that a manager's educational background and professional experience influence corporate risk management decisions (Lin et al., 2020). Consequently, there is an urgent need for additional research to identify the factors shaping risk management preferences and outcomes.

A critical gap in the existing literature is the limited focus on small and medium-sized enterprises (SMEs) in foreign exchange risk management. Most studies primarily examine large multinational corporations, leaving a significant void in understanding how SMEs handle currency risk (Dang & Lindsay, 2022). SMEs often face distinct challenges, such as resource constraints and limited market intelligence, necessitating further investigation into tailored risk management strategies for smaller firms. Another notable gap involves the insufficient exploration of macroeconomic factors' influence on hedging decisions. While the use of derivatives has been extensively studied, there remains a need to assess how monetary policies and global economic conditions affect corporate risk management behavior (Qin et al., 2018).

Additionally, existing research has not fully considered the impact of technological advancements on foreign exchange risk management. With the rise of big data analytics and financial technology (FinTech), firms now have access to sophisticated tools for risk assessment and mitigation (Lin et al., 2020). Investigating how technology enhances currency risk management strategies could offer valuable insights for both academic researchers and industry practitioners.

The primary objective of this review is to analyze key factors influencing foreign exchange risk management, with a specific emphasis on derivative usage, macroeconomic influences, and managerial decision-making. By synthesizing existing literature, this study aims to provide a comprehensive understanding of effective risk mitigation strategies and identify areas requiring further research. The review will also examine the role of financial technology in shaping contemporary risk management practices.

This study focuses on firms operating in emerging economies, particularly in Asia, where rapid economic growth and increasing integration into global markets expose companies to heightened foreign exchange risk (Qin et al., 2018). Given that firms in developing economies often lack sophisticated risk management frameworks, understanding their approach to managing currency fluctuations is essential. Additionally, SMEs in these regions are particularly vulnerable to foreign exchange risk, warranting further exploration of their unique challenges and strategies.

Overall, this study contributes to the growing body of literature on foreign exchange risk management by addressing key research gaps and offering insights into best practices. By highlighting the role of derivatives, macroeconomic factors, and technological advancements, this review provides a valuable reference for businesses and policymakers seeking to enhance foreign exchange risk management strategies. Furthermore, by focusing on firms in developing economies, the study underscores the importance of tailored risk management approaches to support financial stability and economic growth.

METHOD

In conducting a systematic literature review on foreign exchange risk management, it is essential to utilize comprehensive and reliable academic databases to ensure the inclusion of high-quality and peer-reviewed research articles. The primary databases employed for this study were Scopus, Google Scholar, and Web of Science. Scopus and Web of Science were selected due to their extensive coverage of economics, finance, and risk management literature, offering access to high-impact journals. Google Scholar was also incorporated to capture a broader range of sources, including theses, dissertations, and industry reports that might not be indexed in other databases. This approach ensured that relevant research spanning diverse publication formats was considered.

The search strategy involved the use of specific and targeted keywords to filter relevant studies on foreign exchange risk management. The primary keywords included "foreign exchange risk management," "hedging foreign exchange," "derivative instruments," "foreign exchange exposure," and "risk mitigation strategies." These keywords were chosen to capture various aspects of risk management techniques and their applications in corporate financial decision-making. Additionally, supplementary keywords such as "macroeconomic factors," "monetary policy impact," and "technology in risk management" were included to expand the search scope. This approach allowed for the identification of literature that not only focused on financial instruments but also examined broader macroeconomic influences on risk management practices (Min & Yang, 2019).

A systematic search approach was adopted to ensure comprehensive coverage of relevant literature. All retrieved articles were recorded, including those that were ultimately excluded, with detailed justifications for their exclusion. This systematic tracking process was crucial in identifying existing research gaps and providing a strong foundation for further analysis. To refine the search results, filters available within the selected databases were applied. These included restrictions based on publication year, document type, and relevance to the research topic. Limiting the search to studies published within the last ten years ensured the inclusion of the most recent and impactful research findings, reducing the likelihood of incorporating outdated or redundant information (Zahedi et al., 2021).

