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ECONOMIC IMPLICATIONS OF CURRENCY RATE FLUCTUATIONS IN INTERNATIONAL FINANCIAL MARKETS.

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Abstract

The global business scenario is ever dynamic. The changes happening in the money market is reflected in the economic scenario through the changes in the business trends. The changes are reflected through the changes in the market trends. These changes are trying to hold the financial and business potentials more flexible and fair. The sea was worst in the past to reach nations to do business. Recognizing the unending frontiers of business across the nations, men started to conquer the many lands for business in terms of better money and better profit. To meet the unending demand for the products and services across the nations, men started dealing through diversified possibilities of business like exchange of facilities, barter system, gold / silver related commodities, etc. There aroused an agenda of disadvantages while dealing with such business across the borders. This lead to the need of a unique commodity of exchange with no much concern like the barter system, gold rates etc. lead to the innovation of currency and further advanced to introduction of other financial instruments including paper currencies and bullion exchanges. Profit is the aim of any business. Doing business against any international currencies gains much better advance to the business deals. Over a period of time nation started thinking about diversified forms of business deals through fixed and floating exchange rate of currencies and the capital gains. This introduction of multiple payment settlement system in business across

borders, made global business to be the best place to look for quality product at competitive prices. This made companies and even nations to think of international business against any other business due to the profit it earns while trading in economically stabilized nations. Foreign exchange brings wealth to nations at no extra efforts. The increase in the business across borders, made nations to think in lines of a unified currency system. Economists and financial experts introduced the currency rate as the base for international business. The fixed and floating rate of currencies were introduced as diversified techniques for business settlement. Nations started thinking of This enabled the nations to fix-up a common value for the currency in which regular trading happens with another nation or to fix a regular rate with one of the balanced third world currencies. This fixed currency exchange practice enabled nations to plan the financial requirements in business. This study is mainly a concentration of research into the aspects of currency agreements in UAE against US Dollars and other GCC countries. Thus, the major concern in this is to evaluate the benefits expected through currency fixing strategy. The study throws light to factors that determine the pegging system against major currencies like US dollar, euro, Sterling Pound. Further the study tries to cover few areas of independent float and its advantages. A brief about common currency, currency board, GCC Currency etc. is touched upon as part of the study. The study further examines the various economic indicators as well as the currency fluctuations. The relative currency fluctuations over a period of time was studied with the support of statistical tools. The study gave a generalized view on the factors benefitting the pegging system of currency in international business scenario.

Key Words: Market Rate Economy; Currency Pegging System; Currency Rate Fluctuations.

Introduction.

The evolution of currency dates back to 2000 BC. Prior to that, the exchange of goods and services were conducted through barter system. Later metals came into market with denominations expressed as values and symbols. This became the criteria for business across the markets across the globe during the last many decades. The currency system as it gained importance in business transactions also gained many back drops in the international trade systems with money value being dictated against national income economy. Thus, it became important for international markets to keep stability in business deals which gave emergence to the fixed currency exchange rate system (Kocenda, E., Valachy, J. 2006).

