THE IMPACTS OF RECESSION ON INDIAN ECONOMY

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Abstract:-

The global financial crisis is an outcome of deep economic recession which generally refers to business cycle contraction and slowdown activity over a long period of time. It is a situation where macro indicator like gross domestic product, employment, capital utilization, house hold incomes and business profit fall and bankruptcies and unemployment rates are rise. Global financial crisis is among the greatest financial challenge to the world economy which is originated in United States of America. The global economy slowdown is unprecedented in scale and has severe implications on policy formulation among emerging market. Currently India has one of the largest developing countries in the world. Strong economies growth in the last decade combined with a population of over a billion makes it one of the potentially largest markets in the future. Further globalization also means the countries liberalize their visa rules and procedures so as to permit the free flow of people from country to country. Moreover globalization results in freeing up the unproductive sectors to investment and the productive sectors to export related activities resulting in a win- win situation for the economies of the world. This paper provides the overview of global financial crisis (GFC) and its impact on the Indian economy.

Keywords: - gross domestic product, globalization, recession, financial crisis.

INTRODUCTION:-

A drastic slowing of the economy. Where gross national or domestic product fallen in two consecutive quarters. A recession would be indicated by a slowing of a nation's production, rising unemployment and falling interest rates, usually following a decline in the demand for money. A popular distinction between recession and depression is recession is when your neighbors lose his job; depression is when you lose yours.

What are the main causes of economic recession:-

An economy which grows over a period of time tends to slow down the growth as a part of the normal economic cycle. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turns leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less as they fear stocks values with fall and thus stock markets fall on negative sentiment.

The impacts of India are:-

- Reduced liquidity in the Indian economy.
- Reduced industrial outputs.
- Reduced job opportunities.
- Stock market is lingering in the bottom.
- Real estate markets has started to take a beating
- Inflation has increased
- GDP has come down and the GPD forecast for the next two quarters are only average.
- Change in consumer behavior and purchasing power.

Change in consumers behaviors due to recession in India.

Today's recession has effected all over the world. Due to the economic slowdown many companies losing their contract, probably it influence the employees and fails to get enough money and losing jobs. So in our daily activities it affects different problems in life and our lifestyle turns very worse. But it people have a mentality to overcome this situation he himself decreases his expenses and should follow the growth of income. As India's economic downturn begins to affect businesses, executives start focusing on managing operating costs, such as cutting budgets for initiatives that affect employee engagement, to maintain their bottom lines. But cutting practices that positively influence employee engagement could affect companies' ability to survive and ultimately recover from the slowdown.

OBJECTIVES:-

1. To know the affects of manufacturing growth due to recession.
2. Affects on economic growth in India.
3. Affects of recession faces the service sector of the Indian economy.

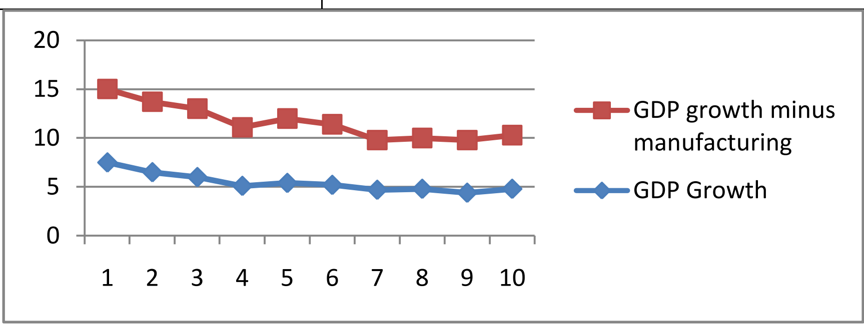
METHODOLOGY:-

The study being conducted on secondary data. The CII reports are studied to know the affects of manufacturing production growth. To study the recession effects on Indian economy, the results of quarterly GDP growth being studied. To study the results of the multinationals corporation's growth mainly depend on the Indian economy. Data mainly collected from various central statistics reports to know the recession effects on various sector on Indian economy. Use of economy surveys data for knowing the growth and decline in the actual GDP rate.

