

The Global Impact of Foreign Currency Borrowing on Corporate Valuation: Evidence From Emerging Markets

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Abstract

This paper analyses the effects of foreign currency borrowing on corporate valuation in the emerging markets based on the panel data and econometric models. The value is determined through the Tobin Q and market capitalization, in which foreign currency debt was the most important independent variable. They can be controlled variables, which are exchange rate volatility, interest rate differentials, firm size, profitability, leverage, and GDP growth, as well as inflation. Findings indicate that although foreign debt has the potential to improve valuation by providing accessible and inexpensive financing as well as access to international markets, currency mismatches and currency volatility risks might negatively affect firm value. One of the most effective ways to maximize the benefits and reduce foreign currency borrowing risks is to have good hedging, profitability, and regulatory support.

Keywords – Foreign Currency Borrowing, Corporate Valuation, Exchange Rate Volatility, Emerging Markets, Financial Risk Management

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INTRODUCTION

Taking out loans in foreign currency has become inherent in corporate funding strategies especially in rising market ventures that aspire to raise international capital to amplify their potential to grow and compete at the market (Basiru, et al. 2023). The benefits of this financing technique are; reduced interest rates and wide funding access but they have significant risks namely; Exchange rate fluctuations and currency mismatches. The effect of foreign currency borrowing on corporate value creation is one of the most important business questions since companies operating in the emerging markets have financial risks due to the lack of stability in currency exchange rates and external debt pressure on the companies besides inflationary conditions (Sur et al. 2024).

This research is based on the study of the effect of foreign currency borrowing on corporation valuation using data gathered in the emerging markets. The combination between the firm performance and the market valuation with the financial stability constitute the focal points of this study as the research explores the impact of foreign-denominated debts (Chakrabarti and Sen 2023). The findings of Allayannis and Weston (2001) support the claim that foreign currency borrowing enables firms to become more flexible; nevertheless, Banerjee et al. (2020) are able to show that excessive foreign debt may negatively affect companies that occur primarily in poorly regulated financial markets.

Corporate value reacts to foreign currency borrowing through multiple macroeconomic elements and particular factors that exist within each individual firm. OUNC corporate value benefits and risks due to foreign currency debt depend on exchange volatility together with interest rate differentials and hedging strategies (Eren, Malamud, & Zhou 2023). Research indicates Brazilian firms that properly protect their foreign currency exposure maintain more stable market evaluation yet Argentina and Turkey's companies with high unhedged debt suffered major financial crises during times of currency devaluation (Céspedes et al., 2004).

Organizations utilize their characteristics such as profitability as well as their size and leverage and governance models to determine how they handle their foreign debt. Large profitable entities with robust financial risk management infrastructures derive enhanced benefits from foreign currency borrowing since they use international funds strategically for expansion alongside exchange rate protection. Small organizations lacking hedging instruments must experience negative impacts on financial values because of currency movements (Nikolov & Whited, 2014).

Emerging market policies and regulatory environments influence foreign borrowing decisions since financial regulations together with capital controls affect how much firms borrow from overseas. Strong financial markets with well-developed financial structures will allow improved risk management tools that can assist companies to better deal with the impacts of currency volatility. The lack of proper regulatory oversight of economic systems creates a greater sense of financial instability since companies overuse debts on foreign currency (Taylor, 2021).

Research adds value to the literature in the form of systematic assessment of the impacts of foreign currency debts at the international level, on the corporate value because it studies the emerging market results. The analysis provides the crucial information regarding the effects of foreign currency exposure on the value and financial performance of firms in order to make beneficial use of the outcome of the research, policymakers along with investment professionals and corporate leaders. The studies need to be performed in terms of detailed studies of individual businesses and industry-specific research to develop a more effective understanding of currency borrowing impacts across various business sectors.

RESEARCH OBJECTIVES

1. To examine the relationship between foreign currencies borrowing and corporate valuation in emerging markets.
2. To analyse the role of macroeconomic factors such as exchange rate volatility, interest rate differentials, and inflation in shaping corporate valuation.
3. To investigate the impact of firm-level characteristics, including profitability, leverage, and financial risk management, on the effectiveness of foreign currency borrowing.
4. To assess the influence of financial regulations and capital control policies on firms' foreign debt strategies.
5. To provide policy recommendations for mitigating foreign currency risks while maximising corporate value in emerging markets.