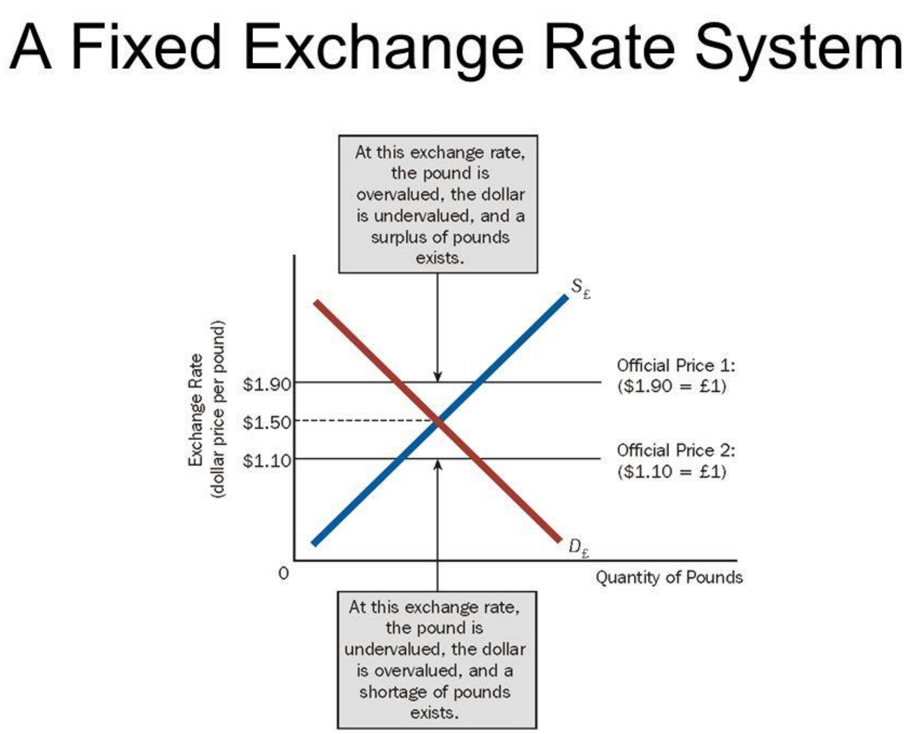
Ghosh, A.R., Anne-Marie, G., Wolf, H. (2002) in their studies states that The global economic crisis lead to the drop of the currency values across the nations, across the international business scenarios. The great depression in the currency value mostly for the US dollar was much reflected in nations which are pegged the currency against the USD, particularly for the case of AED. This was very much reflected in the global money market and specifically in the UAE market. Fixed currency exchange system helped the business across the borders as the deal can be specifically finalized based on the value against the international currency, leaving no room for speculation. Ghosh, A.R., Anne-Marie, G., Wolf, H. (2002) refers that this helped any country entering into international trade and finance, as well the the trade value for the business can be determined on hand itself, making it convenient for business transactions. This is helpful in trading and investment between the two countries because of which it is helpful in the growth of the economy.

The study in this area is intended to explain the following:-

- To analyze the economic implications of currency pegging in the money market.

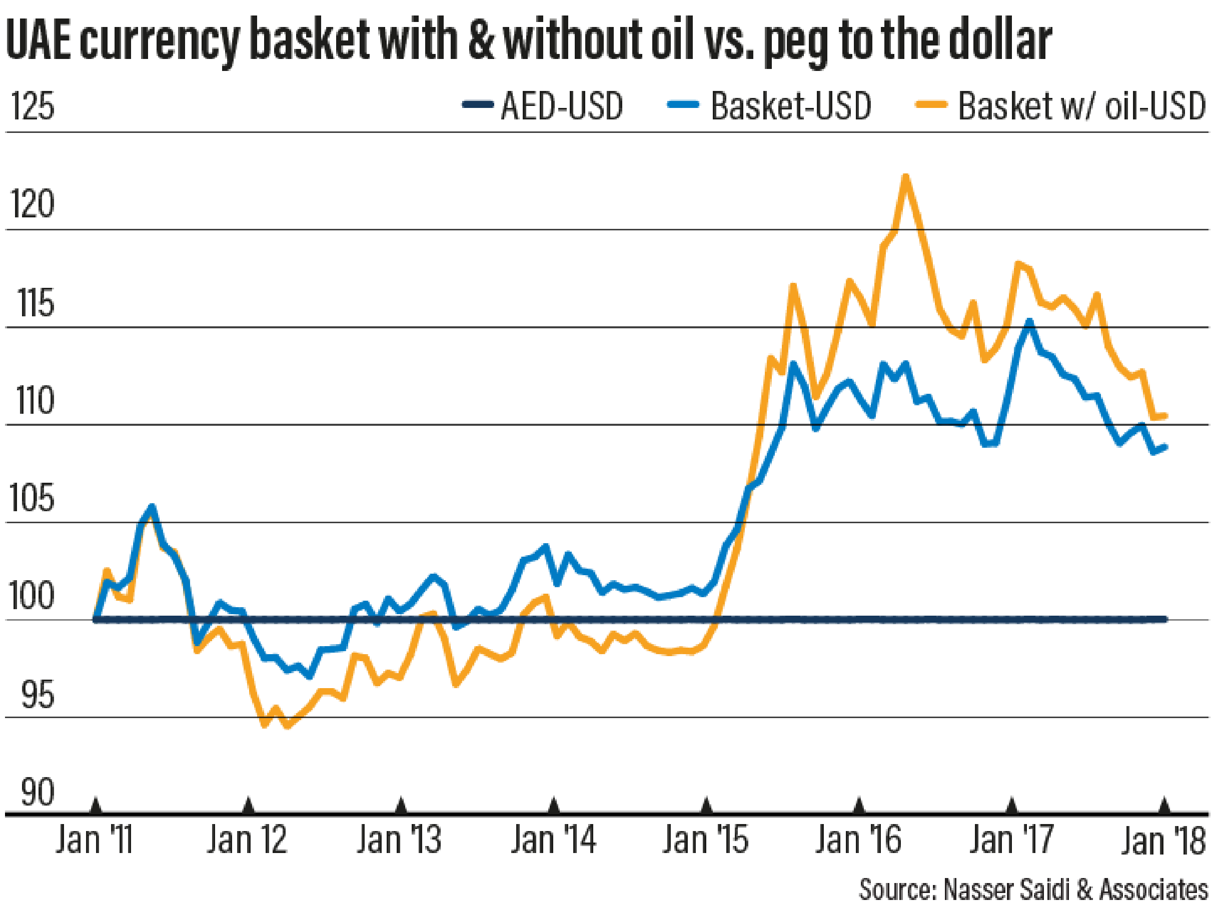
- To look into the gains in the financial markets, through currency rate fluctuations for selected markets and products, and in return to understand the financial losses to markets and products.

