

Table - 4
Impact on Stock Market (Sensex)

Year	Sensex	% change in previous year
2007-08	20873	—
2008-09	12208	-41.51
2009-10	15221	+24.68

Table - 4 shows that sensex has declined from 20873 in 2007-08 to 15221 in 2010. the impact of global financial recession is negative on stock exchange market in India as sensex decreased to 12208 in 2008-09 as compared to 2007-08. Which was little improve in 2009-10 as compared to 2008-09. The crisis in the global markets, a fall in the rupee and poor IIP numbers and withdrawn by FII led to the fall in sensex (i.e. stock market). Thus it is clear from Table-4 that the impact of global crisis on Indian stock market was negative.

(ii) Impact on foreign capital inflows:

After the macro-economic reforms in 1991, Indian economy has been increasingly integrated into the global economy. The financial institutions in India are exposed to the world financial market. Foreign institutional investment (FII) is largely open to the India's equity, debt market and market for mutual funds. The present crisis has significant impact on FII investment in India, as investors all over world lack confidence on the market. The crisis in confidence resulted in net outflow of US dollar 10.1 billion from both the equity and debt market in India in the year 2008; till 22nd Oct. This has significant impact on India's stock market (see Table-4) and exchange rate (see Table-3). As higher FII outflow have a down pressure on the value of rupee at the same time a weaker rupee makes it costlier for FIIs and badge funds to pull out of the market but decline in stock prices only adds to their woes. Indias stock market index sensex which touched above 21000 mark in the month of January 2008 (see Table-4) has plunged below 10000 during October. The movement of sensex shows a positive and significant relation with the FII flows in the market and with over capital inflow including FDI. Thus global crisis affect on FII and FDI inflow negatively during 2008-10 period, as compared to 2007-08 which is presented in Table-5.

Table - 5
Foreign Capital inflow : 2008-2010

Year	FDI (Amount in US \$ billion)	Net FIIs investment in US \$ billion	No. of project registered under FIIs	Sensex return in %
2007-08	—	17.66	226	47.15
2008-09	18.71	11.97	375	-52.46
2009-10	17.60	15.27	111	78.27

Table - 5 shows that FII inflow was declined from US dollar 17.66 billion in 2007-08 to US dollar 15.27 billion in 2009-10. The projects under FII registration was decreased from 226 to 111 during the same period. It was declined by more than 20 percent as compared to 2007-08 and 70 percent as compared to 2008-09. The FDI also shows downward trend during 2009-10 as compared to 2008-09. The sensex return was 47.15 percent in 2007-08. It was decreased to the extent of -52.45 percent but it was improved in 2009-10 to the extent