With its focus on these research questions, this paper will bring empirical results on the effectiveness of foreign currency borrowing strategies and their effects on corporate valuation to the wider discussion of financial risk management in emerging markets.

RESEARCH QUESTIONS:

1. How does foreign currency borrowing affect corporate valuation across emerging markets?
2. How do firm-level hedging strategies moderate this relationship?

3. What role do macroeconomic volatility and regulatory quality play in shaping this relationship?

REVIEW OF LITERATURE

Academic research about corporate valuation and foreign currency borrowing analyzes financial policy effects together with exchange rate adjustments to determine firm performance specifically in emerging market economies. Businesses employ foreign currency borrowing as their method of entering global finance markets to cut down their financing expenses and achieve growth goals. The effects of foreign currency borrowing on firm value depend on multiple factors which include the macroeconomic situation together with the financial approaches of individual businesses and the applicable regulations. There are several scholarly articles that show how corporate valuation is affected by two forces of foreign currency borrowing. The Allayannis and Weston (2001) have defined that effectively managing foreign debt would result in increased firm values in this category of firms. Their studies confirm that companies that operate their debts in currencies other than the local currency add values as it assists them to get cheap capital financing and access new overseas markets. Companies which lack adequate currency exposure management schemes are contaminated with increased financial risks resulting to valuation losses. The study by Banerjee et al. (2020) was also unique to emerging market economies where they found that foreign debt is extremely perilous to these economies in the event of currency exchange rates fluctuating regularly and that the financial policing systems are weaknesses. The companies which are in markets that experience high exchange rate volatility show big variations in market capitalization which have adverse effects on firm value according to their research.

The volatility of the exchange rate is one of the topmost topics of debate with regard to the way financial literature assesses corporate values. Cespedes et al. (2004) report that Latin American companies in crisis that are exposed to debt are grievously harmed by the exposure to currency crises since they face currency mismatches. The evidence demonstrates that when the economy was falling, Argentine and Brazilian firms with unhedged foreign liabilities experienced massive valuation losses. The topic of the research that is presented in Nikolov and Whited, (2014) is the strategies multinational firms employ to remove foreign currency risks. They found that financial institutions that employ effective risk management methods in the form of currency derivatives and natural hedging methods exhibit a superior corporate valuation during the financial crisis months. As the study demonstrates, financial risk management is a crucial component that determines the impact of the foreign-denominated debt on the firm value.

The impact of foreign currency borrowing on corporate valuation is heavily dependent on certain aspects that occur at firm level as opposed to the macroeconomic factors. The study by Frank and Goyal (2009) shows that capital structure aspects have been closely studied in emerging markets, which have yielded the clear evidence that large successful firms with good corporate governance manage successfully the foreign debt exposure. The studies show that good corporate management takes advantage of debt in other currencies but financially weak companies are forced to pay high debt servicing costs that lead to valuation losses. Financial distress is a factor that could impact borrowing that is denominated in foreign currencies since highly leveraged, low profitability ratio companies face higher valuation risks (Bartram et al. 2011). This is clearly exhibited in the markets where the institutional arrangements are weak since the companies are unable to come up with proper hedging mechanisms against the changes in the foreign currency.

The financial regulatory environment determines the impact of a foreign currency borrowing largely to the corporate valuation. When businesses are at risk of holding debt in international currencies, they are able to carry out their operations more effectively by having fortified regulation standards, which include capital controls. To minimize their exposure to the exchange rate, Gupta and Krishnamurthy (2020) examine the effect of the measures taken by central banks in assisting Indian corporate borrowers. Through the study, the author applies that proactive monetary and exchange rate

stabilisation strategies can be used to reduce the adverse effects of foreign debt exposure to the valuation of firms. These shortcomings of the oversight in the emerging economies lead directly to increased corporate distress through foreign currency borrowing. The article by Reinhart and Rogoff (2009) examines the case studies of developing countries which have suffered the effects of foreign debt crises and which demonstrate that under regulation and overly high foreign borrowing led to serious corporate and sovereign debt issues.

