FACTORS AND PARAMETERS OF RECESSION IN INDIAN SCENARIO
The global recession is defined as a decline in the value of goods and services rendered to the country throughout one year in a time span of six months. The recession said to occur when the confidence of consumers is lost in the growth of the economy. The consumers start spending less causing in decrease of demand for goods and services. This caused decrease in production of goods and increased unemployment all over the world.

BACKGROUND OF GLOBAL CRISIS AND ITS OCCURRENCE IN INDIA
In the year 2006, the real estate prices in United States had started to decline which resulted in turning the subprime housing loans into high risk loans. The financial derivatives worth of $100 billion lost its value as it was based on subprime loans i.e. mortgage loans. By the end of 2006, increasing number of banks had faced major deprivations in terms of collateral associated assets, sureties & investitures. Though there was $1000000000000 of monetary assistance in the form of bail outs, the borrowing capacity provided by the bank to the customers in the form of credit continued to remain blocked. This caused a steep fall in spending by the customers, in making investments, for production of goods and decline in business deals in the international market. Decline in the actions of the economy around the world via world-wide restrictions in bank lending, restriction in credit sales, increase in interest rates and decline in desire to purchase goods and services from leading exporters. The Financial crisis of the two thousand seven to two thousand nine is called as Great Recession because it was not only the important constituent and reason in terms of failure of numerous commercial activities but also a major influencer for worsening many economies of the world. The Information technology industry which was not the greatest productivity component in the economical development of India but in terms of its contribution towards the financial development of India it brings forth worthy fiscal dealings and majority of overseas finances to India.

FACTORS OF GLOBAL RECESSION
The major factors of the Global Recession were due to

1. **Prolonged boom in house prices** - In last ten years, the real estate prices in emerging market countries saw the economy growing stronger. As per the research, India topped with increasing house prices in the country followed by Russia and South Africa respectively. Japan had thirty percent fall in house prices, the Germany
by seventeen percent and United States by two per cent. As per the research, the Hong Kong experienced the largest rise in house prices in 2011 with the fourteen percent rise. The prices of Indian real estate companies were increased to two fold compared to last five years including the year 2012. Though the economy is slowing down, the prices of the real estate properties are booming in the country's financial capital Mumbai. There was seven point five percent rise for house prices in Mumbai for the year 2012. There is decline in sales at Mumbai as inventory of many companies are brooding in the market from thirty seven days to forty days. Those Real Estate Developers who had gained profits from profitable market say that the prices of real estate properties cannot be lowered due to the high borrowing costs and there is an average thirty percent increase in price of cement, steel and labour.

2. **Excessive Leverage** - The mortgage securities were bought by the investors by borrowing. There were incidents that few banks of Wall Street had borrowed more than forty times than their capacity to repay. The Securities Exchange Commission of United states in 1975 had constituted guidelines that those investiture financial institutions which merchandised sureties to consumers had to restrain the purchase for twelve. The investors who had went through leveraging were supposed to give back medium of exchange which was taken up in order to purchase all portions out to differentials which resulted in lowering of prices.

3. **Rapid financial innovation and stringent regulations** - The governments all over the world try to govern the financial institutions to confront crisis. They try to make certain that the country’s financial system works efficiently towards the promotion of economic growth and opportunity. When there is financial innovation there are chances of unavoidable risks and with stringent regulations towards the fiscal arrangement constraints the development. The ordinance passed is actually pushy and lenient. This harms actual purpose i.e. protection of financial institutions for which the rules were made.

4. **Complex Interplay of multiple factors** - At the time, when there was substantial development around the globe with expanding flow of capital and extended constancy, the market players looked for mellower returns without enough perceptiveness in terms of jeopardizes and flunked in doing actual investigation. Other factors were fragile underwriting criteria, dilapidated practices of risk management, progressively complicated and incomprehensible financial products, subsequent undue leverages, discrepant and inefficiently organized policies and deficient morphologic reforms which created exposures in the financial system.

**DRIVERS THAT LED GLOBAL RECESSION**
1. **Gross Domestic Product** - The outline of development of profitable ingestion in terms of gain in the appraising the commodities and supplications rendered towards the economic system. This is measured by the % age charge of gain in actual crude internal merchandise. The Gross Domestic Product for every heads is frequently believed as blinker in terms of nation’s criterion for domiciliation. Gross Domestic Product development charge for the financial year 2008-09 declined from nine point three per cent to six point eight per cent. For the financial year 2011-12, the growth rate was reduced to eight point two per cent. During the financial year 2012-13, the growth rate has dropped to four point five per cent and for financial year 2014, the growth rate is forecasted to be five point per cent.