- To review the economic benefits of fixed exchange rate system in comparison to the floating exchange rate system and to look for the best benefits.



Background for the study:-

International business across the borders have become a common practice to generate the foreign investment in the national market and for developing the bilateral relations among few nations. The business exchanges either of any goods or even any of the services among international markets usually bring gains to the economy and financial markets (Gevorkyan, 2009). The purpose of international trade is achieved when foreign currency is transacted against products or services among nations. The international trade became much more comfortable and convenient when the trade was carried out with nations fixing the currency value against the other nations for trade and business. This lead to the activity of currency pegging where the currency value is fixed across the other nation's currency (Mavlonov, 2005). International trade and business has been happening for a long time across the world. This has gained the movement of the money or money dominants across the borders. As the business developed, profit become a matter of concern for all the nations and sharing of profit became a task. Thus, few nations decided to trade in single currency denomination. This has led twelve of the European Union nations to deal their own currencies. At the same time few oil producing nations countries decided to deal in dollarization currency. The countries included Kuwait, Saudi Arabia, Bahrain, Oman and other ME nations.



Currency Concerns:-

Henn, T. S. (2009) explains that the International business gains value only on the basis of the monetary and monetary related transactions, which defines the international trade system. For the various purposes of international trade and relations, it became very important for capital migration, financial assets movement across nations, participating in various foreign economic activity, as well as developing the population base in the regional and international markets. There are few currencies which are traded in the international market. These currencies are better utilized for the following purpose (Yevchenko, 2010):

- Better Capital investments and its accumulation as well as transfer
- Investments in International financial markets.
- Benefits in generating skilled human resources planning.
- Product procurement and transfer protocols across international borders and markets.

Kondratov, (2011) explains that the basic indicators in the money market, better facilitating the international business and trade usually benefit to better understand the financial and international market fluctuations usually listed as follows:

- Aggregate of monetary activities namely factoring, bank guarantees, forfeiting etc.
- Proper interbank linking process to benefit additional monetary support.
- Currency investment options for the purpose of the financial investments and the loans.
- Economic benefits through consultancy services and consultations.
- Economic transaction processes.
- International market trends in money market fluctuations and monetary transactions.
- Financial options in monetary conditions.

The rate of interest between the nations needs to be discussed in terms of international markets in addition to the rate of interest differentials between the rate of the forward and spot exchange rate. Based on the international market positions, the investors were diversified towards the rate of interest which explains that there exists no better arbitrage in this rate (Hossain, 2011). It is heavily discussed and highly explained that trading in any specific currency happens in great volumes mainly when the banks or financial intermediaries accepts the transactions as well as there exists a positive serial correlation based on the returns gained through the usage of currencies (Sidorova, 2011).

Common Currency

Angie Peng (2012) discusses in her studies that there has been the trend among all the international and financial markets, to share the common market regarding the international trade systems in all the market format. US Dollars as well as Euro currency is being traded by many foreign nations to deal in the international business markets. This is not being conducted through any formal procedure, as the case remains. The practice of utilization of Euro for business practices, even in the informal settings has benefitted EU to gain business power as well as to curtail any business losses that might happen due to international recessions. The utilization of international currency market namely the Eurocurrencies, and the dollar market, has accelerated the benefited the development of the FDI. It seems that the rate of currency markets needs to be fixed against other market currencies (Peng, 2012).