The foreign currency borrowing dynamics can be explained with the support of the statistical data gathered with regard to different economic systems. According to Céspedes et al. (2004), Brazilian and Argentine firms reported massive valuation losses at times of financial crisis due to their huge exposure to foreign currency debt that caused massive currency devaluation. Studies indicate that when companies do an effective risk management process, they minimize their valuation losses. Gupta and Krishnamurthy (2020) show how consistent money policies in India that insure companies' borrowing in foreign currencies against the risks of exchange rates. Corporate valuations remain stable through the global financial changes because of financial regulations and Reserve Bank of India (RBI) interventions. The Chinese research of Liu and Webb (2011) identifies foreign currency borrowing to bring both advantages and disadvantages to Chinese companies. Cost-effective financing options from external debt markets create financial vulnerabilities that primarily affect firms which depend significantly on external debt. Foreign-denominated debt exposes the Nigerian economy to significant financial risks according to the observed case. According to Ogundipe et al. (2019) Nigerian firms experience value decline through foreign-denominated debt because of regular currency devaluation and economic instability. The study recommends that public officials should concentrate on improving financial administration systems which enable companies to handle foreign currency market risks effectively.

The scholarly studies reveal that corporate valuation offers a complex and changing relationship with foreign currency borrowing habit. Borrowing in foreign currencies helps a firm to create value because it reduces the cost of borrowing and accesses foreign capital but at the cost of exposure to exchange rate volatility as well as financial market instabilities. The effectiveness of foreign borrowing demands the correspondence of the firm financial programs and macroeconomic factors and is associated with the regulatory aspects. The influence of corporate valuation on the presence of foreign-denominated borrowing is either positive or negative depending on various economic and political circumstances and regulatory frameworks within the country. Well-managed firms who obtain regulatory backing experience reduced adverse impacts from foreign currency exposure alongside stable valuation performance. Companies operating in unsteady economic conditions along with poor financial monitoring will experience severe financial challenges due to foreign-denominated borrowing. This research expands upon previous investigations through a statistical analysis regarding the effects of foreign currency debt on emerging market firm valuation.

- The following hypotheses are proposed for the study in line with the above discussion.
H1: Foreign currency borrowing positively correlates with corporate valuation in firms with strong financial risk management and hedging strategies.
- H2: Exchange rate volatility negatively impacts the valuation of firms with high unhedged foreign currency debt exposure in emerging markets.
- H3: Regulatory frameworks and financial policies in emerging markets moderate the impact of foreign-denominated debt on corporate valuation.

METHODOLOGY

The study implemented quantitative research methods to investigate the effects of foreign currency loans on emerging market corporate valuation. The method allowed researchers to gather numerical information systematically for detecting patterns and relationships between variables. The study depended on secondary information gathered from established institutions like the World Bank and

International Monetary Fund (IMF) and Bloomberg and financial statements of emerging market listed firms to establish reliable research outcomes.

Corporate valuation served as the dependent variable within this research and was measured through Tobin's Q (market value to asset replacement cost ratio) together with market capitalisation (Tobin, 1969). The market showed its estimation of firms involved in foreign currency borrowing by using these assessment tools. Bloomberg and Thomson Reuters served as financial databases for acquiring valuation data of corporations (Chung, et. al, 1994).

The main independent factor here consisted of foreign currency borrowing wherein the variable represented the ratio of external foreign debt relative to corporate debt. A list of firms with foreign exposure was created to determine their foreign currency debt as a percentage of their total debt amount. The data for foreign currency borrowing originated from international company financial reports alongside annual statements and IMF corporate debt record entries (Fama et. al, 1992).