2. **Inflation rate** - Though in 2010 the growth in domestic economy signaled the recovery from recession but the prolonged rise in food prices was beginning to spill over to manufactured products. The Inflation in primary commodities moved up to eight point two percent in August 2009 to twenty two point two per cent by March 2010. It denotes as mass increase of costs that are evaluated in contrast of criterion level of purchasing index. The familiar evaluation of rising prices are the power in which the customers prices are evaluated & the power that evaluated the rising prices of the completely domicilated thriftiness of economical system. Inflation rate in two thousand eight stood at eight point three percent, which continued up to two thousand ten. The inflation rate was decreased to six point five percent at two thousand twelve, it is forecasted in two thousand thirteen that the rising prices charges shall be five point nine percent & by two thousand fourteen to two thousand eighteen, it shall decline by five point five percent.

3. **Industrial growth** - Unpredictability of progressive numbers in yield was heralded across in Two thousand twelve have created hue and cry with respect to the economic growth. The major sectors which contribute a quarter of the country’s industrial production index are fossil oil, products of petroleum refinery, coal, cement and steel. The development of overall degree in the industry activities of the economical situation that compares in respect to the ground twelve months. During two thousand ten declines progressive yield had crashed with the eighteen month lesser by two point seven percent.

4. **Rising interest rates** - The increase in interest rates has direct impact on the national growth as it adds up to high priced working and operating surroundings. Charge at which the Reserve Bank of India provides medium of exchange to mercantile financial institutions is increased from four point seven five in two thousand nine to eight point five in two thousand
twelve. Charge at which the Reserve Bank of India takes the medium of exchange from mercantile financial institutions is modified from three point two five in two thousand nine to seven point five in two thousand twelve. The Marginal standing facility rate has been increased from nine point two five in 2009 to nine point five in two thousand twelve. The CRR rate has been declined from six in two thousand nine to five point five in two thousand twelve. The Bank rate has been increased from six in two thousand nine to nine point five in two thousand twelve.

5. Fiscal deficit - A fiscal deficit is outlined as when the government expenditures are greater than the revenue that it brings forth. The Indian governing members have arranged a shortfall point by five point three % in price for the commodities and supplements produced in the country during the financial year two thousand twelve to thirteen.

6. The flow of Foreign Direct Investment - The process of flowing investments from one country into another country in the form of assets, direction, and applied science has incontrovertible outcomes on the host country’s developmental activities. India has offered bigger incentives to boost Foreign Direct Investment inflows into its economy. The share of Foreign Direct Investment in Gross Domestic Product was merely point zero three % during nineteen ninety one was raised to three % in Two thousand ten. The Foreign Direct Investment from dollar three thousand two hundred and fifty crores in two thousand five, sprang to dollar two lakh forty seven three hundred and twenty nine crores in two thousand nine.

7. Merchandize export and Import - The universal fiscal situation stimulated declined the trade of commodities which include services to overseas market & vice versa in India. The development of the total trade of commodities persisted until two thousand eight to two thousand nine. The merchandise export which showed a growth rate of twenty eight point two nine % in two thousand eight to two thousand nine declined by point zero six%. The trade of commodities to India from overseas market declined to thirty five point three seven percent during 2008-09 to point thirteen percent during 2009-2010. The other drivers include current account deficient and foreign institutional selling.

THE PROBLEMS FACED BY INDIAN INDUSTRIES DURING GLOBAL RECESSION
1. **Unemployment**- At the time of recession most of the companies/firms had their production and sales declined which resulted in fewer earnings towards the industrial sector. To manage and to provide salary to large number of workers became difficult so most of the workers were laid off resulting in rise of unemployment.

2. **Higher Government Borrowing**- At the time of recession, the finances of the public sector i.e. government began to drop. People paid fewer taxes because of most of the people in India were unemployment. This decline in financial status of government stimulated the markets to think about intensity at which government was borrowing. This gave rise to huge increase in rate of interest and ultimately the earnings from bonds controlled the government of India to decrease the deficits of fiscal and current account by initiating outlay cuts and increasing the tax.

3. **Diminution in switch over charge** - The media of monetary exchange is inclined for reduction during recession, as people anticipate from own stake charges. The changeable rate of exchange and an unforeseen growth in American currency with that of Indian currency had imparted towards the economy getting declined. The changing magnitude of rate in dollar currency had increased price of machinery instruments and staples by fourteen percent which are brought from overseas that is required for production. The hikes in prices of Alloy and steel prices have driven the automobile manufacturers to hike the price of automobiles. The increased prices of raw materials have directly affected the price of the car.

4. **Falling asset prices**- At the time of recession, there was lower demand for buying fixed assets such as making investments in commercial real estate properties. Falling Rates in Shops and flats provoked the diminish for disbursement by customers & increased the deprivations of financial institutions.

