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Reasons of Currency Devaluation in Pakistan for different Political Regimes



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## **Abstract**

The main motive of this project is to analyze that how the currency devaluation of Pakistan is being affected by analyzing different economic variables. There are many other variables that have the impact on currency devaluation i.e. external debt, terrorism, monetary policy and political instability etc. as they appear relevant. In this report these macroeconomic variables have a strong significance because these are used to describe the valuation of the currency of the respective country. The devaluation of currency in Pakistan is one of the major problems that Pakistan is facing from the long time. This main problem of currency devaluation was started from 2006-2007 when the US dollar start moving upward in the graphs and in results the value of Pakistani currency gets weaker. This report will help to analysis the valuation of currency in different regimes by using different economic variables. The results of the first regimes are that the relation between the exports and worker's remittances shows the positive relation. Whereas imports, Foreign exchange reserves, Foreign Direct investment and inflation has a negative relation with exchange rate. Moreover, in second regime the results show that the relation between exports, imports, Foreign Direct reserves, Workers remittance, have the positive relationship with the exchange rate, whereas inflation has the negative relation with the exchange rate.

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## **Project Objective**

To study the way to conduct analysis and study the link, moreover the impact of economic variables on exchange rate in Pakistani context and the way economic and other variables fluctuates and affects exchange rate in Pakistan. The prime objective of our project is to dominate the causes of currency devaluation of Pakistan. We have to analyze the causes of currency devaluation in 1<sup>st</sup> regime which was (April 2008 to March 2013) and 2<sup>nd</sup> regime which was from (June 2013 to May 2018). After analyzing the reasons of currency devaluation, we have to analyze the economic policies behind the reasons of currency devaluation in both regimes. The fascinating role of our project is to recognize the connection between the variables which have positive or negative impact on the currency devaluation. Furthermore, we would be able to probe that how much of each factor and with what potency have been affecting its exchange rate. The more aim of this study is to finalize the dispute among the people about the reasons of currency devaluation by identifying the paramount causes behind the currency devaluation. This project is providing preferable guidance to the upcoming researchers for their considerations.