Angie Peng (2012), while discussing the details related to the international currency trends and activities in the ASEAN and other collective nations, it is felt that the EU has made the other nations to regulate and introduce special options in this regard for financial practices and for the international trade and regulations. In the European region, the number of small nations are much higher making many stronger business regions not to bail out from smaller economies. Economists in this market, feels that ASEAN's must care about common currency fluctuations would be perilous. The trade relations might benefit the volunteers to generate stake for the present state of requirements in benefitting the US Dollars informally into the financial system. (Peng, 2012).

Eicher and Henn conducted research in this area of international trade explains that currency unions has better benefitted a business average into the requirement of 55%. International trade blocks or otherwise termed as Currency Unions developed business relations. The currency market benefitted the specific region to look for diversified monetary and fiscal policies. The money market details always explain that the trade that has been tripling down the monetary market which occurred because of the business system which is compatible with the regular business practices which is extremal along the current financial trade systems (Henn, 2009). The monetary union will never take into account the multilateral trade which can benefit the better resistance which can be expected from the bilateral trade and activities. It is better considered that in multilateral trades, there will be few differences account tariffs, business locations across the international markets, monetary transaction processing practices etc. which generally considered as a matter for consideration. Usually, all aspects related to the financial markets will never go together in diversified multilateral industrial set-ups (Hossain, M. 2011).

Ghalwash, T. (2010) explains that in the present-day industrial situation, there are various factors that determine the economic situations. These factors that considered in the economic markets include technology, globalization, political stability, influence of international financial markets namely US markets, EU markets as well as the emerging market namely China or India. This will relate to the introduction of the new economies and the introduction of other currency unions. Developing nations experienced industrial growth of 5%. This was through overall development of industrial connectivity, providing better to the business and thus to bring prosperity to the system.

Industrialization collectively integrates the economies which are always fluctuating leading to the development of another financial trade block for industrialization. (Maria Santana-Gallego, 2012). In this period, few other industrial economies too started to gain importance gaining much better growth for further money market impetus. During the dwindling times of economy, even the US dollars and Eurocurrencies too faced the challenges related to the inflation and deflation of financial economy to a greater extent. (Ghalwash, T, 2010).

Mundell comments that because of the changes in the international financial market, the present situation in the Asian region, it might lead to adoption of a base currency either Euro or can be dollar. The ideal business deal can be usage of a common international currency with every nation making a currency pegging onto it. It is important to verify the supply of the local currency with facility to maintain the best benefit for the fixed rate system. There is always diversified options available in the financial market. Now the studies are done across the nations like the EU, to setup consortium of international financial markets to provide a single currency denomination, which can later enable free convertibility of the national income currency. The system is basically a tough situation It is going to be basically a tough task, basically in the Asian sub-continent as all the country in the Asian region are politically and economically not in any single terms and conditions. Discussions happened in terms of keeping a parallel currency, similar to EURO, Yen or even US Dollar. PRC's RMB find it difficult now a days as it is not convertible in the financial market, as well the nations cannot play the anchor to any of the risk situations. It is understood that the Iranian currency is facing issues, as well as the currencies of the African nations for eg. Naira in Nigeria. In the present studies conducted like Mundell is explaining Dollar / Euro as a similar currency, which is of worldwide acceptance. (Mundell, 2009).

Silvana Tenyero (2010) of Harvard University made few comments related to the introduction of any common currency in the market place. It was reflective from the studies that the trade increases can decline than expected. The common currency units are accepted in few regions or so-called economic belts connecting geographic regions, for eg.: the SAARC region legalizing the unification of the economy. The Latin American and African nations too were trying follow the Scandinavian nations to best review the common currency system, benefitting the reversal of additional cost concerns namely transactional costs, exchange rate fluctuations etc. (Tenreyro, 2010).

GCC Pegging To Dollar

Rogoff, K., et al (2004) from their study tries to discuss from their study that oil and gas is considered to an international product mostly from the GCC nations. This can be the reason for purpose for maintaining the fixed currency system among GCC nations, as they had to deal with the international commodity market, to benefit better value from the market. Kondratov, (2011) understands that while proceeding with the fixed currency system in the international financial markets, most of the risk related to currency fluctuations can be completely avoided as well the market uncertainties. This will benefit the business in forecasting and planning for the future investments. Usually in a fluctuating currency markets, the industries in international trade need to depend on government policies to overcome any fluctuation deficits.

Integration of currencies in the money market doesn’t mean to go for any fixed currency system, but it prefers to bring stability in the economic markets. It is believed by the economists that this will better benefit in capital investment decisions, better organization for standardization of financial requirements, decisions on financial investment planning, creating new policies and trends, as well beneficial to establish appreciable banking functions through currency integration (Hossain, 2011). Necessity is another element of monetary policy. It is essential to consider various factors of uncertainty which might occur repeatedly in the changing international economies.