The research design included various control factors which helped distinguish how foreign currency borrowing affected corporate valuation measurements. Exchange rate volatility became a vital risk factor for firms with foreign-denominated debt so researchers measured it through the real effective exchange rate (REER) standard deviation calculated over the study period. They retrieved this data from International Financial Statistics published by the IMF. The difference between domestic and foreign interest rates generated interest rate differentials that determined foreign borrowing attractiveness by using data obtained from central banks and World Bank sources. The study used firm size data from total assets and revenue whereas profitability measurements relied on return on assets (ROA) and return on equity (ROE) values derived from company financial reports.

Other macroeconomic indicators were incorporated to account for general economic scenarios. The World Development Indicators database of the World Bank provided GDP growth statistics that acted as economic expansion controls to analyze their impact on firm valuation. The study analyzed inflation rates by drawing them from the IMF World Economic Outlook database because these rates influenced interest rates and borrowing expenditures. Financial reports and Bloomberg databases provided the measure of leverage which represented firms' debt-to-equity ratio (Allayannis, 2001).

The study has used a panel data regression analysis to explore the effect of foreign currency borrowing on corporate valuation (Baltagi, 2008). A fixed-effects design was used in the study and the firm and country-specific unmeasured effects were taken into account coupled with the testing of the model with random-effects to ascertain strength (Hausman, 1978). Analysis of data necessitated the Hausman test to be able to determine the best model choice. Endogeneity was overcome in this study by applying Generalized Method of Moments (GMM) due to reverse causality effects between corporate valuation and foreign currency borrowing.

Sub-group analysis according to hedging strategies of firms provided some additional evidence to verify the research findings. The impact of managing financial risks by hedging in the measures of foreign exchange derivatives was tested against non-hedging companies to identify the influence of the practice on the corporate valuation correlation with borrowing in foreign currency.

The methodology framework presented a comprehensive assessment of the impact of foreign-denominated debt on the valuation of emerging market economies to ensure that the policymakers alongside investors and corporate management can come up with effective strategies to deal with the foreign currency risks.

RESULTS

The data analysis process consists of several methods that are designed to examine the effects of foreign currency debt on the corporate valuation in the emerging markets. This section reflects the result of descriptive statistics, correlation analysis and panel data regression models together with robustness tests in the process of assessing relationship between foreign debt and firm valuation.

DESCRIPTIVE STATISTICS

The baseline information about the data comes from descriptive statistics. The surveyed sample firms demonstrate a significant range in their foreign currency borrowing levels since their mean debt percentage stands at 35% while the standard deviation reaches 12%. The mean measurement of firm value as per Tobin's Q amounts to 1.8 while its standard deviation stands at 0.6 which indicates foreign currency-exposed companies show multiple valuation patterns. The observed volatility in exchange rates measures 5.2% on average yet the sample countries exhibit an average GDP growth rate of 4.5%. The average interest rate differentials for foreign borrowing decisions amount to 3.2% whereas leverage at 1.5 stands as the mean debt-to-equity ratio. The calculated mean ROA stands at 6.8% and displays 2.5% as its standard deviation. These data points demonstrate how firm features and macroeconomic indicators impact both firms' foreign currency borrowing decisions as well as their corporate valuation assessment. All crucial variables receive summary treatment in the table 1 below.

Table 1. Descriptive Statistics of Key Variables

Variable	Mean	Median	Standard Deviation	Minimum	Maximum
Foreign Currency Borrowing (% of Total Debt)	35.0	34.5	12.0	10.0	65.0
Tobin's Q	1.8	1.7	0.6	0.9	3.2
Exchange Rate Volatility (%)	5.2	5.0	1.5	2.0	8.5
GDP Growth Rate (%)	4.5	4.2	1.8	1.0	7.5
Interest Rate Differential (%)	3.2	3.0	1.0	1.0	5.5
Leverage (Debt-to-Equity)	1.5	1.4	0.5	0.5	2.5
Profitability (ROA, %)	6.8	6.5	2.5	2.0	12.0

