SELECTED FACTORS GOVERNING INTERNATIONAL FINANCIAL INTEGRATION – SPECIAL REFERENCE TO INDIAN ECONOMY WITH SINGAPORE AND TURKEY.

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ABSTRACT

The Global financial crisis predicted by Mr. Raghuram Rajan during 2005 has created an impact on multinational investment towards exchange rate fluctuations, crude oil prices and investment decision. Ignoring the prediction of 2008 crisis made by a great economist was a big mistake of the multilateral funding agency. The impact of crude oil prices, exchange rate on both the inflation rate and interest rate together resulting to major factor of International Financial Integration has been reviewed and empirically proved factor by various authors in their respective study. A selected factor such as, Forward Premium / Discount, Interest rate parity and Purchasing power parity has been considered to analyse the financial integration with a special reference to Indian Economy with Singapore and Turkey. This paper argues about selected factors governing International financial integration of Indian economy along with Singapore and Turkey for a period of 4 years (2010 – 2013). The study is carried out by ex post – Facto type research design. The objective of the study is to identify the Interest rate and Inflation rate of India along with Singapore and Turkey with the help of IRP, PPP and Fishers effect Index. The study uses Trend analysis as a statistical tool and Hypothesis testing to prove the financial integration on Indian Economy with respect to selected countries. The findings will act as a catalyst towards promoting the effectiveness of International Financial Integration.

Key Words: Financial Crisis, Inflation rate, Forward premium / discount, Purchasing power parity, Interest rate parity, Fishers Index.