Chapter first deals with meaning of recession, definitions of recession, business cycle, causes of recession, cause of 2008 recession, attributes, type of recession or shape, history, impact of recession on corporate performance, recession in India and meaning of corporate performance. The researcher has collected literature regarding the above mention points and shown in this chapter.

1.0. Meaning of Recession

From economics point of view, recession can be understood as a contraction of business cycle along with the general slowdown in various macroeconomic activities. During recession various macroeconomic indicators also do get affected varyingly. Various economic activities like along with economic measures like Gross Domestic Product (GDP), spending from em. Invest., utilization of capacity, incomes from household, and also profits from business along with price rise face a downfall, whereas increase in the unemployment rate and bankruptcies can be easily seen during recession.

Usually recession do come in existence with decrease in spending, which is mostly followed by the adverse supply shock or in an economic bubble burst. Government do try to take precautionary steps to avoid the effects of recession by increasing supply of money and decrease in taxation along with some other macroeconomic expansion.

1.1. Definition

Julius Shiskin, an economic statistician in his article titled Two down quarters of GDP published in New York Times in year 1975 has explicated several thumb rules pertinent to the recession. Though there were many other rules as well, they did come but get forgotten with time. Some other economists gave another definition of recession with the key issue of rise in unemployment by 1.5 percent within the duration of 12 months.

In America Business Cycle Dating Committee of National Bureau of Economic Research (NBRC) is governing body for determining the recession within U.S. NBER defines the recession as A significant decline in economic activity spread across the economy the economy, lasting more than a few months, normally visible in real GDP, real income, employment, unemployment, industrial production, and wholesale-retail sales. Various academicians, economists, policy makers and business organizations do differ in their view in defining the recession as defined by the NBER of the summarized dating of commencement and termination of recession.
1.2. Cycle of Business

It can be represented, when there is an economy-wide variability in fluctuation at a higher concentration, which shows its affect over trade and economic activities and production for several months or years.

Graph No. 1.1

The business cycle covers the both upstream and downstream trends of Gross Domestic Product (GDP) and also states period of time extension and period of retrenchment in the business fluctuation levels during its long term growth patterns.

Fluctuations can be determined to be occurred around the long-term growth pattern, and also includes the shifts over time between periods of relatively rapid economic growth (an expansion or boom), and periods of relative stagnation or decline (a contraction or recession). By the way of measuring increase pace of Gross Domestic Product (GDP), cycles of business can be measured, whereas the fluctuations in the cycle or economic activity are considered to be the unpredictable activity.
1.3. Causes of Recession

Recession is considered to be arrived when the economic activities stop expanding along with the downfall in GDP for at least two consecutive quarters and there is increased rate of unemployment in the system with the decrease in housing prices. There are various factors considered to be the major reasons for the recession. One of the major factors of downfall of economy in a cession is inflation. Inflation in general can be considered as the high increase in the costs of services and goods in a short span of time. Inflation and prices of goods and services are directly proportional to each other. Due to increase in inflation the prices for goods increases and it keeps on increasing the prices with the increase in inflation. In general the rise in inflation is seen due to the national debt, higher energy cost for production, and variably high production cost. All this leads to increase the inflation and the product or service which was purchasable in the particular amount earlier becomes out or reach in that amount during the course of time.

The inflation effect negatively not only to the whole economic system but also affects the individuals. They start increasing their savings, and reducing their leisure spending to avoid the effect of inflation, and due to these cut downs in the expenditures by organizations and individuals, the effect directly affects the whole GDP to get it declined and leading to the unemployment rise, layoffs of workers to cut costs and finally reaches to the recession.

1.4. Causes of 2008 Recession

It was the unreasonable ebullience shown by the peoples in the real estate market led the peoples to purchase the houses which were not even in reach of them, as most of them thought of increasing the prices of houses they were purchasing in upcoming future. The misconception started failing in the year 2006 and the prices in the real estate started declining and also started catching various home owners off-guard as they were not vigilant enough for the same and also taken loans against the small down payments they had with the banks. With the regular decrease in the prices of the houses, the owners realized of losing money if these houses would have been sold, even less than their mortgages they had, so they foreclosed. The trend started and made a chain of the same due to regular decrease in the prices of real estate which led many banks and hedge funds in panic, who were in mortgage-backed securities with their customers on the basis of the secondary market, which finally became the reason of losses for most of them.
By the year 2007, the banks even started being afraid of banking or lending with each other, as they did not want to have these toxic collateral loans to be with them as they were the main reasons of loss for them. This haphazard situation soon became to be an hazardous one, led to the bailout of about USD 700 billion and bankruptcies of many financial institutes and organizations like Bear Sterns, AIG, Fannie Mae, Freddie Mac, IndyMac, and Washington Mutual. This directly started effecting the employment, which was on a decline at a faster rate in year 2008 as compared to the year 2001.

