

objective of this paper is to examine the impact of global crisis or recession on capital market of India. It is assumed here that there is negative impact of global crisis or recession on Indian Capital Market. The paper is based on secondary data collected from RBI reports. The period of study is 2007-08 to 2009-2010. The indicators used for knowing impact are stock exchange market, foreign exchange reserve, foreign exchange rate, financial institution investment and foreign direct investment.

The global financial crisis started in mid-2007 and became worst during the year 2008. Global crisis or recession came to a boil in September 2008, when on September 15th, 2008 the fourth largest American investment bank namely Lehman Brothers was filled for bankruptcy. Some others also collapsed during the same period like Morill Lynch, Washington Mutual etc. in U.S. It is often said that when the US sneezes the rest of the world catches a cold. Almost immediately Western Credit Market froze and massively amplified the recessionary forces at work in the U.S., Europe and Japan. Since then the rest of the world is coping with the twin global shocks of worldwide liquidity crunch and deepening global recession. How this affect Indian capital market is assessed in Section - II to IV and conclusions are summarized in Section Vth.

Section - II

Impact of global recession on foreign exchange reserve and rate :

(i) Impact on foreign exchange reserve:

Table -2 shows how foreign exchange reserve have been affected due to global economic crisis occurred in the America. India's foreign exchange reserves comprise foreign currency assets (FCA), gold, special drawing right (SDRs) and reserve tranche position (RTP) in the international monetary fund (IMF). The level of foreign exchange reserves is largely the outcomes of the Reserve Bank's Intervention in the foreign exchange market to smoothen exchange rate volatility and valuation changes due to movement of US dollar against other major currencies of the world. Foreign exchange reserves are accumulated when there is an absorption of the excess foreign exchange flows by the RBI through intervention in the foreign exchange market and vice versa. Beginning from a low level of US dollar 58000 million at the end of March 1991, India's foreign exchange reserves increased to peak of US dollars 314616 million at the end of May 2008. The reserve declined thereafter to US dollar 251985 million at the end of March 2009. It has moved upward upto US dollar 281861 million at the end of October 2009. This is presented in Table 2.

Table - 2
Foreign exchange reserve trend : 2007-2009
(in US dollar million)

Year	Foreign exchange reserve (in US \$ million)	% changes to previous year
2007 March	199179	—
2008 March	309723	55.50
2009 March	251985	-18.64

It can be seen from Table-2 that at the end of March 2007 the foreign exchange reserves was US \$ 199179 million which was increased upto US \$ 309723 million at the end of March 2008 but it was declined to US \$ 251985 million at the end of March 2009. India's foreign exchange reserve was increased by 55.50 percent in 2008 as compared to 2007 indicating