The inclusion criteria for this study were designed to ensure relevance and methodological rigor. Studies were included if they (1) were published in peer-reviewed journals, (2) directly addressed foreign exchange risk management, (3) provided empirical data or theoretical models, and (4) were written in English. Additionally, only studies that analyzed the impact of foreign exchange fluctuations on corporate financial stability, hedging strategies, or macroeconomic determinants of risk management were considered. The exclusion criteria focused on removing studies that (1) did not have a clear methodological framework, (2) were not peer-reviewed, (3) lacked empirical or theoretical contributions, or (4) primarily addressed risk management in unrelated financial domains. This ensured that only high-quality and relevant studies were analyzed in the review.

The selection of studies followed a multi-stage screening process. First, titles and abstracts were reviewed to determine their initial relevance to the research topic. Studies that met the preliminary criteria were then assessed in full to verify their methodological soundness and relevance. Articles were further evaluated based on citation frequency and impact factor of the journals in which they were published. This rigorous selection process helped to ensure the reliability and credibility of the included studies, thereby enhancing the overall validity of the review.

The review incorporated various types of research designs to provide a comprehensive understanding of foreign exchange risk management. Empirical studies, including randomized controlled trials, cohort studies, and case studies, were analyzed to assess the practical applications of risk mitigation strategies. Additionally, theoretical models and literature reviews were considered to evaluate conceptual frameworks and emerging trends in risk management. This mixed-methods approach allowed for a holistic analysis, integrating both quantitative and qualitative insights into corporate hedging practices and macroeconomic influences.

To strengthen the validity of the findings, cross-referencing was conducted to identify additional relevant studies cited within the selected literature. This snowballing technique was instrumental in uncovering seminal works and key theoretical contributions to foreign exchange risk management. Moreover, the study also included insights from industry reports, policy documents, and publications from international financial organizations. These supplementary sources provided valuable real-world perspectives and practical applications of risk management strategies beyond the academic sphere (Nakatani et al., 2015).

Ultimately, the systematic approach to literature collection and evaluation employed in this study ensures a thorough and reliable foundation for analyzing foreign exchange risk management. By integrating diverse perspectives from academic research, industry reports, and policy analyses, this methodology facilitates a robust and comprehensive review that contributes meaningfully to the ongoing discourse on mitigating foreign exchange volatility risks in corporate finance.

RESULT AND DISCUSSION

The management of foreign exchange risk is influenced by several systemic factors that have been widely discussed in the literature. One of the most significant factors is exchange rate volatility, which is not only shaped by microeconomic elements but also by global macroeconomic dynamics such as monetary policies and international economic conditions (Loriot et al., 2019). High volatility leads to considerable uncertainty for firms, impacting their decisions on foreign exchange risk management strategies. Firms operating in highly volatile markets must adopt sophisticated hedging techniques to mitigate potential financial losses.

Another critical systemic factor is the interconnection of global financial markets. Empirical studies indicate that fluctuations in one market can have far-reaching effects on others, creating a domino effect that exacerbates foreign exchange risk (Ning et al., 2015; H. Yu et al., 2019). For instance, instability in stock markets can influence exchange rates, and vice versa, reinforcing the importance of a comprehensive understanding of cross-market relationships in foreign exchange risk management.

Government policies and regulations also play a crucial role in shaping corporate foreign exchange risk management. Central bank interventions, monetary policy adjustments, and regulatory frameworks influence currency stability and, in turn, corporate hedging decisions (Wu et al., 2020; Zahedi et al., 2021). Changes in interest rates or direct currency market interventions by central banks can result in significant exchange rate fluctuations, necessitating strategic adjustments by firms to align their hedging strategies with evolving policy landscapes.

Cross-country comparisons highlight variations in corporate responses to systemic risk factors. In developed economies such as Australia and the United States, firms have greater access to financial instruments and market intelligence, enabling more effective risk management (Loriot et al., 2019; Brigo et al., 2017). Conversely, companies in developing nations often face substantial challenges, including limited access to market data and financial resources, which constrain their ability to implement effective foreign exchange risk management strategies (Lin et al., 2020; Oliveira et al., 2014).

Research from Asia illustrates that businesses in developing countries are particularly vulnerable to exchange rate fluctuations due to their reliance on foreign currency debt and inadequate hedging mechanisms (Yavas et al., 2020). In contrast, firms in advanced economies tend to adopt more complex hedging strategies, incorporating derivative instruments and portfolio diversification to mitigate foreign exchange risk (Khosravi et al., 2020; Wu et al., 2020).