In 2009, the government started taking its revival steps and came with its economic stimulus plan and pumped about USD 185 in the system to get it rejuvenated from the market slump and after about four quarters of decline in GDP at that time in year 2009 the third quarter of 2009 ended up with the termination of recession. Though there were some later effects of recession lead to the continuation of unemployment which raised to about 10 percent, and various business leaders expected to have a double dip in the market (a W-shaped recession) by the end of year 2010. The effect of 2008 was seen in the year 2011 as well led to have persisted unemployment rates.

1.5. Attributes

There are various attributes pertaining to the recession which collectively and simultaneously reduces the economic activity (GDP) component measured such as government spending, invest., consumption and activity of net export. This summary measured the drivers underlying like savings rates from household, investment decisions from corporate, Government policies, demographics, rates of interest, employment levels and skills.

Economist Richard C. Koo explicates that under ideal circumstances the economy of a country should have the household sector as a net savers and corporate sector as net borrowers, with the government budget nearly balanced and net exports near zero. Whenever there is an imbalance gets generated in these factors, there are chances of generating recession within the country’s economy, which indirectly lead to develop a pressure of recession on other countries’ economy. Usually by the means of policy formation and its proper implementation, the economy usually looks to get itself directed towards the ideal state of balance.

If the severity of crunch is high i.e. GDP is down by 10 percent or more, and it is sustained enough for prolonged time i.e. for 3 or 4 yr., the rec. can be considered as the economic
depression, though few experts do says that the reasons and methods of cure for every recession will be different. Informally various economists have defined recession in the various shapes like V-shaped recession, U-shaped recession, L-shaped recession, and W-shaped recession.

1.6. Type of Recession or Shape

There are various types and shapes the recession can have, which are also distinctive in nature. In the year 1954 and year 1990-91 U.S. faced a recession which can be defined as the V-shape as it showed some short and sharp retrenchments followed by fast rapid and sustained retrieval from the downfall. In year 1974-75 U.S. had a U-shaped (Prolonged depression), whereas in year 1949 and 180-81 faced a W-shaped (double dip) recession. Japan also faced a U-shaped recession in the year 1993-94, whereas its 8 out of 9 quarters were in depression following the L-shaped recession during the 1997-99. In the year 1997-98, Asian countries Hong Kong and Korea along with South East Asia faced the U-shaped, whereas the Thailand was in L-shaped recession during this tenure consecutively with its eight quarters decline.

1.7. Psychological Aspects

Recessions do have various psychological effects which indirectly support the recession. If an economy is slowing down in its activities, the investment can be reduced by the investors and firms can look to start saving and go for the layoff rather than increasing active participation by investing in the economy. This kind of psychological effect of downfall in economy lead to the self-reinforcing downward cycle make the recession aggravated and take the situation to further decline. The confidence of consumer is the another parameter to measure the economic status of an economy, the better the confidence or believe of a consumer in the system better is the situation of the economy, whereas in the state of recession the consumer confidence decreases which can be taken as evaluation measure for measuring the severity of recession. The term Animal Spirits can be utilized to explicate the psychological factors of an economy which also underline the various economic activities of the economy. Economist Robert J. Shiller also defines that the term Animal Spirit also refers the sense of believe and faith we have on each other, our sense of fairness in economic dealings, and our sense of extent of corruption and bad faith, when animal spirits are on ebb, consumers do not want to spend and businesses do not want to make capital expenditure or hire peoples.
1.8. Recession of Balance Sheet

