International Journal of Trade and Commerce-IIARTC
July-December 2015, Volume 4, No. 2 pp. 338-349
ISSN-2277-5811 (Print), 2278-9065 (Online)
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Impact of Global Financial Meltdown on Indian Economy

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Abstract

India started its economic planning in 1951-52, in order to attain a derisible growth rate. In 1966-67, Green Revolution highly impacted the food grains production that made India self-reliant. In 1991, India adopted, New Economic Policy (Liberalization, Privatization and Globalization), which brought remarkable change. The growth rate in GDP by more than nine percent was registered in 2005-08. However, due to global meltdown in 2008 and 2011, Indian economy shown negative impacts on growth rate of GDP, Industrial production and others macro-economic indicators. The overall growth rate of Indian economy was 6.5 percent against 8.4 percent achieved in previous two years. In 2012-13 Q_1, growth rate was at 5.5 percent compared to 8.0 percent in 2011-12 Q_1. The slowdown is attributable both to domestic as well as global factors. Crisil report warns that the economic slowdown and falling labour Intensity will force individuals to either work in forms or stay unemployed as 25 percent; fewer jobs will be created in the manufacturing and service sector between 2012-13 and 2018-19. India's Industrial sector has suffered from the depressed demand condition in its export markets as well as from suppressed domestic demand due to slow generation of employment. As per RBI Report (2012-13), Industrial slowdown causes and remedies", the sharp slow in industrial growth in recent years has been attributed to factors such as the global slowdown, infrastructure bottlenecks, delays in environmental clearance and land acquisition for projects, constraints on the availability of core inputs such as power, coal and iron ore, high inflation and interest rates. Some analysts expect the economy to slow down further this year 2013-14. Nomura has estimated GDP growth at 4.7% in 2013-14. As per Nomura "The domestic scenario remains weak as consumption is slowing down and investments remain lackluster,". Economic crisis and their spread are increasing with the increase in globalisation. The origin may be different but the tremors are being felt in different parts of the world including India. This paper is an attempt to analyse the impact of global recession on Indian Economy particularly on industrial service and external sector. Currently, Indian economy is facing a challenge due to global financial meltdown. Though the global economic meltdown (or US Meltdown), has its origin in the United States, but gradually extended over a period of time and eventually brought the entire world under its grip.

Key words: *Global Meltdown, Gross Domestic Product (GDP), Indian Economy, Industrial Growth and Export.*

PAPER/ARTICLE INFO
RECEIVED ON: 18/11/2015
ACCEPTED ON: 18/12/2015

Reference to this paper should be made as follows:

M.P. Nagwal, Pramod Kumar (2015), "Impact of Global Financial Meltdown on Indian Economy", *Int. J. of Trade and Commerce-IIARTC*, Vol. 4, No. 2, pp. 338-349

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1. INTRODUCTION

Due to increased integration of world markets, transmission of economic crises from one country to the rest of the world has become smoother. The larger the country, where the crisis originates, the greater is the impact on other countries. The United States of America, one of the largest economies in the world, both in terms of its share in world GDP (27 per cent) and global imports (17 per cent) experienced the sub-prime mortgage collapse in August 2007. This was followed by the reversal of the housing boom in other industrialized economies, which had a ripple effect all around the world. Furthermore, integrated financial sectors unmasked other weaknesses in the global financial system, as a result of which some of the financial products and instruments became so complex and twisted, that as things started to unravel, trust in the whole system started to fail. Stock markets crashed all over the world, with declines ranging from 35 to 40 per cent over the past 12 to 18 months in developed countries and even more in most emerging markets. The crisis that emerged in the financial markets crept into the real sector of countries around the world through different channels. Credit squeezes due to instable financial instruments and stock market bursts led to contraction of output growth in the advanced financially integrated countries and resulted in lower real demand for capital and consumer goods in the advanced countries.