Kondratov, (2011), and Gevorkyan, (2009) feels that the factors generally contributing to the situations of uncertainty can be listed as follows:

- Unreliable economic fluctuations and trends leading to a difficulty in understanding and modelling the financial processes

- There will be diversified economic and financial policies and practices for nations following fixed and fluctuating currency practices.

- Loss of previous records of any or some of the financial transactions and economic trends.

Kritzman, (1992) in his studies mentions that Mundell introduced the theory of optimum currency. The purpose of the same was to discuss the basic economic structures by deliberately bringing down the probability of asymmetric shocks, through the introduction of a common currency. The theory was developed to understand the economic beliefs, which most nations utilizing the fixed rate system depends through any common financial, credit and currency policies. Basically, the study includes irreversible fixed exchange rate policy, which benefit in discussing the economic cycles of the nations that are highly correlated to similar currency (Chu, 2005).

It is a regular belief in the economic market that most nations categorized under any specific monetary zone, require to be placed with a considerable degree of mutual understanding, financial freedom, economic interdependence and market openness usually explained as ratio for mutual trade to the market need. While considering the studies in this regard by McKinnon from Stanford University, it is understood that structural reforms should be directed towards the stimulation of flexible markets. This in turn can benefit by bringing down the requirement for inflexible fiscal, financial as well as credit policy measures (Kritzman, 1992).

There are many studies in the area of fixed currency system as explained by Agarwal et.al (2002) in their studies. Most of the studies were focused towards the understanding of the viability of financial restructuring and re-organization among international economic markets. Examples for the currency trade blocks can be considered as NAFTA, EU, which benefitted in economic and financial integration among the participant nations. At the same time, financial integration in the ASEAN region has not emerged positively due to the concerns still existing in political and financial uncertainties. Stone, M., Anderson, H., and Veyrune, R. (2008) understand from their observations that the potential economic gap in existence between these economically developed and underdeveloped countries seems bit high in these sectors. The economic crisis of 2007 and 1997 is still reflected in the mindset of international business communities. EU nations recently exhibited low economic growth, and better gained trade agreements with other non-EU members. It is seen in the recent history that most of the nations enjoyed bilateral trade agreements, even when the member countries were excluded completely (Agarwal, 2004).

Levy-Yeyati, E., Sturzenegger, F. (2003) clearly tries to gives emphasis to the fact that to be in the ASEAN financial trade block, there needs a required trade qualifications prescribed like developing appropriate banking and monetary systems which would reduce the impact of the common currency on the systems of the country. Most nations feel the difficulty of surrendering the economic and financial identity while entering into financial trade blocks. EU nations believe that they can even enter into other business deals based on the basis of the liberal economic treaty that address the region (Agarwal, 2004). The economic liberalization has contributed to the financial growth of the ASEAN regions which was in the earlier days less demand from external regions mostly unrelated to the financial blocks.

Benefits expected from the Economic Unions in International Trade and Business: -

Kopcke, (1999), while explaining from his studies in international finance and economic trends asserts that global business, once entering into financial unification, on the basis of any single currency denomination, will automatically contributes to the development of a common economic and federal trade system, aimed or expected towards the development of the member countries, benefitting them in the process. With the global business trade on an emerging trend, the fixed currency market has become a much-preferred financial system among nations in the international trade and commodity market. This is preferred in business practices, as it is expected to develop or contribute to develop business in a dimensional phase. This is expected to benefit the nations to avoid any sharp fluctuations in currency systems (Seidel, 2012). The one currency market can contribute to bring the expenses to minimum while other costs associated with international trade might go up.

Selim, H. (2012) explains the establishment of the Euro Act benefitting the Euro Currency to overcome the political, social, legal and cultural concerns addressing the European nations. The basic interest in this regard is to benefit the financial and economic blocks to initiate intra-regional investments in international financial markets. It could be realized that initially few nations traded in the fixed market economy which included Germany, Belgium among others. At the same time the countries like Spain, Greece and Italy, were reluctant to enter into the real trade commitments.

The Maastricht treaty were looked into in the situation, which is believed to explain the facts with the view of few criteria as follows: -

- Requested to maintain 3% to 5% of the GDP from government deficits.

- It was advised to keep average inflation rate @ 1.5% in comparison with nations with least inflation within EU.

- To maintain the government debt not more than 60% of the GDP.

- To hold in the EU trade block for a minimum of two years.