5. **Reduction of demand for Real Estate Properties**- The demands for houses has reduced and prices of property across India have registered fifteen to twenty percent fall. The sufferings of real estate have spread to the construction industry. Various -Information Technology companies are depending on lease office space to take privilege of the commercial office space. The need for offices is awaited but the supply is expected to exceed the need in most prime cities of India. The international real estate investors have shown less interest in Indian real estate in 2012. Generally the foreign investors have invested roughly dollar Eighteen Billion in Indian Real Estate properties over the past seven years.
6. Reduction in foreign tourists to India and Domestic Tourists within India-The recession leads to fewer tourists coming to India and fewer domestic tourists within India. Occupancy rate in Hotels were very low. This in turn negatively affected tours and travels industry.

7. Reduction in exporting activities- The exports decreased from thirty five percent to fifteen percent and shipments decreased to thirty three percent.

8. Cost of Land- The price hike in the cost of land of any country actually deters an investor to invest money in construction of new ventures. To build a company it involves large investment of capital.

9. Rationalization of Taxes-There is no systematization of taxes across the country as states charge different rates. The Tax holidays are available only to hotels which are at heritage sites. This hinders restriction for the growth of the hotel industry. The other reasons are rise in economic policy, reduction in the need for travelling through air route, slowdown in freight and cargo movement, delay or Deferred Loans from Banks and Financers and decline in Sales and Profit.

**IMPACT OF RECESSION ON GLOBAL ECONOMY**

The breakdown of Lehman Brothers in September 2008, made the global inter-bank financial markets to block in view of losses suffered by major financial institutions. This affected many segments of Banking and Financial institutions including inter-bank markets. The deepened aversion of risk and search for security took to deleveraging by investors. The rate of Unemployment increased and labour markets became powerless. The growth in Gross Domestic Product for boosted economies turned to be negative approx four per cent during 2009 compared to approx three percent throughout 2004-07. At the time of crisis the risk spreads in the money market had become turbid. The major risk averting was contemplated with sudden decline in

the stock indices across the world which enhanced the unpredictability of the market.
The world equity markets saw that there was leading sell-offs in the year 2009. With linear development of the market and the value of other asset classes had declined. The prices of the commodity, gold and crude oil soared up at the time of crisis. The world crisis had seriously impacted the development of banking sector around the world. There was decline in the growth of bank credit in leading economies especially United States, United Kingdom, and the Euro zone for the year 2009. The quality of assets had been seriously impacted with non performing assets reaching to greater levels. The Non Performing Assets in the United
Kingdom and United States had increased from point nine per cent and one point four per cent in the year 2007 to four per cent and approximately five per cent in 2009 respectively.

**IMPACT OF RECESSION IN INDIAN ECONOMY**

India underwent a slump in its economy due to the economic downturn around the globe. It had to face lots of improbabilities like tripping up of growth in the industrial sector, decline in foreign currencies and falling value in Rupee. The imbalance of economic conditions gave a hard hit on Indian economical portfolio that included public sector units and banks in India. At the time of crisis the Indian companies felt increase in charges of interest and the cost of equity were impacted as the finances got changed to bonds. India had to express an unexpected decrease in exporting activities at the time of financial crippling as the composition of our economy is based on exporting activities. There was decrease in exports which calculated to be fifteen percent, and shipments decreased to thirty three percent. The recession had seriously affected the Indian exports which resulted in broadening of current account deficit. The Exports which grew at twenty five per cent during 2005 to 2008 retarded to fourteen per cent in two thousand eight which showed negative three point five per cent in 2009-2010. The economic crisis around the globe affected the export and import market of India. Majority of overseas enterprises are appealed to the Information Technology companies of India for our expertise in enhancement of software and outsourcing of service. Roughly sixty percent of earnings of Information Technology sector of India are grounded from suppliers of United States. Actually thirty percent industry’s earnings are created from the financial service companies of United States. The decelerate in the United States financial services led to seventy percent of the enterprises to pull off for lesser prices with their suppliers and roughly sixty percent had to cut back in their undertakings. The unexpected decline in United States finances declined the development of India’s Information Technology enterprises by two to three percent. Whenever our share markets have touched to new peak, it was always due to the foreign banks investments. The close impact of the crisis was felt when expectant capital outflows and resultant Indian stock markets fell. The Sensex of Bombay Stock exchange at its closure had touched a height of Twenty thousand eight hundred and seventy three on eighth of January two thousand eight, declined to eight thousand one hundred and sixty on ninth March, two thousand nine. Before the crisis, the inflows from capital were extra compared to the current account deficit. The Reserve Bank had to engross these flows in its balance sheet. As and when the foreign investors have tried to build their portfolios
during the difficult times, the country has always found that there is a major outflow of capital. The exchange rate was depreciated from Rupees thirty nine point three seven per dollar in year 2008 to Rupees fifty one point two three per dollar in year 2009. The overflow effects of the crisis were felt in the growth of credit of banking sector. The growth rate of advances and assets had felt the trend of declining. The year on year growth in advances fell from twenty eight point five % by two thousand seven to twelve point three % by Two thousand nine while the year on year growth in assets fell from twenty two point nine per cent to fifteen point one per cent during the same period.