Further, lower capital flows and investments into developing countries; lower remittances and savings; and lower commodity prices coupled with a weak dollar aggravated the recession. However, different countries, depending on the nature of their exportable products, the destination countries for their exports and the overall dependence of the economy on exports, may feel the impact of the slowdown differently. Further, the higher the income elasticity of demand for a country's exports, the higher will be the adverse impact of lower GDP growth of its trading partners.

2. OBJECTIVES OF THE STUDY

The proposed paper "**Impact of Global Meltdown on Indian economy" aims to attain the following objectives;**

- To study the Impact of **Global Meltdown** on India's GDP Growth rate.
- To study the Impact of **Global Meltdown** on Indian Industrial sector
- To study the Impact of **Global Meltdown** on Foreign exchange market
- To study the Impact of **Global Meltdown** on Indian Employment
- To study the Impact of **Global Meltdown** on external sector of Indian economy

3. DATA AND METHODOLOGY

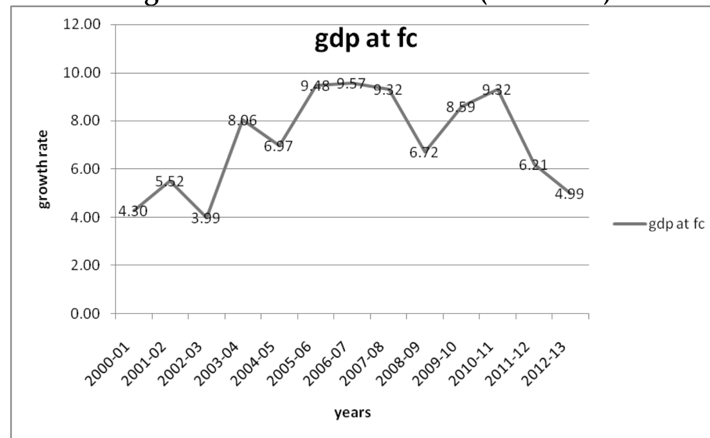
This study is based on secondary data collected from Economic survey, Government of India, Ministry of Finance, RBI Reports, The Economic Times and others to analyses the impact of **Global Meltdown on** Indian economy.

3.1 Impact of Global Meltdown on the Indian Economy

After half a century of zero growth between 1900 and 1950, Indian economy registered a growth rate of 3.5 per cent in quite some time making us believe that the 'Hindu rate of growth' was its destiny. In the past two decades, the rate of growth more than doubled to an average rate of 7

percent per annum. India clocked an average growth of 9.5 percent in the three-year period before the global financial crisis (2005-2008).

Figure 1:Growth rate of GDP (2000-2012)



Source:www.rbi.org

This remarkable growth performance was certainly a cause for celebration. It was also, according to D.Subbarao, a trigger for setting off an aspiration for double-digit growth. This time around, India could do no wrong. Commentators talked of "Chindia" elevating India's performance to that of its northern neighbor (Raghuram Rajan). For a nation that once believed that the Hindu Rate of Growth" was its destiny, this remarkable growth performance was the cause for celebration. It was also a trigger for setting off an aspiration for double- digit growth. **However, the growth rate slowed to 6.2 percent in 2011-12 and the slowdown continued in 2012-13 when it registered 5 percent growth**. In the year 2013-14, it was also remained around the same level. Annual GDP growth slowed significantly in the last quarter of 2013-14 to 4.4 percent, inflation is high and the current account and budget deficit were too large in the year 2012-13.To understand the latest downtrend, it is important first to understand the pre-crisis growth surge. Several explanations are offered for India's growth acceleration in the pre-crisis period: the impact of economic reforms of the 1990s; India's rapid integration with the global economy; rise of entrepreneurism and increase in productivity. Underlying all these factors was the massive increase in capacity as investment jumped from 26.9 percent of GDP in 2003-04 to 38.1 percent in 2007-08. This increase in investment was financed by growing domestic saving and was accompanied by an increase in productivity driven by improvements in technology, organization, financial intermediation, and external and internal domestic competitiveness. The current account deficit (CAD) during this period averaged just 0.3 percent of GDP suggesting that the contribution of foreign savings to domestic investment was relatively modest. But to the extent foreign saving came by way of foreign direct investment (FDI), it raised the productivity of overall investment and resulted in higher exports. **In the immediate post-crisis period**, even as investment slowed, private consumption demand, which accounts for about 57 percent of GDP, help up as rural incomes grew robustly on the back of the crisis driven stimulus as well as the expanded safety-net programmes of the Government. This kept growth up but also fuelled inflation reflecting excess of demand over supply.