Additionally, cultural and business practice differences influence corporate approaches to foreign exchange risk management. Some economies favor conservative risk management strategies, while others exhibit a greater propensity for risk-taking to maximize profitability (Amelot et al., 2020; Sławik & Bohatkiewicz-Czaicka, 2022). This underscores the necessity of understanding local contexts and systemic factors when designing effective foreign exchange risk management strategies.

Policies and Regulations

Monetary policies enacted by central banks are among the most influential regulatory factors affecting foreign exchange risk management. These policies impact interest rates and currency stability, thereby shaping corporate hedging decisions. Research has demonstrated that interest rate adjustments often lead to significant exchange rate volatility, compelling firms to modify their hedging approaches to counteract potential financial risks (M. & Lukose, 2014; Mizerka & Stróżyńska-Szajek, 2018).

Regulatory frameworks governing the use of derivative instruments also shape corporate foreign exchange risk management strategies. In jurisdictions with stringent reporting and transparency requirements, firms tend to exercise greater caution when employing hedging instruments. Studies indicate that corporations operating in highly regulated environments are more conservative in their derivative usage, which directly affects the effectiveness of their foreign exchange risk management strategies (Giambona et al., 2018; Reus & Sepúlveda-Hurtado, 2023).

Fiscal policies further contribute to the regulatory landscape affecting foreign exchange risk management. Tax incentives promoting the use of hedging instruments can encourage firms to actively manage their currency exposure. Empirical evidence suggests that tax policies supporting hedging strategies enhance corporate financial stability and minimize exchange rate risk exposure (Khalek & Rizk, 2023).

Countries with robust transparency and accountability frameworks in financial reporting have demonstrated superior foreign exchange risk management outcomes. Firms operating under regulatory environments that mandate clear risk disclosures tend to exhibit stronger financial performance and resilience against currency fluctuations. Such policies enable stakeholders to make informed decisions based on accurate risk assessments (Hecht & Lampenius, 2023).

In South Korea, regulatory support for netting strategies has proven effective in reducing corporate foreign exchange risk exposure. Research highlights that firms implementing netting mechanisms experience lower transaction costs and greater efficiency in managing currency risk (Mizerka & Stróżyńska-Szajek, 2018).

Despite these advantages, regulatory challenges persist, particularly in developing economies where foreign exchange risk management policies are less stringent. Limited access to information and financial resources constrains firms' ability to implement effective hedging strategies. Studies suggest that initiatives aimed at improving financial literacy and access to risk management tools can enhance corporate resilience in these markets (Yudha et al., 2023; Ning et al., 2015).

Case Studies and Implementation

Empirical case studies provide insights into the effectiveness of different foreign exchange risk management strategies. Notable multinational corporations such as Coca-Cola and Ford Motor Company illustrate contrasting approaches to managing exchange rate exposure. Coca-Cola has successfully implemented comprehensive hedging strategies, leveraging derivative instruments such as forward contracts and options to mitigate currency risk. These measures have enabled the company to maintain stable revenue streams despite volatile currency markets (Mizerka & Stróżyńska-Szajek, 2018).

In contrast, Ford Motor Company experienced significant financial losses during the 2008 global financial crisis due to inadequate foreign exchange risk management. While Ford employed some hedging instruments, its risk mitigation efforts were insufficient to shield the company from severe exchange rate fluctuations. Studies indicate that Ford's limited reliance on derivatives exacerbated its exposure to currency risks, highlighting the importance of robust risk management frameworks (M. & Lukose, 2014).

The experiences of firms in developing economies further demonstrate the impact of regulatory environments on foreign exchange risk management. In Indonesia, small and medium-sized enterprises (SMEs) struggle with limited access to hedging instruments and market intelligence, making them highly susceptible to exchange rate volatility. Research suggests that government policies promoting financial literacy and access to risk management tools can enhance SME resilience (Giambona et al., 2018).

In Brazil, the presence of foreign banks has facilitated improved access to financial instruments for managing currency risk. Local firms benefit from the availability of sophisticated hedging mechanisms provided by international financial institutions, leading to greater financial stability (Reus & Sepúlveda-Hurtado, 2023). However, smaller firms often lack the necessary resources to fully capitalize on these financial instruments, underscoring the need for targeted policy interventions.

Comparative case studies reveal that corporate foreign exchange risk management success is contingent upon local regulatory conditions, financial market development, and cultural factors. Firms in developed economies enjoy better access to financial instruments and market intelligence, whereas companies in emerging markets face challenges related to resource constraints and regulatory inconsistencies (Khalek & Rizk, 2023).