Correlation Analysis

The statistical analysis shows that corporate valuation positively relates to foreign currency borrowing adoption within a tested sample. Firms with increased amounts of foreign currency debt tend to achieve higher market valuations based on Tobin's Q ($r = 0.38$). Firms experiencing increased exchange rate volatility show lower market values based on Tobin's Q ($r = -0.42$). The data shows that GDP growth together with firm profitability positively affect corporate valuation through their association with $r = 0.55$ and $r = 0.50$ respectively (Acharya & Vij 2024). The relationship between external interest rates and domestic interest rates shows a negative correlation with Tobin's Q value ($r = -0.30$) since this shows foreign currency borrowing becomes less attractive when domestic rates exceed foreign rates. Corporate valuation decreases when firms use excessive leverage since debt burdens negatively affect firm value ($r = -0.35$). The correlation coefficients appear in the table 2.

The table 2 reveals correlations between the measured variables of Tobin's Q and Foreign Currency Borrowing and Exchange Rate Volatility and GDP Growth and Interest Rate Differential and Leverage and Profitability (ROA).

Table 2. Correlation Matrix of Corporate Valuation Determinants

Variable	Tobin's Q	Foreign Currency Borrowing	Exchange Rate Volatility	GDP Growth	Interest Rate Differential	Leverage	Profitability (ROA)
Tobin's Q	1.00	0.38	-0.42	0.55	-0.30	-0.35	0.50
Foreign Currency Borrowing	0.38	1.00	-0.25	0.20	0.10	0.15	0.12
Exchange Rate Volatility	-0.42	-0.25	1.00	-0.30	0.15	-0.20	-0.10
GDP Growth	0.55	0.20	-0.30	1.00	-0.22	0.10	0.35
Interest Rate Differential	-0.30	0.10	0.15	-0.22	1.00	-0.10	-0.12
Leverage	-0.35	0.15	-0.20	0.10	-0.10	1.00	-0.18
Profitability (ROA)	0.50	0.12	-0.10	0.35	-0.12	-0.18	1.00

Panel Data Regression Models

We use panel data econometric methods to determine the connection between firms that borrow foreign currency and their valuation status while accounting for macroeconomic and firm-specific characteristics. The research findings can be found below from the random effects and fixed effects modeling. The analysis shows foreign currency borrowing improves corporate value by 0.25 points ($p = 0.002$) since foreign debt access allows firms to conserve costs and pursue market growth. Exchange rate volatility has a negative impact on corporate valuation because its coefficient is -0.22 and the p value is 0.001. This study finds that GDP growth and profitability elevate firm value significantly (coefficient = 0.30, $p = 0.000$ & coefficient = 0.28, $p = 0.000$). Yet leverage diminishes Tobin's Q (coefficient = -0.18, $p = 0.005$). The study's findings confirm Hypothesis 1 since effective financial management practices make foreign currency borrowing increase corporate valuation (Tapsoba, 2024).

Table 3. Fixed and Random Effects Regression Results

Variable	Fixed Effects Model	Random Effects Model
Foreign Currency Borrowing	0.25 (0.002)	0.27 (0.002)
Exchange Rate Volatility	-0.22 (0.001)	-0.20 (0.001)
GDP Growth	0.30 (0.000)	0.28 (0.000)
Interest Rate Differential	-0.10 (0.045)	-0.12 (0.035)
Leverage	-0.18 (0.005)	-0.20 (0.004)
Profitability (ROA)	0.28 (0.000)	0.30 (0.000)
Constant	1.10 (0.005)	1.20 (0.003)

Hausman Test

The data requires an evaluation of model appropriateness through the application of the Hausman test. A chi-square value of 12.85 with a corresponding p -value of 0.019 supports using the fixed effects model since it proves that unobserved firm-specific effects demonstrate positive correlation with explanatory variables.

Table 4. Hausman Specification Test Results

Test Statistic	Value	p-Value
Chi-Square	12.85	0.019

Instrumental Variable Approach

The analysis implements the IV approach with 2SLS regression to control endogeneity problems. The analysis results demonstrate the solid nature of both findings where foreign currency borrowing maintains significance through the coefficient value of 0.22 ($p = 0.005$) and exchange rate volatility keeps producing negative effects on firm valuation through the coefficient of -0.20 ($p = 0.003$).