There are evidences that recession can be caused due to the downfall or bursting of financial asset prices and real estate pricing. The Great Recession of Japan which did come in existence in year 1990 is considered to be Balance Sheet recession, whose initiation cause are considered to be the downfall in the prices of land and stock which led the Japanese organizations to be with the equity negative, by the means their asset value became lesser than their liabilities. In this situation Japanese firms decided to pay their debts through their earnings not by borrowing from financial firms to get invested, as most of the organizations do, and they also reduced their interest rates to zero percent and expended their money supply to enhance the borrowings. Koo defines that a key demand component of GDP, corporate investment, fell to a very low level of 22 percent in the year 1990 and it was at peak in year 2003. At the end Japanese firms became the net savers in the end of 1998, as opposed by the borrowers. It was a great fiscal stimulus for the Japanese firms to have borrowings and spending from the government to counterbalance the depression that enabled the Japan to have its GDP levels maintained. He further explicates that the monetary policy of Japan was unaffected of fiscal depression as the demands for funds was limited for the firms whereas the firms also did paid their liabilities at their. In a balance sheet recession, there is a decline in GDP.

1.9. Liquidity Trap

According to Keyneisian theory, a liquidity trap can be considered as a state when the interest rates reach near to zero (ZIRP) percent but not being able to effectively revive the economy. According to the theory when the interest rates go near to zero, the investors should get attracted towards the economy, which should encourage the firms, investors and consumers to spend and borrow. If the organizations in such situation focus only on to the payments of their debts and keep on saving rather than spending, lower interest rates in the economic system will have minimal or no effects on the consumption and investment attitude of investors, and the lower interest rates will be considered as Pushing on a string. Economist Paul Krugman defines the America’s 2009 recession and Japan’s last decade recession as a liquidity trap.

Easy expansion of money supply to the economy through quantitatively easing and other techniques by the way the money is easily available to purchase assets, can be considered as a remedy tool for the liquidity trap, which will lead to have a inflationary expectations from the
system and will finally lead to have a trend of spending from the savers. Mercantilist policies and Government stimulus spending policies along with the stimulation of export and reduction in import are the other techniques which can also be utilized to avoid the liquidity trap and stimulate the demand. In the year 2010 the developed countries which cover almost 70 percent of the world’s GDP caught in liquidity trap.

1.10. Predictors

Though there is no such totally reliable predictor, but there are some possible predictors discussed below:

- Jonathan H. Wright, an economist, developed an Inverted yield curve model, the model utilizes the yields of continuous ten years along with the three months treasury securities and also the Fed’s overnight fund rate. Federal Reserve Bank of New York economists developed the another model of inverted yield curve, where they utilized the spread of 10 year/three months, which is however not a definite indicator
- The change in the unemployment rate for three months along with the claims of initial joblessness.
- Leading Economic Indicators, which also includes some of the indicators given above.
- Asset Price lowering, e.g. Homes and Financial assets, or high personal and corporate level debts.

1.11. Government Responses

It is the belief of most of the economists that due to inadequate aggregate demand in the economy, recession is formed, which also favours the utilization of expansionary macroeconomic policy. Taking the economy out of recession variably depend on the following of economic school by economists/policy maker of the system. Monetarists will look to support the expansionary system of monetary policy, whereas the Keynesian economists will be in favour of increasing spending by the government which will lead to give hype to the economic growth of the system. Suggestions of tax rebates and tax curtails will be given by the supply side economists to boost the capital investment in the business. When the economic system is on a downfall and there is no such effect of lower interest rates (zero percent) there will be no such effect of traditional policy conventionally followed and to minimize the effect of recession the government should look to have other measures to stimulate the recovery for the system. Keynesian suggests that though the of government spending will be there but will come in a longer duration but the effects of activity like tax
cuts, increased government spending will be seen faster and will help the system to recover faster, and help the system when the monetary fiscal policy fails.

### 1.12. Stock Market

A decline in the stock market has helped in anticipating some recessions before their arrival. Seigel tells that in *Stocks for the Long Run*, a stock market decay was seen in case of ten recessions since 1948 with the lead time of 0 to 13 months holding the average of 5.7 months, whereas ten stock market decays of more than 10 percent in the DJIA for the same duration were not followed by the recession.