Following the slow down induced by the global financial crisis is in 2008-09, the Indian economy responded strongly to fiscal and monetary stimulus and achieved a growth rate of 8.6 per cent and 9.3 percent respectively in 2009-10 and 2010-11. However, due to inflationary tendencies, RBI raised the policy rates in March 2010. High rates as well as policy constraints adversely impacted investment and in subsequent two years viz. 2011-12 and 2012-13, the growth rate slowed to 6.2 percent and 5.0 percent respectively. Never the GDP at factor cost, over the decade ending 2012-13 is 7.9 percents.

3.2 June 2013 Crash and Fall of the Rupee

The month of June 2013 witnessed the crash of the Indian stock market, with the Sensex plunging from 20062 on May 22, 18,434 or by 7.5 per cent on June 26. The exchange rate of the Indian rupee dipped from Rs 55.48 to the US dollar to Rs 60.73 on June on 26, recording a fall by 9.5 per cent and piercing the psychological barrier of Rs 60 per dollar (Mujumdar).

The rupee had depreciated sharply against the Dollar since the last week of May 2013. There are concerns and justifiably so, of the impact this would have on our economy. What triggered the sharp and sudden depreciation was the markets reaction to certain unexpected external developments. On May 22, 2013, the US Federal Reserve Bank indicated that it would soon 'taper' its quantitative easing as the US economy was recovering. This led to a reversal of capital flows to emerging economies which are now sharply pulling down not just the Rupee, nut also the Brazilian Real, the Turkish Lira, the Indonesian Rupiah, the South African Rand and many other currencies (Manmohan Singh).

While global factors such as tensions over Syria and the prospect of U.S. Federal Reserve tapering its policy of quantitative easing have caused general weaknesses in emerging market currencies, the Rupee has been especially hit because of our large Current Account Deficit (CAD) and some other domestic factors. Ultimately, the value of the Rupee is determined by the fundamentals of our economy. The government has taken a number of measures to strengthen those fundamentals."Even while we go about doing what is necessary, it is important to recognize that the fundamentals of the Indian economy continue to be strong. India's overall public-debt to GDP ratio has been on a declining trend from 73.2 percent of GDP in 2006-07 to 66 percent in 2012-13. Similarly, India's external debt is only 21.2 percent of our GDP and while short-term debt has risen, it stands at not more than 5.2 percent of our GDP. Our foreign exchange reserves stand at US $278bn. and are more than sufficient to meet India's external financing requirements (Manmohan Singh). The easy reforms of the past have been done. We have the more difficult reforms to do such as reduction of subsidies, insurance and pension sector reforms, eliminating bureaucratic red tape and implementing Goods and Services Tax (GST). These are not low hanging fruit and they need active political consensus. Many laws that are necessary are held up for lack of political consensus. Reforms such as the GST, which everyone agrees is essential to restore growth and boost revenues, require states to come to an agreement. We need to forge consensus on such vital issues" (Manmohan Singh,).

According to Raghuram Rajan , in part, **India's slowdown paradoxically reflects the substantial fiscal and monetary stimulus that its policymakers, like those in all major emerging markets, injected into its economy in the aftermath of the 2008 financial crisis**. The resulting growth spurt led to inflation, especially because the world did not slide into a second 'Great Depression',

as was originally feared. So, monetary policy has had to be tight, with high interest rates contributing to slowing investment and consumption.

