

Section - I

Research Methodology

Two consecutive contractions lead to a 'Recession' or 'Crisis'. It is a phase in which rupee depreciate, cash crunches, money, money market slowdown, initiation comes. All money in all it is become difficult to bring money from the pocket of an individual. Thus a recession is a decline in a country's gross domestic product (GDP) growth for two or more consecutive quarters of a year. A recession is also preceded by several quarters of slowing down. an economy, which grows over a period of time, tends to slowdown the growth as a part of the normal economic cycle. an economy typically expands for 6-10 years and tends to go into a recession for about 6 months to 2 years. A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turn leads to a decrease in production; pay-offs and a shop rise in unemployment. Investors spend less, as they fear stocks values will fall and thus stock markets fall on negative sentiment. Risk aversion, deleveraging and frozen money markets and reduced investor interest adversely affect capital and financial flows; import-export and overall GDP of an economy. This is exactly what happened in US and as a result of contagion effect spread all over the world due to high integration in the global economy, then who affected more and who affected less, is presented in Table - 1.

Table - 1
Overview on Economic Growth
During 2007-2010 (GDP)

Economy	2007	2008	2009	2010
China	10.6	07.0	05.5	06.9
India	09.3	807.3	05.5	06.5
Russia	08.1	06.2	x-0.7	01.3

Source: IMF World economic outlook update, January, 2009.

Table-1 shows that economic growth of China, India, Russia have declined during 2008 and 2009 as compared to 2007 and it was improve little in 2010. China's growth decreased from 10.6 in 2007 to 7.8 in 2008 and further 5.5 in 2009. The similar trend was seen in India too. It was de declined from 9.3 in 2007 to 7.3 in 2008 and further to 5.1 in 2009. As against this, latest RBI estimates place India's growth rate during 2008-2009 at 7.7 percent. Most other estimates also place GDP growth for the year in the range of 7.8 percent. During the first quarter of 2008-09 (April - June) Indian economy grew at 7.9 percent, though growth is expected to slow down in the subsequent quarters as the slowdown takes holds. Index of industrial production (IIP) shows that it grew 4.8 percent in September 2008 as against 7 percent in the corresponding period last year. The cumulative growth during April - September 2008 was only 4.9 as against 9.5 percent during the corresponding period in previous year. While the September figure is an improvement over the dismal growth of 1.3 percent recorded for August 2008, and RBI projected GDP growth during 2009-10 to the extent of 6 percent. Thus global recession's impact on GDP of India is to some extend is negative as GDP lowered down in 2009-10 as compared to 2007-08. Then it would be interesting and worth to look on what is impact of recession on Indian financial market as the crisis intensified after Layman Collapse the global shocks first impacted the domestic financial market and then transmitted to the real economy through trade, finance and confidence channels. Therefore the main