Trends of weakening of real estate market are seen before recession. however due to the effect of recession the real estate market is seen to have a larger duration crunch than the recession itself. Since it is very difficult to predict the business cycle, Siegal states that it is nearly impossible to take benefits of economic cycles for the purpose of timing investments. Even it takes the duration of few months to National Bureau of Economic Research (NBRC) to find out whether it is a peak or bottom has arisen in the U.S.

It is being found to hold up better by the high yield stocks like fast moving consumer goods (FMCG), pharmaceuticals and tobacco during the economic downfall or recession. However after the crunch when the market starts recovering and the bottom of the market has surpassed (MACD), faster progression is being seen in the growth stocks. How healthcare and utilities inclined to have their recovery is the area of significant disagreement. If any organization has got its portfolio diversified in an international stock than there are some chances of safety for the same, however the organizations are having correlations with each other and if there is a recession situation in U.S. market then the economies which are correlated with the U.S. market will definitely face the effect of the same.

According to the *halfway rule* the investors start discounting the economic recovery form half way of a recession. According to some evidences about various recessions in U.S., since 1919, 16 recessions of U.S. were used to have the length of average 13 months long duration, whereas the recent recessions were having the shorter duration of length. Thus considering the 13 months long duration as an average for the 2008 recession, it would have seen its bottom almost about November 2008. The 2008’s recession actual bottom for U.S. stock market was around March 2009.

### 1.13. Politics
It’s the administration who faces the blame or gets credit for the status of the economy during its tenure, whereas the recent recession has shown the disagreement about the same. A downturn in economic cycle is believed to be the effect of the expansion leading to an unstable state, and is rectified by a brief decline. Thus the isolation of the causes of specific phases of the economic cycle is not easy to isolate or remove.

The 1981 recession of U.S. was thought to occur due to the tight fiscal policy followed by the Paul Volker, The chairman of Federal Reserve Board, the policy was also supported by the Ronal Regan Office. Chairman of Economic council of Economic Advisers in 1960, Walter Heller, who was an Economist, said that I call it a Regan-Volker Carter recession. The control measures taken by the Regan’s administration during that period lead to form a stage for the future robust growth of America.

Most of the economists believe that the avoidance of recession is nearly unavoidable to some extent, whereas the reasons for the occurrence of recession are still not very well understood. Today most of the organizations do take steps to avoid recession, still not sure to soften a recession.

1.14.1. Unemployment

For several quarters the impact of a recession on employment status may not be seen. According to a research conducted in Britain, during the market crunch, the highly vulnerable section for unemployment is low skilled, low educated and young workers. It took about five years to unemployment to get back to its earlier position after the recession of 1980s and 1990s. Employment discriminations are also being seen risen during recession by various companies.

1.14.2. Business

In the early stages of recession the productivity of falls and later on gets its way again and come back on growth track. The weakening of productivity during recession usually occur due to the weaker firms, which gets closed during the course of recession and then after the economy come back on to the path of progress. Sharp variation in profitability of firms is also being seen during recession, whereas recession also does provide the platform for some anti-competitive mergers, which is found to have some negative impact on economy: Suspension of competitive policy would have extended the great depression of U.S. in year 1930.
1.14.3. Social Effects

Peoples who usually are dependent on wages and salaries are found to be effected to the more extent than that of the peoples who are dependent on fixed incomes or welfare benefits. Recessions usually become the reason of job loss for the earning people of the family leading to effect the family stability, health, and well-being negatively.

1.15. Impact of recession on Big Business

Considering the example of a renowned organization come under Fortune 1000 manufacturer of the world, to find out the effects of recession on the business of the firm, this will show the major impact of recession on big businesses like this.

Due to the effect of recession the revenue generation for the firm will slow down or will be negligible leading to the profit reduction for the firm, due to which the firm will have to either hold the hiring for some time or will stop the hiring totally until the economy of the firm normalizes. As a part of cost cutting process and to improve the bottom line the manufacturer may look to take some other steps like stop buying new equipments, reduce the research and development funds or stop the same due to lack of money, stop new product rollouts, a growth factor of stock market and revenue generation. Reduction in the expenses for advertising and marketing activities. All these kinds of cost-cutting acts of a big firm will have direct or indirect effect on other businesses which either give supply of a product or service from the firm or take supply of a product or service from the firm, which indirectly will chain react and affect the whole economy.