The combination of excessive post-crisis stimulus and stalling large projects had other consequences such as high internal and external deficits. The post-crisis fiscal-stimulus packages sent the government budget deficit soaring from what had been a very reasonable level in 2007-08 of around 2.5 percent to over 6 percent. Similarly, as large mining projects stalled, India had to resort to higher imports of coal and scrap iron, while its exports of iron ore dwindled.

An increase in gold imports placed further pressure on the current-account balance. Newly rich consumers in rural areas increasingly put their savings in gold, a familiar store of value, while wealthy urban consumers, worried about inflation, also turned to buying gold. Ironically, had they bought Apple shares rather than a commodity (no matter how fungible, liquid and investible it is), their purchases would have been treated as a foreign investment rather than as adding to the external deficit. For the most part, India's current growth slowdown and its fiscal and current account deficits are not structural problems. They are all fixable by means of modest reforms. This is not to say that ambitious reform is not good, or is not warranted to sustain growth for the next decade. But India does not need to become a manufacturing giant overnight to fix its current problems (Raghuram Rajan).

According to Shankar Acharya the government's expectation of 5.5 percent growth this year looks decidedly optimistic. Aside from a good, monsoon-propelled performance in agriculture (which accounts for only 15% of India's GDP) and a modest recent uptick in some core sectors (from depressed levels) and some exports, it is hard to locate signs of a significant resurgence in economic activity. On the contrary, various business surveys [such as by Confederation of Indian Industry-Associations Council (CII-ASCON)] point to industry continuing in the doldrums. Major sub-sectors such as automobiles, consumer durables, textiles and construction remain in negative territory. Perhaps more significantly, the latest HSBC Purchasing Managers' Index (PMI) data for September show a sharp contraction in the hugely important services sector, with the index falling below 45 (index values below 50 indicate negative growth outlook). The PMI for manufacturing and services combined fell to 46, the lowest level in four and a half years. It is hardly surprising that the projections by foreign and domestic financial institutions (including the International Monetary Fund) cluster in the range of 4.0-4.5 percent growth in 2013-14 that is, even lower than in the previous year and the lowest in 11 years.

Between May 2013 to Aug 2013, rupee touches to 68. "The reason: economic recovery in the United States of America (USA) and continued faith in dollar, world's preferred currency (The Economic Times)". On contrary to it, it helps to increase the profit of exporters. Remittances from abroad are expected to rise. Gold is second largest import item after crude and petroleum items are, is declining Indian currency emerged as the worst performer among its global peers with a fall of 8.7% last month, owing largely to economic slowdown and poor investor confidence.

The fall in rupee value against the US dollar was the worst compared to its peers across Asia, Americas, Africa, Europe and the West Asia in August, as per the latest data compiled by the World Federation Exchanges (WFE). The rupee fell to an average of 66.07 in August 2013 from 60.80 in the previous month against the US dollar, marking a drop of 8.7%, although there has been some recovery in the current month.

As per RBI Report, on month-to-month basis the rupee depreciated by 7.9 per cent from ₹ 50.32 per US$ in March 2012 to ₹ 54.65 per US$ in December 2012. Similarly, monthly average exchange rate of the Rupee depreciated by 9.7 per cent against the pound sterling, 7.2 per cent against the Euro and by 6.5 per cent against the Japanese Yen between March 2012 and December 2012. India's external debt stock stood at US$ 365.3 billion at end-September 2012, recording an increase of about US$ 20.0 billion (5.8 per cent) over the level at end-March 2012. The increase has been primarily on account of higher NRI deposits, short-term debt and external commercial borrowings.