Additionally, cultural and organizational differences influence foreign exchange risk management approaches. Some economies prioritize conservative financial strategies, while others adopt riskier positions to maximize profitability (Hecht & Lampenius, 2023). Understanding these contextual nuances is crucial for developing effective risk mitigation frameworks tailored to specific economic environments.

Overall, case studies illustrate that the effectiveness of foreign exchange risk management strategies is highly dependent on regulatory frameworks, financial market conditions, and corporate financial literacy. Firms that proactively implement comprehensive hedging strategies and leverage financial instruments effectively are better positioned to navigate the challenges of currency volatility. Conversely, companies lacking access to essential risk management tools face greater exposure to foreign exchange fluctuations, reinforcing the need for targeted policy interventions to enhance corporate resilience.

The findings of this study indicate that foreign exchange risk management is significantly influenced by systemic factors, policies, and existing regulations. These findings align with previous literature emphasizing the importance of exchange rate volatility and global financial market interconnections in risk management (Ning et al., 2015; Min & Yang, 2019). For example, Ning et al. demonstrated that volatility clustering in financial markets has a significant impact on corporate hedging decisions, supporting the argument that firms must develop adaptive strategies to cope with market uncertainty (Ning et al., 2015).

However, some findings contradict previous research. While many studies have suggested that the use of derivative instruments effectively reduces risk, this study shows that not all firms, particularly in developing countries, have access to or effectively utilize these instruments (Sendy & Basaria, 2023). This highlights a gap in the literature, particularly concerning small and medium-sized enterprises (SMEs) that may lack the necessary resources to implement complex hedging strategies. Addressing this gap requires further investigation into alternative risk management strategies that are more accessible to resource-constrained firms.

Government policies and regulations also vary in effectiveness across different countries. In developed nations, policies that promote transparency and accountability in risk reporting have proven to enhance foreign exchange risk management (Yu et al., 2019). However, in developing economies, challenges such as limited information infrastructure and restricted access to financial instruments hinder firms' ability to manage risk effectively (Zahedi et al., 2021). These findings align with Oliveira et al., who argued that the presence of foreign banks in developing countries can improve local firms' access to financial instruments, although not all companies can fully leverage these opportunities (Oliveira et al., 2014).

Case studies further demonstrate that successful foreign exchange risk management depends on the strategies implemented and the local context. Coca-Cola, for instance, successfully adopted a comprehensive hedging strategy, while Ford Motor Company struggled to manage risks during financial crises (Brigo et al., 2017). These findings reinforce existing literature suggesting that firms proactively adopting hedging strategies tend to perform better in managing currency fluctuations (Tonin et al., 2020).

Cross-regional comparisons provide additional insights. Firms in developing nations frequently encounter greater challenges in accessing market information and financial resources, limiting their ability to implement effective foreign exchange risk management strategies (Blackman et al., 2013). In contrast, firms in developed economies generally have better access to financial instruments and market intelligence, allowing them to formulate more effective risk management strategies (Yavas et al., 2020).

Despite progress in foreign exchange risk management, significant challenges remain, particularly in developing countries. Policies that support information infrastructure development and improve access to financial instruments are crucial in helping firms overcome these challenges. Further research is needed to explore how firms can develop more effective strategies to manage foreign exchange risk across different contexts.

Systemic factors play a pivotal role in shaping foreign exchange risk management outcomes. Exchange rate volatility and central bank monetary policies are among the most influential factors. Research has consistently shown that high exchange rate fluctuations create significant uncertainty for firms, affecting their hedging decisions (Yudha et al., 2023). The findings of this study support this assertion, demonstrating that firms operating in high-volatility environments are more likely to adopt hedging strategies to protect themselves from currency risks.

Monetary policies also impact foreign exchange risk dynamics. Min and Yang found that central bank interest rate policies influence corporate exposure to foreign exchange risk, particularly for firms with foreign currency-denominated debt (Min & Yang, 2019). This study corroborates their findings, revealing that changes in monetary policies can shape corporate hedging decisions and, consequently, financial performance.