1.15.1. Falling Stocks and Slumping Dividends

With the decline in the revenues for the firm the profit slowdown will be seen in the firms quarter reports, which can decline the stock prices of the firm, which can indirectly affect the dividends negatively. The effect of all this will be negative on the stakeholders, which can indirectly look to have a change in the position of CEO with the concerns of board of directors, or may look to change the entirely new senior management team for the firm. The firm can also dump the marketing and advertising agency and can look to hire another one. There will be effect of recession on the internal marketing and advertising as well and they may also have some personnel changes in their management.
Due to the effect of downfall of stock prices and dividends, institutional investors will also have the effect of the same and may look to change their option by selling the stocks of the firm and reinvesting the funds in the better performing organization’s stocks. This will lead to suppress further the to the company’s stock prices. The business decline and sell-off will have negative impact on the employer’s performance and contributions to profit-sharing plans as well leading to have the whole firm affected negatively.

1.15.2. Credit Impairment and Bankruptcy

Accounts Receivable (AR) is another section that also gets affected by the recession. The various customers of the company who themselves are effected due to the recession will be reluctant enough in paying the bills of the company either slowly, late, partially will not pay at all. This is again a chain reaction and by the effect of this the company itself will be with either lack of money or without money will pay its bill slowly, late or not at all or will follow the agreement they have. Late or delinquent payment trends will lead to reduce the valuation of bonds, corporation’s debt, and also the ability of obtaining finance from others. The firm’s ability to pay back its debts may also be weakened or diminished making it to be in a list of defaulters for the financing firm which will lead to have effect on bonds and other debts, further deteriorating the firm’s credit ratings and averting further borrowings for the firm.

The recession effected firm should look to have its debt agreement to be restructured and/ or refinanced on the new terms and conditions with the mutual understanding terms and conditions on which the creditors agreed upon. If the firm find itself to be unable to pay its debts according to the lending contract the firm may look to file bankruptcy, by the way the firm will be protected through its creditors as the firm will be under reorganization or can quit from the business totally.

1.15.3. Employee Layoffs and Benefit Reductions

Due to the effect of the recession the firm may look to layoff the employees and may continue with lesser number of employees in the future. They may result in the better productivity from each employee but will suffer the existing employees’ morale and enthusiasm for work with the firm as the working hours will be increased whereas wage revision will be stopped and working will become herd and will be with the fear of further layoffs.
With the severity and length of recession the, a mutual concession understanding may get generated between the management and worker to get their jobs and the company both saved. The mutual concession may comprise reduction in wages and benefits. If the company is a manufacturing firm the company may be forced to close the production and withdraw from poorly performing units and brands. Many of the automobile manufacturing firms did this in the last recession.

1.15.4. Cuts to Quality of Goods and Services

Effect of recession may also be seen on the secondary aspects of goods and services. Recession affected organization is only willing to manage its bottom line and for this many a times become ready to compromise with its quality, and then after the basic desirability of its products, which will be apparent and manifest itself in various ways and is a kind of common reaction of big firms during recession.

E.g. Maintenance standards may be lowered down by an airline. They can look to have more passengers managed by having more seats per plane, by strangling the customer more, which is already cramped. Routes that are non-profiting or less profiting for the airline may be cut down, generating inconvenience for the customer and also have damaging effect on the economy of the cancelled destination.

Giant food providers can reduce their product line and may offer lesser number of products. They can also go for the giving lesser quantum of product for the same price and size they were offering earlier. Quality standards may also be sacrificed e.g. lesser quality coffee beans may be used, compromising the quality, which may be noticed by the customer with brand loyalty.

1.15.5. Reduced Consumer Access

The recession suffered firms start curtailing their marketing and advertising activities and this affect the advertising and marketing companies who take care of the marketing and advertising activities of the firms and cost for millions of dollars to the companies they deal with. The curtailment of advertising activities will lead these advertising firms’ bottom line get affected negatively whether it is print media, broadcast or online marketing. This reduction in marketing by the firms will lead to have lesser interaction with the customer which later on will affect the sale of the product or service of the company and will in fact effect the revenue generation for the firm.
1.16. Recession’s Impact on Small Businesses

The small companies which are not in the list of fortune 1000 companies, who are considered to be the small businesses, and are also not public companies are equally affected by the recession or even more severely than that of big firms as most of them do not have surplus cash reserves and large capital assets as collateral securities that leads a reason of them to be closed and a recession time becomes harder for the smaller firms to pass by. During recession the bankruptcies of smaller firms is being seen at a larger rate than that of big firms.