Indian rupee touched a lifetime low of 68.85 against the US dollar on August 28, 2013. The rupee plunged by 3.7 percent on the day in its biggest single-day percentage fall in more than two decades. Since January 2013, the rupee has lost more than 20 percent of its value, the biggest loser among the Asian currencies. In terms of decline during August, rupee was followed by Indonesian rupiah (6.3%), Turkish lira (4.9), Brazilian real (4.1) and Mexican peso (4). "In addition to impact of change in global investment fund flow, India's peculiar reasons like high trade deficit and worsening investor confidence amid tax uncertainty and policy paralysis have contributed to rupee depreciation. Massive capital outflows to the June of 62,000 crore ($10.5 billion) by foreign investors in the June-July had added to pressure on rupee. Nonetheless, there are signs of optimism as recently improved performance in external sector has delivered better results in September and rupee has gained the most in last 20 days as compared to its peers. So far in September 2013, rupee has appreciated nearly 5% on back of renewed investor sentiments.

3.3. Impact of Global Meltdown on External Sector of Indian Economy

In response to the adjustment of the rupee exchange rate, disincentivising on gold imports, as also improvement in global trade, India's trade deficit during April-December 2013 has been 25 percent lower than last year. Consequent to lower trade deficit, CAD declined from 4.9 percent of GDP in Q1 to 1.2 percent of GDP in Q2 of GDP. This, along with recouping the reserve loss due to the Reserve Bank's swap windows helped mitigate external sector risks. However, as capital flows to emerging market and developing countries (EMDEs) could moderate over 2014-15, there is no scope for complacency and the breather provided by a reduction in the immediate risks, needs to be used to develop the resilience of the external sector over the medium-term.

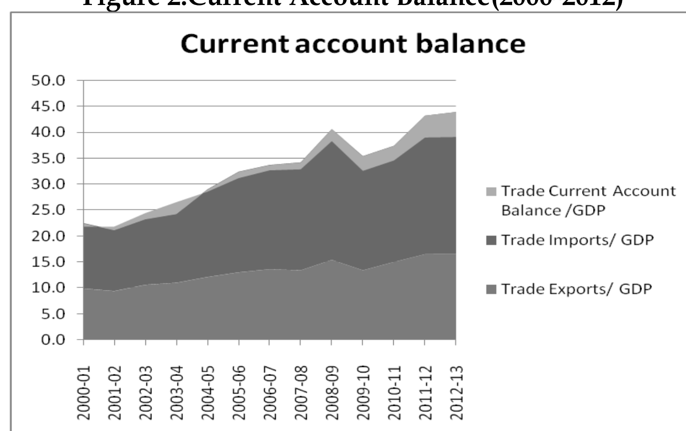
After moderating in the two years following the global economic crisis, world trade in both goods and services reached and surpassed pre-crisis levels in 2011. However, the deceleration in world growth and trade in 2012 and forecast of only a gradual upturn in global growth by international institutions portend a weak and slow recovery for world trade. India's exports, which had surpassed pre-crisis levels within a year in 2010-11 with a record 40.5 per cent growth, continued growing even in 2011-12, but were finally affected by the global slowdown in 2012-13 with exports declining even more at - 4.9 per cent in the first ten months than the -3.5 per cent recorded during the crisis-ridden year of 2009-10 (full year).

India's global merchandise exports were growing at an impressive rate before the financial crisis occurred in the United States. Global merchandise exports increased from $79 billion in 2004 to $145 billion in 2007, representing an average annual growth rate of 20 per cent. However, the slowdown in the United States economy led not only to a decline in India's bilateral merchandise exports to the United States but also in its exports to the world. However, the decline in the

growth rate of merchandise exports to the United States was much higher than the decline in the growth rate of total merchandise exports to the world. India's global exports, which grew at 29.5 per cent in 2005, grew at a lower rate, i.e., 23.6 per cent in 2008, while the decline in the growth rate of exports to the United States was much higher, i.e., from 32.3 per cent in 2005 to 6.15 per cent in 2008.