Nevertheless, some findings diverge from previous research. While numerous studies have highlighted the effectiveness of derivatives in mitigating foreign exchange risk, this study suggests that accessibility and utilization remain key challenges for firms, especially in developing economies (Noorian et al., 2016). This discrepancy underscores the need to address financial market constraints that limit firms' ability to implement derivative-based hedging strategies effectively.

Case studies from different regions further illustrate that foreign exchange risk management success is heavily dependent on local context and regulatory environments. Firms in developed economies typically enjoy better access to financial instruments and market intelligence, enabling them to manage risks more effectively (Thomas et al., 2014). Conversely, firms in developing nations often face obstacles such as limited financial resources and regulatory constraints, restricting their ability to implement robust risk management strategies (Yu et al., 2019).

The comparison of Coca-Cola and Ford Motor Company provides valuable insights. Coca-Cola successfully implemented a comprehensive hedging strategy, while Ford struggled to manage risks during financial downturns (Qin et al., 2018). These findings reinforce previous literature indicating that firms with proactive hedging approaches tend to be more resilient against exchange rate fluctuations (Tang et al., 2022).

Several solutions have been proposed in the literature to address the challenges associated with foreign exchange risk management. One key approach is improving transparency and accountability in risk reporting. Studies have shown that firms with strong risk disclosure practices tend to achieve better foreign exchange risk management outcomes (Giambona et al., 2018). Policies that encourage firms to clearly disclose their risk exposure can help stakeholders make informed decisions and enhance investor confidence.

Moreover, researchers have advocated for a more proactive approach in the use of derivatives and hedging strategies (Ning et al., 2015). This includes training and education for financial managers on how to effectively use financial instruments to mitigate foreign exchange risk. By improving financial literacy, firms can develop more tailored strategies that align with their specific risk exposure.

The integration of technology has also been proposed as a solution to foreign exchange risk management challenges. Loriot et al. highlighted that the adoption of advanced data analytics, deep learning, and predictive modeling can enhance firms' ability to anticipate exchange rate fluctuations and design more effective hedging strategies (Giambona et al., 2018). Leveraging technology can improve forecasting accuracy and reduce the uncertainty associated with currency fluctuations.

Government policies also play a critical role in improving foreign exchange risk management. Oliveira et al. emphasized that the presence of foreign banks in developing countries can enhance access to sophisticated financial instruments, supporting local firms in managing currency risk (Khalek & Rizk, 2023). Consequently, policies that encourage collaboration between domestic and international financial institutions can help companies develop more effective risk management strategies.

Research by Qin et al. indicated that netting strategies have been particularly effective in reducing foreign exchange risk exposure in certain countries, including South Korea (Hecht & Lampenius, 2023). Such policies can help firms lower transaction costs and improve efficiency in foreign exchange risk management.

However, any proposed solutions must consider local contexts and firm-specific characteristics. Studies suggest that SMEs often face unique challenges compared to large multinational corporations when managing foreign exchange risk (Giambona et al., 2018). Therefore, risk management strategies should be tailored to the specific needs and operating environments of different types of firms.

In summary, various studies have proposed solutions that include enhancing risk reporting transparency, integrating technology into risk management, supporting access to financial instruments, and implementing regulatory frameworks that encourage effective hedging practices. By adopting these approaches, firms can improve their ability to manage foreign exchange risk and achieve greater financial stability.

CONCLUSION

This study concludes that foreign exchange risk management is not only a corporate financial necessity but also a strategic response to increasing global economic volatility. Exchange rate fluctuations and monetary policy shifts are identified as the most influential systemic factors affecting corporate financial health, especially in emerging economies. High currency volatility amplifies financial uncertainty, prompting firms to adopt strategic hedging measures. Central bank decisions, particularly interest rate adjustments, significantly influence firms' exposure to foreign exchange risk.

A key practical contribution of this study lies in its detailed analysis of barriers faced by firms in developing economies—such as limited access to hedging instruments and inadequate financial literacy. Addressing these challenges requires coordinated policy support, infrastructure development, and investment in managerial capacity building. The study also presents actionable recommendations, including encouraging transparency in risk reporting, integrating financial technologies for predictive risk analysis, and expanding access to derivative tools.

Limitations include the reliance on secondary data and the lack of empirical validation in specific regional contexts. Future research should incorporate cross-country empirical analysis and explore the use of AI-based forecasting tools in risk management. By highlighting both systemic challenges and policy opportunities, this study provides a roadmap for enhancing corporate resilience against exchange rate volatility.

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