

## Exchange Rate Regimes – A periodical overview and a critical analysis of exchange rate regimes in Kosovo

MBA. Flamur Bunjaku  
University of Pristina

### Abstract

Exchange rate regimes and the monetary policy are the key instruments governments use to achieve their economic and financial objectives. Moreover, due to global financial crisis the latter instruments get more importance. Empirical evidences show that exchange rate regimes in Kosovo and its monetary policy throughout their development were mainly influenced by different political and historical developments. In regard of Euroisation of monetary system in Kosovo it was found that this action generated macro - financial stability in terms of inflation and price fluctuation. However, in terms of microeconomic aspects, the unilateral adaptation of Euro as the official currency of Kosovo failed to provide microeconomic advantages such as to export stimulation, and so forth. The main exchange rate regime systems were discussed focusing in their advantages and disadvantages, and it was concluded that there is no commonly accepted theory regarding the optimality of exchange rate regimes. In addition, the global financial crisis impact in the financial system of Kosovo is also discussed and it was found that negative impacts of global financial crisis were moderate and indirect.

**Keywords:** *Exchange rate regimes, monetary system.*

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