Continued growth in current account deficit, economic recoveries in US, faith in US dollar as heaven currency, foreign institutional investors loses their confidence and back their investment. This leads to depreciation of rupee. Depreciated rupees had made exports more competitive. This increases the volume of exports. On contrary to it, imports become costlier. The exporting companies gains a lot while the companies who are using imported raw material, increases their cost of production. Since India is import intensive country, indicated by CAD month after month the depreciated rupee will add extra pressure on overall domestic inflation. This will also raise the cost of imported oil, imported coal, metal and imported intermediates products. These will adversely affects the growth of manufacturing sector. India's trade deficit fell to its lowest level in 30 months as exports retained their double- digit growth rate and imports contracted due to a fall in the shipment of gold, silver and oil. Rupee depreciation seems to contribute positively and comfortably for expanding exports as it makes exports more competitive in general. Rupee depreciation seems no effect on imports in general since oil and gold, the largest items of imports are purchased by its potential consumers. Foreign institutional investors (FIIs) are worried a lot — besides equity risks, they have to deal with a currency risk, too. The recent volatility in the rupee has eroded the value of their $100-billion equity investments in India since 2009.

Figure 2:Current Account Balance(2000-2012)



Source:www.rbi.org

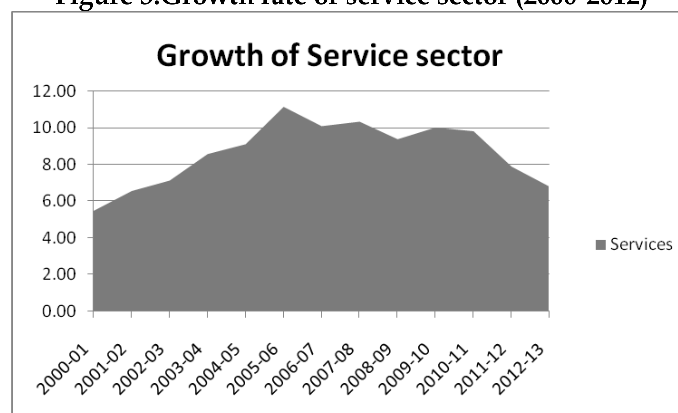
4. IMPACT OF GLOBAL MELTDOWN ON SERVICE SECTOR

India's services sector emerged as a prominent sector in term of its contribution to national and state incomes, trade flows, FDI inflows and employment. (Economic Survey 2012-13). For more than a decade, this sector has been pulling up the growth of the Indian economy with a great amount of stability. The CAGR of the services sector GDP at 10 percent for the period 2004-05 to 2011-12 has been higher than 8.5 percent CAGR of overall GDP during the same period. However,

in 2011-12 and 2012-13, there has been a deceleration in growth rate of services sector at 8.2 percent and 6.6 percent respectively.

As per economic survey 2012-13, among the major broad categories of services, financing, insurance, real estate and business services which continued to grow robustly both in 2010-11 and 2011-12 declared to 8.6 percent in 2012-13. While in 2011-12 growth in trade, hotels and restaurants and transport, storage and communication slowed down to 6.2 percent and 8.4 percent respectively in 2012-13. As the Ease-zone crisis has worsened, growth has slowed, though the sector is still growing at a much higher rate than the other two sectors of the economy.

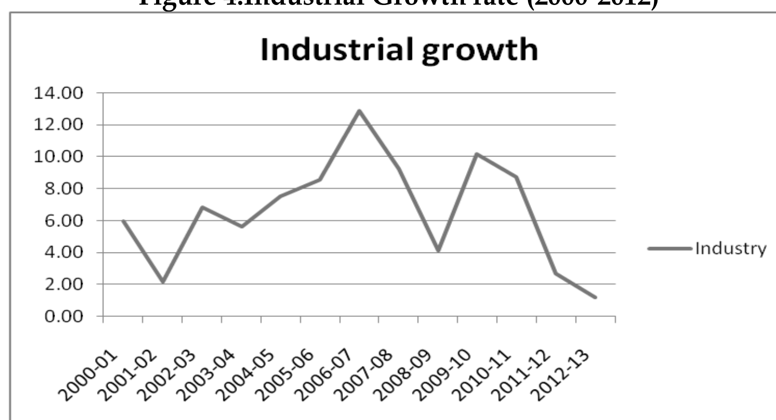
Figure 3:Growth rate of service sector (2000-2012)



Source:www.rbi.org

The moderation in growth is primarily attributable to weakness in industry. (Comprising the miming and quarrying, manufacturing, electricity and water supply, and construction sector) which regulated a growth rate of only 3.5 percent and 3.1 percent in 2011-12 and 2012-13 respectively. The rate of the manufacturing sector was even lower than at 2.7 per cent and 1.9 percent for this two year respectively. Agricultural growth is also weak in 2012-13.