- The rate of interest in the long run public bonds to be maintained at 2% - 5% on an average for three countries with the lowest inflation.

Success in any field is copied and implemented. The same is the case with the decision of to form “financial block” by most of the economic and industrial nations. Sidorova, E. E. (2011) feels that the success of Euro Currency influenced most of the nations and even GCC.

There were many discussions for the common currency. This was considered to bring more value for the currency and to strengthen the financial power. Few financial intermediaries were of the opinion that this will only stabilize the international economy and might affect the local financial markets. EU nations believed to have more financial freedom as there will be less impulse in the financial structure due to fixed market rates and fixed fluctuations in the global economy. In addition, it can bring much better advantage for currency transactions in nearby nations without exchange rate adjustments (Muhammad Jamil, 2012). Thus, there was a consideration to benefit from the international trade as a matter of stabilizing the economy and financial structure, above the political and cultural differences. Just like USD and bullion market, Euro too faces the same threat from both the financial intermediaries. The value appreciation for any one of these factors either will supplement or complement the other two commodities. The studies that were conducted in these markets explained higher shifts in the financial market, which benefits the chance for a trade adjustments in the market economy (Muhammad Jamil, 2012).

There has been a currency volatility among EU nations before the introduction of the Euro Currency. After the entry into the EU, unified currency system could stabilize the economic fluctuations and thereby to benefit the international business concerns. Denmark experienced a sea of change since joining EU. While looking at the local market, there was no evident or visible changes in the system. On a closer look too, there seems no guarantee to the upturn of the indigenous industries but seems that there was significant stability in the markets (Muhammad Jamil, 2012). While looking at the GCC nations, the economy benefitted as the political, legal and social system holds almost similar, mostly due to similar culture, language and religion. The economic institutions clearly discuss the existence of labor mobility and open market economies as the best reward towards nations ‘economy.

Following were considered as the objectives for the development of GCC monetary union: -

- To benefit the GCC from the International trade and business benefiting the gain from fixed market exchanges.

- To gain benefit from commodity price and price differences.

- To benefit gains from common or similar international business policies and the economic policies.

 To benefit eradication of the cost concerns across the borders, and to keep unethical competition under check.

 To benefit trading comfortable through unified currency market regulations.

International Economic Systems: -

US Dollar still hold the strongest place in the money market along with the Gold. This made monetary benefits uncertain even in terms of USD. This might lead to financial imbalances and can lead to economic slowdown. This destabilization in the economy made people to think in terms of moving out of even the dollar currency pegging strategy and to move to a much comfortable and stabilized currency in the money market (Selim, H. (2012). The economists feel that, during this period of multiple factor economic recessions, it is baseless to predict any changes in the money market, which might or might not bring additional changes. It is difficult to move from dollar as the standard currency, as it has been in usage for a long period of time in all financial markets (Mavlonov, 2005).The alternative for this was thought to have the benefit of the much appreciated regional currencies accepted in the international economic markets (Mavlonov, 2005). The restructuring of the currency market must benefit the monetary process in the long run business interests. In this cases, the economic factors need to address the basic factors as follows: (Sidorova, 2011):

 Consider moving towards a much stabilized and organized gold standard

 Develop a global financial instrument aimed with much wider and secured functions making the international business more comfortable and convenient.

 Protect the financial position of Dollar / Euro as a much appreciated international currency for any international business practices.

 Utilizing the regional currencies in a much appreciated manner, bringing in a regional currency promoted international business practices.

US Dollar as an internationally accepted currency standards:-

Rose, J. F. (2002) while addressing the details related to the international money markets, feels that US economy gained stability in the market, hence became attracted as a common standard for money market transactions, in the international markets. Later US Dollar gained attraction in the market as a stable currency against bullion trading in the international market. Even the US credit and fiscal bodies too exhibited attractiveness towards utilizing dollar for international financial markets.