RESULTS AND DISCUSSIONS:-

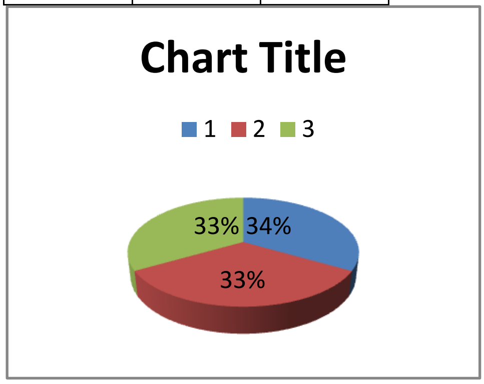
The manufacturing data based on domestic demand. With this the manufacturing growth is down but in the recent year 2013-14 it was 4.9 growths. It is increasing with the growth in the economy.

GDP Growth	GDP growth minus manufacturing
7.5	7.5
6.5	7.2
6	7
5.1	6
5.4	6.6
5.2	6.2
4.7	5.1
4.8	5.2
4.4	5.4
4.8	5.5



Economic Growth in India:-

2014	2013	2012
5.35%	4.80%	5.10%



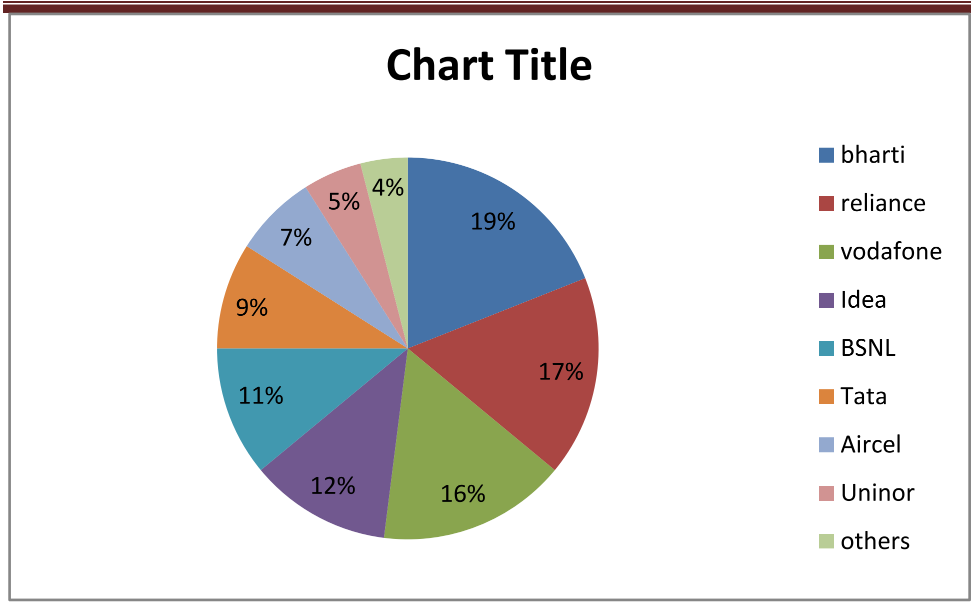
Industrial production has been falling mostly because of slower manufacturing.

% growth of corresponding period of previous year	Dec 13	Dec12	Apr-Dec 2013/14	Apr-Dec 2012/13
IIP	-0.6	-0.6	-0.1	0.7
Mining	0.4	-3.1	-0.8	-1.8
manufacturing	-1.6	-0.8	-0.6	0.6
electricity	7.5	5.2	5.6	4.6

To know the affects on the recession on Indian economy on service sector. The industry sector contributes nearly 26% to India's gross domestic product (GDP). However, maintaining the growth momentum, the service sector recorded expected growth rate to bottom out the industrial slow down across the globe.

The diagram shows the recession effects on different sector in service economy.

bharti	reliance	vodafone	Idea	BSNL	Tata	Aircel	Uninor	others
19%	17%	16%	12%	11%	9%	7%	5%	4%



CONCLUSION:-

Most of the companies can diversify the business activities due to the recession. It can effect on the GDP growth and manufacturing Industries for slower the growth. Due to recession the unemployment rate is increasing and the Industrial index of production has negative growth. The major effect on the service sector on Indian economy. With due to this the companies are slower their growth to recover up the recession face and hence to increasing the market value of shares as early more possible than its competitors.

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