Figure 4:Industrial Growth rate (2000-2012)



Source:www.rbi.org

As per Economic Survey 2012-13, While India's slowdown is partly rooted in external causes, domestic causes are also important. The strong post financial crisis stimulus led to stronger growth in 2009–10 and 2010–11. However, the boost to consumption, coupled with supply side constraints, led to higher inflation. Monetary policy was tightened, even as external headwinds to growth increased. The consequent slowdown, especially in 2012–13, has been across the board, with no sector of the economy unaffected. Falling savings without a commensurate fall in aggregate investment have led to a widening Current Account Deficit (CAD). Wholesale Price Index (WPI) inflation has been coming down in recent months. However, food inflation, after a brief slowdown, continues to be higher than overall inflation. Given the higher weightage to food in consumer price indices (CPI), CPI inflation has remained close to double digits. Another consequence of the slowdown has been lower than targeted tax and non – tax revenues. With the subsidies bill, particularly that of petroleum products increasing, the danger that fiscal targets would be breached substantially become very real in the current year. The situation warranted urgent steps to reduce government spending so as to contain inflation. Also required steps were to facilitate corporate and infrastructure aide at restoring the fiscal health of the government and shrinking the CAD as also improving the growth rate. With the global economy also likely to recover somewhat in 2013, these manures should help in improving the Indian economy's outlook for 2013–14.

Several factors are beloved to have caused the stalling of investments and drying up of new investment. A CMIE study shows that in 2011-12, 20 projects accounted for almost 70 percent of total cost of shelved projects. An analysis of these 20 individual projects suggests difficulties in land acquisition, coal linkages and mining bans as major causes. Analysis of other stalled projects suggests that policy issues such as in telecom spectrum allocations have also played a role. Several sectors such as consumer non-durables, which are less subject to the type of permissions described above and are more driven by demand conditions and GDP growth, are also seeing a slowdown in new investment. For example, there is a slowdown in new investments in manufacturing food and agro-based products. Lack of growth and slowdown in investment are feeding into each other, with causation flowing both ways. High interest rates have contributed to the depressed investment climate as well. However, given the stability in the repo rate between April and December 2012, the latest quarterly data suggest that interest costs of companies have moderated slightly.

Now, India is in the process of restructuring her economy, with aspirations of elevating herself from her present desolate position in the world, the need to speed up her economic development is even more imperative. And having witnessed the positive role that Foreign Direct Investment (FDI) had played in the rapid economic growth of most of the Southeast Asian countries and most notably China, India has embarked on an ambitious plan to emulate the successes of her neighbors to the east and is trying to sell herself as a safe and profitable destination for FDI.

The advance estimate of national income for 2013-14 yields a real growth rate of 4.9%, higher than the previous year's 4.5%. The improvement is essentially thanks to a huge compression in net exports (exports less imports, which is significantly negative, so that when that negative element shrinks, the effect is positive for growth). Clearly, what the latest numbers say as to what needs to be done is not different from what is by now conventional wisdom. Policy and state action must

combine to get private investment going. This means unblocking the clearance pipeline for large projects and kick-starting public investment that will crowd in private investment. (ECONOMIC TIMES)