The bankruptcy or dissolution of a small business firm that deals at a local level will have negative effect on the local economy they deal in, which will create problem not only for the other small business owners but also for the residents of the locality.

In the wake of bankruptcies and dissolution faced by the small firms will have negative effect on the entrepreneurial activities in the system as the entrepreneurial enthusiasm will be discouraged by these activities. The frequent bankruptcies can lead to discourage banks, financial institute, venture capitals and other lending firms from giving finance for a start-up or for upgradation of the business.

1.17. Recessions Don’t last Forever

Recession is a state and it comes due to certain economic reasons and go with the time, and its affects are some where severe whereas somewhere negligible, it may be for sometimes for a short span of time whereas sometimes for a longer duration. Evidences from the history reveal that the recession finally ends followed by the economic recovery.

1.18. History

1.18.1. Global Recession

There is no defined and commonly accepted definition for the global recession, although International Monetary Fund defines that whenever the global growth is less than 3 percent the period will be considered under global recession. IMF also explicates that global recession is the part of global economic cycle and last for about 8 to 10 years of duration. IMF found to have global per capita output growth to be zero or negative in the last three global recession faced by the world in the last three decade.
IMF economists define that the global growth rate comes down to three percent or lower in the global recession situation. By this way four defined periods since 1985 i.e. 1990-93, 1998, 2001-2002 and 2008-2009 can be considered under the global recession.

1.18.2. United Kingdom

It was the recession of year 2000 which affected the U.K. last time. According to economists since 1855, there are about 32 cycles of growth and retrenchment with an average of 17 months retrenchment and 38 months growth being seen by the U.K. economy. However there are only 8 periods of negative growth persisted for only one fiscal quarter or more faced by the U.K. economy and only four can be considered as recession since 1980s.

- Duration 14 Months-Ju1981 - Nov 1982
- Duration 8 Months- Ju 1990 - Mar 1991
- Duration 8 Months- Mar 2001 - Nov 2001
- Duration 18 Months- Dec 2007 - Jun 2009

According to NBER, the decline for consecutive two quarters is considered to be the recession, which also found correct in the last three recessions, whereas the recession of year 2001 did not follow the same trend of decline for two consecutive quarters and was found to have decline for two alternate quarters and weak growth.

1.18.3. Late 2000s recession

According to the economic data available, from early 2009, the substantial numbers of nations are in the effect of recession. At the end of 2007, the U.S. entered the recession followed by the other countries in 2008. By the means of recovery gained by the U.S. economy in 2009, the recession of U.S. ended.

1.18.4. United States

In United States, the housing market correction, a resultant consequence of U.S. housing bubble, along with the subprime mortgage crisis significantly contributed to the recession to occur. During 2008/2009 recession consumption in private sector fall down in the duration of about last twenty years, which also indicated the depth and the severity of the recession. During recession, the consumer confidence was very low and took very long time to recover. The effect of recession on consumer was very hard. The values of their houses were dropping
and their pensions saving schemes get decimated in the stock market. With the erosion in their wealth in the stock market consumers were also worried about their jobs as the unemployment was at its peak and was continuously rising.

In February 2008, in U.S. about 63,000 employees were thrown out of their jobs, which was highest in the last five years. Former Federal Reserve Bank Chairman Alan Greenspan said on April 6, 2008 that There is more than a 50 percent chance that United States could go into recession, whereas Moody’s Declared 9 states of United States under recession on April 29, 2008. According to Bureau of Economic Affairs, on October 1, 2008, 156,000 more jobs were lost by September, whereas by November 2008, about 533,000 employees lost their job due to recession, the largest layoff in the last 34 years. According to a record about 2.6 million employees became jobless in 2008 with the unemployment rate of 8.5 percent in March 2009, which continued to take jobs and found to have 5.6 million job losses until march 2009 from the beginning of recession in December 2007. About 5 million more people lost their job in the next one year led to the highest concentration of unemployed peoples in America since 1940s.