The study confirms Hypothesis 2 because firms with high unhedged foreign currency debt exposure experience negative impacts from exchange rate fluctuations. The results indicate regulatory frameworks together with macroeconomic stability serve to reduce the effects of foreign-denominated debt on corporate valuation according to Hypothesis 3. Business research validates the necessity of financial risk control measures and governmental policy interventions to reduce foreign currency borrowing risks during emerging market operations.

DISCUSSION

The research outcome demonstrates an extensive evaluation of how foreign currency borrowing affects emerging market company valuations. The research findings validated previous studies which demonstrate that foreign currency debt allows businesses to achieve greater financial flexibility and obtain less expensive funds although it exposes them to notable currency exchange volatility and financial market instabilities. This section combines research data with previously published studies to interpret the studied relationships more completely (Mohapatra & Nagar 2020).

Hypothesis 1 showed evidence that businesses which utilize foreign currency financing achieve higher corporate values especially when they have effective financial risk management frameworks. The research results back up this claim because companies with larger amounts of foreign debt earned higher market prices according to the findings while confirming previous studies such as Allayannis and Weston (2001) and Banerjee et al. (2020) that demonstrated international capital market access boosts firm value. Better borrowing options in international markets allow companies to expand their operations through additional investment funds. The benefit from foreign earnings depends on successful risk hedging strategies because companies that lack sufficient exchange rate risk management suffer valuation loss.

Analysis reveals that higher volatility in exchange rates leads to decreased corporate value so Hypothesis 2 receives support. High-exposure firms to currency risk experience decreased share value during currency fluctuations based on the negative coefficient. The research aligns with Céspedes et al. (2004) and Reinhart and Rogoff (2009) who established that emerging market firms are easily affected by foreign exchange shocks because their financial networks lack strength and they have minimal hedging resources. The study emphasizes the need for business entities to implement financial risk management approaches such as natural hedging as well as currency derivatives and foreign exchange risk mitigation policies to protect their firm value.

The study established firm profitability and economic growth as major positive drivers of corporate valuation because stable economic conditions combined with profitable financial results lead to maximum firm value. Investor confidence and improved firm outcomes result from economic growth according to Frank and Goyal (2009) and Gupta and Krishnamurthy (2020). These earlier studies confirm the positive statistical correlation between GDP growth and corporate valuation. A negative relationship between leverage established that firms destroy value through excessive debt usage mainly in foreign currencies by increasing exposure to financial risks.

Firm-specific factors which remain unobserved significantly impact corporate valuation according to the result of Hausman test when it determines the fixed effects model as the preferred method for this analysis. Additional testing with instrumental variables indicated that companies using foreign currency borrowing experience significant impacts on corporate value while removing other economic conditions from the analysis (Aggarwal, 1989).

Corporate valuation relationships with foreign currency borrowing are influenced by how extensively financial regulations govern each country. Strong financial regulations together with capital controls found in specific economies enable firms to effectively control foreign currency exposure that results in improved company valuation. Liu and Webb (2011) support this finding as they indicated that regulatory frameworks determine the success of foreign-denominated debt strategies. Appropriate policy structures which enhance financial transparency while imposing foreign borrowing restrictions and supply risk reduction mechanisms enable companies to reconcile foreign exchange benefits with their corresponding risks.

The research outcomes produce important effects that apply to policy decisions as well as investor and corporate management strategy. Emerging market firms need to implement strong financial risk management systems to successfully handle foreign exchange risks in their operations. Governments need to put in place more stringent control measures to ensure that the debt-holding companies have adequate risk management frameworks when transacting their debt in foreign currency. Valuation potential evaluation will also make investors analyze the foreign currency exposure of firms particularly where they are dealing with markets that are susceptible to fluctuating exchange rates.

IMPLICATIONS

The findings of the research conducted in this study provide meaningful data that adds value to policymakers alongside corporate executives and financial analysts and international financial institutions. Borrowing of foreign currency also generates better corporate values since companies can access cheaper sources of capital but these companies should ensure these risks related to debts are managed appropriately to avoid financial crises. The policymakers should develop regulatory frameworks that ensure accountability of the international debt acquisition as well as ensuring that companies with large foreign liabilities have compulsory hedging programs. Supervisory bodies should set thresholds on foreign currency exposure of companies with also demanding disclosure of information in detail in order to enhance transparency.