5. IMPACT OF GLOBAL SLOWDOWN ON EMPLOYMENT

The predicted overall export growth for the years 2009–10 and 2010–11 and sectorial export growth have been used to estimate the impact of the global slowdown on employment in the economy. The estimates show that in the year 2008–09, due to negative export growth in sectors such as textiles, gems and jewellery, ores and minerals, etc.; the total job loss in India was around 1.16 million. However, the net employment created by exports in this year was positive, i.e., 1.25 million jobs created, as many sectors experienced positive export growth. Net employment is the sum total of jobs created and lost in different sectors overtime. In the year 2009–10, export growth is predicted to be - 2.2 per cent and the total job loss is estimated to be around 1.3 million. However, since export growth is positive for some sectors like plantations and these sectors have high employment multipliers, the net employment loss is estimated to be 0.7 million. For the year 2010–11, estimation could be done only for three quarters, i.e., until December 2010, as GDP growth predictions are not available beyond that period. Using the predicted export growth of 8.3 per cent, the total employment generated in the economy is estimated to be 5.22 million, indicating that the loss in employment due to the decline in exports in 2009–10 will be compensated for in 2010–11.

6. CONCLUSIONS

Broad conclusions drawn on the basis of above analysis and data collected of the problem under hand are as below mentioned:

- India’s slowdown paradoxically reflects the substantial fiscal and monetary stimulus that its policymakers, like those in all major emerging markets, injected into its economy in the aftermath of the 2008 financial crisis. The resulting growth spurt led to inflation, especially because the world did not slide into a second ‘Great Depression’, as was originally feared. So monetary policy has had to be tight, with high interest rates contributing to slowing investment and consumption.
- In the past two decades, the rate of growth more than doubled to an average rate of 7 percent per annum. India clocked an average growth of 9.5 percent in the three-year period before the global financial crisis (2005-2008).
- After moderating in the two years following the global economic crisis, world trade in both goods and services reached and surpassed pre-crisis levels in 2011. However, the deceleration in world growth and trade in 2012 and forecast of only a gradual upturn in global growth by international institutions portend a weak and slow recovery for world trade. India's exports, which had surpassed pre-crisis levels within a year in 2010-11 with a record 40.5 per cent growth, continued growing even in 2011-12, but were finally affected by the global slowdown in 2012-13 with exports declining even more at - 4.9 per cent in the first ten months than the - 3.5 per cent recorded during the crisis-ridden year of 2009-10
- Between May 2013 to Aug 2013, rupee touches to ` 68. “The reason: economic recovery in the United States of America (USA) and continued faith in dollar, world’s preferred currency

(The Economic Times)". Continued growth in current account deficit, economic recoveries in US, faith in US dollar as heaven currency, foreign institutional investors loses their confidence and back their investment. This leads to depreciation of rupee. Depreciated rupees had made exports more competitive. This increases the volume of exports. On contrary to it, imports become costlier. This will also raise the cost of imported oil, imported coal, metal and imported intermediates products. These will adversely affects the growth of manufacturing sector. India's trade deficit fell to its lowest level in 30 months as exports retained their double- digit growth rate and imports contracted due to a fall in the shipment of gold, silver and oil. Rupee depreciation seems to contribute positively and comfortably for expanding exports as it makes exports more competitive in general. Rupee depreciation seems no effect on imports in general since oil and gold, the largest items of imports are purchased by its potential consumers. Foreign institutional investors (FIIs) are a worried lot — besides equity risks, they have to deal with a currency risk, too. The recent volatility in the rupee has eroded the value of their $100-billion equity investments in India since 2009.

- India's services sector emerged as a prominent sector in turn of its contribution to national and state incomes, trade flows, FDI inflows and employment '(Economic Survey 2012-13). For more than a decade, this sector has been pulling up the growth of the Indian economy with a great amount of stability. The CAGR of the services sector GDP at 10 percent for the period 2004-05 to 2011-12 has been higher than 8.5 percent CAGR of overall GDP during the same period. However, in 2011-12 and 2012-13, there has been a deceleration in growth rate of services sector at 8.2 percent and 6.6 percent respectively. The estimates show that in the year 2008–09, due to negative export growth in sectors such as textiles, gems and jewelry, ores and minerals, etc., the total job loss in India was around 1.16 million.

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