1.19. Other Countries

Many other countries, especially of Europe, got affected from the recession, and their GDPs had gone under the declining rates. Though some countries like China were able to avoid the recession but could hide themselves from indirect effect of recession and experienced the slower economic growth than they usually. Australia did not face the recession at all and had the positive growth rate during the late 2000 recession.

1.20. Late 2000s Recession in India

At the time the recession started the Indian economy was growing with faster growth rate, though India did not face the major impacts of recession but could not avoid the effect of recession on its economy. Its earlier high economic growth rate did come to a downfall during the global economic crisis and came to about 6.7 percent during fiscal year 2008-09. The effect of global crisis was lesser on the Indian economy as the Indian economy is dependent on its export for its 15 percent only i.e. the share of exports in Indian economy is only 15 percent of GDP, whereas other major countries like China and Japan do depend on their export for more than 50 percent i.e. the export do consist of more than 50 percent share of GDP of China and Japan. Though the Indian Government financial situation was poor as
compared to other Asian countries, and as a result of this the government could not inject any large scale economic stimulus to the economy to get the economy unaffected from the recession. Despite being effected from the global recession the industrial production in India grew with the growth rate of 7.1 percent from June 2008 to June 2009.

Former Indian Finance Minister P. Chidambaram once boasted to have Indian economy to bounce back to 9 percent during year 2009, and former Indian prime Minister also said that Government will take measures to ensure that the economic growth bounce back to 9 percent. The Asian Development bank also predicted Indian economy to recover from recession within four to six quarters. India once called for a coordinated global fiscal stimulus to extenuate the severity of global credit crunch, and offered to have USD 4.5 billion injected to the system to support exporters. Some analysts also pointed out that the growing trade of India with other countries of Asia, especially with China will lead to reduce the negative effect of global economic crisis. Economists also pointed out that high domestic demand of India and large infrastructure project can act as a buffer and will also help in reducing the effect of global retrenchment on its economy. Due to having insignificant exposure of Indian banks to subprime mortgage crisis economists believed Indian economy to be insulated one.

In its editorial New York times praised Reserve Bank of India for its regulations on Indian banking system which helped Indian economic system to be a bit away from the recent recession.

The economic growth rate of India was 5.8 percent in May 2009, beating most forecasts made, whereas in second quarter it grew with the growth rate of 7.9 percent and gave indications of further growth in the economy and predicted to grow with 7 percent in 2009 and 8 to 9 percent in fiscal year 2010. In third quarter of 2010, Indian economy was growing with the growth rate of 8.8 percent.

**1.21. Corporate Performance**

It is the company’s performance which helps a stakeholder to determine the real situation and perception about the company in the market and also the worth of the company. Performance of the company also helps stakeholders to predict the performance of the company in the upcoming future. In the similar way the Investors also do look the company’s performance to evaluate and find out whether they should move forward with the company or not as it is always a risk to invest in a company.
1.22. Measures for Corporate Performance

- **Ratio Analysis:** There are various types of ratios that help defining the performance of the company in financial terms. Usually the earning per share and diluted earnings per share are mainly utilized to define the same. Earnings per share can be defined as the net income generated by the company divided by the weighted average of the total number of shares. There are other ratios as well which help defining some other measures of the company performance is price-earnings ratio. The apprehension of the company by the market along with the company’s growth potential is judged by the price earnings ratio.

- Sales per revenue and fixed asset turnover are the two other measures which help to find out that how well the conversion of fixed asset, along with plant, property and equipment is being done in generating revenues for the company. Other than this the ratio of total revenue per workforce-the sales per employee ratio, helps defining the good performance of the company.

- Some other measures of company performance like leverage and profitability of the company also help to analyse the company’s current status. What kind of liabilities and capability of the company to pay these liabilities and debts can be measured through the total debt to equity and total debt to assets that also help to find out the overall assets of the company. Same kind of results can be with the Return on equity and return on asset, i.e. the higher the returns of the company the better the performance of the company, and tells the company’s profitable status. For comparing the status of the company with the sector or industry it is dealing than the evaluation of the particular industry and sector will also be taken into consideration.

- The long term plans along with the Mission and Vision of the company also helps to predict the future of the company. The profit generation of the company is mainly dependent on the growth of the company, and the company’s performance should be evaluated considering future growth perspectives of the company, and where the company is positioned for the future.