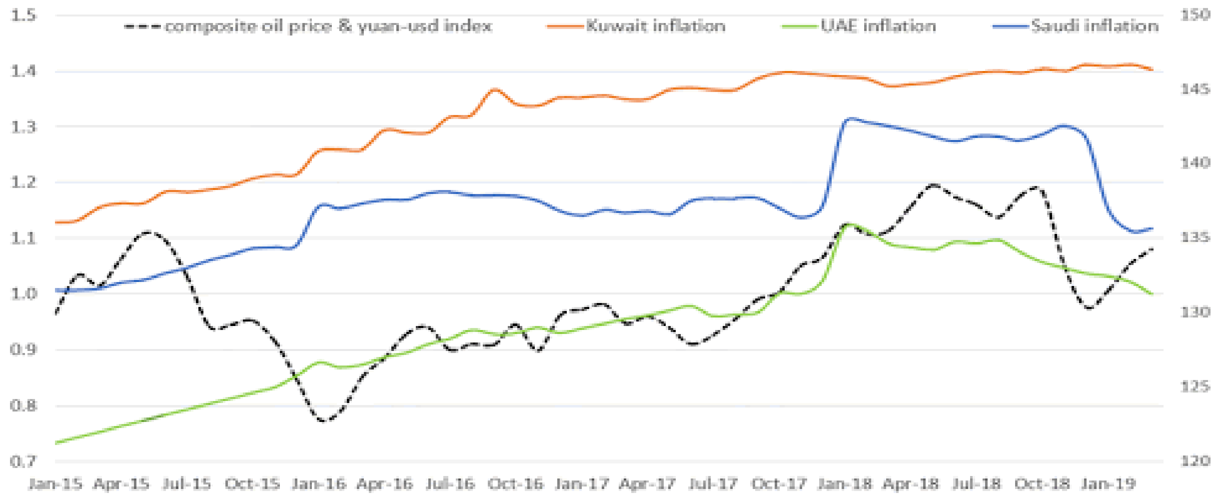
This might be possible only through maintenance of debt obligations meeting the demand related to dollar-based assets. Seidel, M. (2012) describes the network effect in the international economic market structure, by considering the currency in demand as the most circulated currency, with better demand for all the international business relations.

Poly Currency Systems and practices: -

Mahmood, I., Ehsanullah, M., Ahmed, H. (2012) states that the discussions in this regard lead to the development of an alternate solution to mono-currency system in the development of a poly-currency system, based on the money value of the currencies in the market (Kopcke, 1999). The global recession has made the international markets to think twice before doing business in the international market against dollars. By developing currency reserve towards dollar was considered as the best alternative, which better lead to appreciable economies in the financial market. By making a currency reserve, the pressure on any single currency can be brought down. This can be done by selecting the currency from the strongest country in that region as the international exchange source in this region for international trade (Sidorova, 2011).

Suggestions: -

The benefits of the currency pegging are many for the host and investor nation. Stone, M., Anderson, H., Veyrune, R. (2008) states that if in case one currency is kept in fixed exchange rate against another single currency, there will be an extra pressure on the currency, to prevent and protect against any monetary devaluations. In the present global business scenario, there exists no other option other than pegging against one prominent currency. It needs to find out alternative options for establishing poly-currency pegging process. As the study says, there can be few difficulties in the later cases, which needs to be addressed (Shambaugh, Jay C. 2004).



UAE was always dealing with dirham in the international trade market independently. The business related to a specific time market period as well any definite risk associated can never be identified and explained. While dealing with currencies that are independent float, there needs to build in confidence among investors with regard to the performance of the currency in any future market (Tenreyro S. 2010).The fixed as well as recurring investments in industries and financial sector always tends to accumulate investment confidence in financial markets. The economic turbulence in the currency market always bring less confidence to the investors at all point of time. Reinhart, and Rogoff, K. (2004) believe that the money market needs to redefine the business market structure in the long run brining in appreciation to the currency market benefitting the international business market. The currency can be traded only when there exists appreciative confidence among money market investors.