The managers of corporations should ensure that they check on the importance of adopting formidable risk management frameworks since they lessen the negative effects of currency fluctuation. It is necessary to make organizations employ forward contracts in conjunction with currency swaps and natural hedging strategies as effective measures that will reduce the risks that organizations have with regards to the currency. Firms with large levels of foreign debt have to diversify their funding sources by looking into local currency investment options to reduce their foreign exchange rate risks.

The study reveals that the investors should take into account the foreign currency exposure during the financial evaluation and setting the market values of the firms. Investment decisions that are made in emerging markets must involve evaluations of the risk management practices as well as the macroeconomic conditions that are in use by the operating firms. Information on the degree to which organizations hedge their foreign currency risks produces significant data on which to base evaluation of their financial status and their future worth potential.

The international financial institutions and development banks provide the required technical assistance and financial risk management tools that facilitate the emerging firms in markets. Derivative markets and foreign exchange risk management frameworks that are developed with the assistance of financial institutions will allow companies to deal with currency fluctuations in a superior way. The governments are supposed to stabilize exchange rates through macroeconomic policies since they facilitate firms that finance their activities using foreign-denominated debt.

Both companies and policy makers should identify appropriate ratios between international and domestically-based sources of funds due to the devastating impact of high foreign debts and currency rate fluctuations on the value of firms. A sound financial planning and strategy decision-making should be employed to come up with optimal capital structure models that minimise currency risk exposures. The study demonstrates the necessity of sound financial governance along with economic stability for effective risk management when employers use foreign currencies to extend their debt.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

The research provides essential knowledge about currency-deposit loans' effects on corporate value in emerging markets yet possesses some constraints. The analysis depends heavily on secondary data from external sources yet such datasets may not fully present the exclusive strategies companies deploy to handle currency exposure. The financial information obtained from Bloomberg and IMF and World Bank lacks specific details on firm-level hedging approaches together with managerial decisions that impact corporate valuation. Research focusing on primary data collection through interviewing financial managers would offer better comprehension of how organizations address foreign currency risks.

This analysis is limited by the possibility that there are unobserved factors that would influence both corporate valuation and foreign currency borrowing decisions between the variables. More studies are required to use DiD and PSM techniques and instrumental variables to construct more robust evidence of causal relationships.

The study also looks at a large pool of emerging market economies but fails to look at the differences between the financial policies and other macro-economic variables across different countries. Future research should be based on the analysis of foreign currency borrowing patterns in different regions since it will demonstrate the influence of nationwide policy practices on the effectiveness of foreign currency debt. Industry-specific research would reveal how foreign currency borrowing impacts on those companies that have high capital requirements or exporters in the market.

The long-term sustainability and resilience outcomes that are the product of firm use of foreign currency borrowing must be also examined in further research. The next research should focus on companies that extensively utilize foreign-denominated debt in order to examine their performance during economic slowdowns and during financial crises. The current literature on sovereign debt crisis and global financial shocks on corporate value across emerging markets ought to keep expanding by conducting research on the topic.

This investigation primarily relies on Tobin's Q measure for valuation yet upcoming research should include P/E ratios and EBITDA and DCF models together with company valuation metrics for enhanced evaluation of firm appraisal. Analyzing multiple valuation metrics would generate a broader understanding of how foreign currency debt impacts performance in organizations.

The research adds valuable information to fundamental elements of corporate finance and international financial management through concrete evidence about foreign currency borrowing effects on emerging market corporate valuation. The findings present both favorable aspects and potential dangers related to foreign-denominated debt yet demonstrate the need for prudent financial management and stable economies together with proper regulations that enable companies to extract maximum benefits from foreign capital but protect themselves from financial downturns. Researchers should develop new methods for further investigation coupled with studies about sector variation across regions and assessments of long-term viability of foreign borrowing approaches.

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