

## Structural Causality and Long-Run Dynamics Of AED/INR Under Inflation and Output Shocks: An Empirical Study

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### ABSTRACT

This paper examines long term tendencies and causality of a specific variable between the AED/INR exchange rate and such important variables as CPI, IIP and NIFTY 50 based on monthly data taken between January 2014 and June 2025. ARDL bounds testing, Error Correction Modeling (ECM), and ARIMA forecasting were implemented and a high long-term association among the variables were found. The positive influence was experienced by Inflation which caused depreciation of the Rupee and the industrial output stabilized and even strengthened the exchange rate. ARDL model was statistically stable when tested using CUSUM and ARIMA forecasts future depreciation of the Rupee to 23.34 by mid-2025. Comprehensively, these findings indicate that the macroeconomic fundamentals influence the India-UAE exchange and provide informative information to policymakers and investors.

**Keywords:** Exchange Rate, AED-INR, ARDL, ARIMA, inflation, industrial production, India-UAE