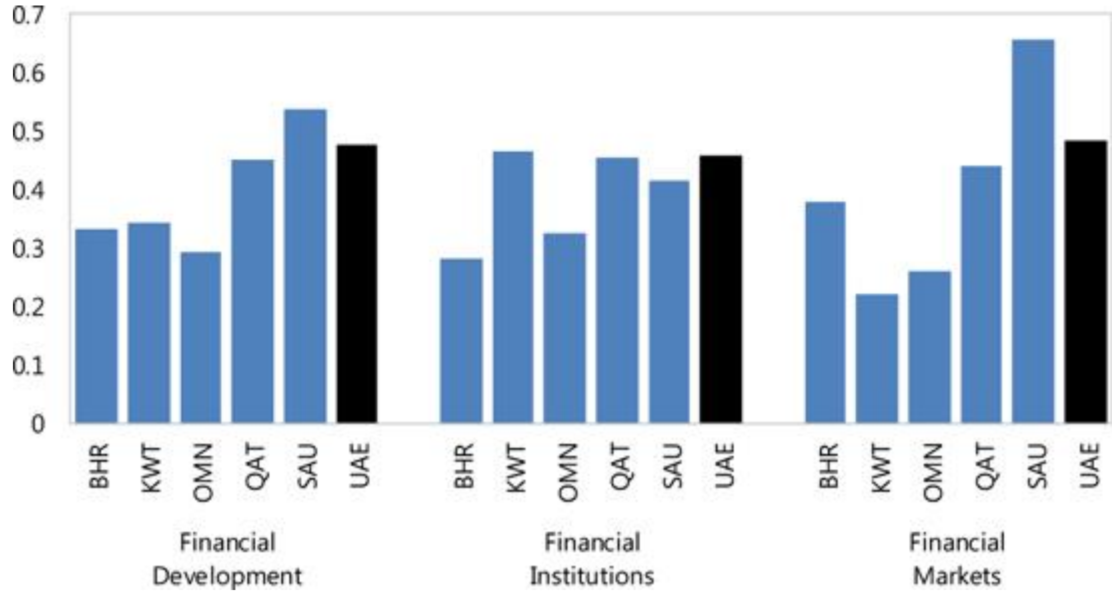
Yagci, F. (2001) in his studies states that International business is the main business practice across the globe, to bring in more money in circulation and to strengthen the foreign direct investments, attracting more employment opportunities. In this competitive global business environment, the currency pegging practices have brought in a better financial planning and investment options in the business sector in the country. This has enabled the nations to be more competitive and fairer in business deals as well to improve qualitatively to be in the business scenario. Vee, D.N.C. (2011) further outlines that this has enabled, better products in almost all the developing markets at the economic prices enabling a global rotation of international currency and economic standards.

Peng, A. (2012) feels that it is very important to investigate into the details of the international trade interest of other nations. To benefit the economic system, and to keep monetary value under control, every nation consider dollars as the base currency for money market trade and finance. Looking at the UAE economy as an example, it is understood that the same is built on the business and trade benefitted from nations line India, Srilanka, Bangladesh, etc., Dollar currency provide convenience to trading nations also too benefit through doing the business in a standardized currency. If in case of international trade and sanctions, UAE as well as ME nations prefer to equate the transactions to dollar rates for proper accounting and trade practices (Peng, A. 2012). It is understood that there is no one single policy every nation can follow in conducting international business practices.

Conclusion

All nations prefer to utilize the national currency for the trade and business inside the country. While engaging in international trade, nations prefer to fix the business deals against any other currency, which can bring in much profit and stability in the business deals. The currency rate fluctuations are risky for selected few markets and commodities, while floating rates are advantageous for other nations engaged in floating currency systems (Sidorova, E. E. (2011). An option to avoid any financial risk in terms of floating currency was dealt through currency bonds, encouraging international business practitioners to contribute to the investment options in any preferred nations. Yevchenko, N. N. (2010) believe that the recent global economic recessions, have put in a question mark to have global currency system. Further it is believed that it can bring a much beneficial poly currency system, which can even discuss better financial policies and procedures which can lead to similar crisis in the international economic markets. UAE introduced dirham as its currency nearly four decades ago. The currency became popular across the globe, with the development of international trade and business across the nations. Of late the nation started emerging as a better place for international trade and started fixing the currency against dollars for much better monetary advantage. The global economic recessions across the world made the financial consultants to have a rethinking on the pegging system and its disadvantages against the gains the county can be benefitted through free float of the currency in the market (Syarifuddin, F., et al.,2014)

Much of the world trade is being carried out against US dollars. This has become a reason for nations to peg the currency against the US dollars. There exist few benefits while pegging currency against the dollars. Fixing the currency rates is always helpful in predicting the earnings in return to any business, as well relates to bring in stability in the international trade and commodities market. This always built the confidence among buyers and sellers as the trade outcome in terms of finance and volume is known beforehand itself.



Syarifuddin, F., et al (2014) further explains that the correlation between the US dollar, euro and independent float revealed that even though there existed a decrease in the revenue of UAE economy, still there existed a better correlation between UAE dirham and US dollar. In the current global business scenario, the benefits would be derived by pegging UAE dirham with US dollar. Although independent float can be considered as the purpose of currency exchange, it needs to gain the investors' confidence over UAE dirham, seemed to be much important. It remains practically impossible to determine the market gain against currency float value in terms of UAE dirham, leading to any situation of overvaluation of the currency in the existing market. This can even bring in a situation of financial suicide for the currency as well as the international trade market. Also determining the value of UAE dirham as independent float would be difficult and there could be situation where the currency value is overvalued.

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