The key indicators of financial crises on Indian economy

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Abstract : This article investigates the key indicators of financial crises on Indian economy like Low GDP and decline in rupee value reasons for decline and measures to overcome them. Analysis are also done by comparing the previous financial year and current financial year. The objectives of the study are to identify the key indicators of financial crises on Indian economy. Research methodology adopted by the researcher descriptive and data collected through secondary data, data collected from various scholarly books, articles, websites and others sources. Scope of the study is restricted to only two key determinates of financial crises on Indian economy.The results show that the sectors wise impact of GDP and future problems associated with GDP.

Key words:- GDP, Rupee value, sectors, future problems.

Introduction

Concern over financial crises in India is nothing new. The operation of financial markets and institutions has often been reshaped in the wake of financial crises. Financial crises have a significant effect on the Indian economy, particularly in decline in exports and other different economic crises including the build-up of unsustainable fiscal policy and external imbalances of asset prices, especially other currency exchange rates.Now days, the financial crisis is the core part of the major agendas as it reduce financial stability, economic growth, the confidence of investors and depositors, and it destroys the entire economy growth as the result GDP ,exports,productivity and employment opportunities will decline.

Review of literature

Usman Khalid, Luke EmekaOkafor, Muhammad Shafiullah(2019)

This article investigates the effect of different economic and financial crises, such as inflation crisis, stock market crash, debt crisis, and banking crisis on international tourism flows using a panel gravity data set of 200 countries over the period 1995 to 2010. The results show that the inflation crisis has a dampening effect on international tourism flows in both the host and origin countries. The results also show that domestic debt crisis encourages international tourism arrivals in the host countries, whereas its impact on international tourism services in originating countries is negative.

Martin Cihak (2009)

Since the bursting of the bubble in the U.S. mortgage market in 2007, the financial turmoil has spread to a wide range of other markets and economies around the world, morphing into a global financial crisis. The five articles in this special issue of the Czech Journal of Economics and Finance cover selected aspects of the crisis, including the contagion from advanced economies to emerging markets, the potential for contagion among European emerging markets, the differentiated impact of the crisis on European economies, and the negative spillovers between market liquidity and banking sector liquidity during the crisis. This introduction provides an overview of the articles in the special issue, putting them into a broader perspective.

Objectives of the study

- To determine the key indicators of financial crisis.

Scope of the study

The study only restricted to two key determinates of financial crises on Indian economy

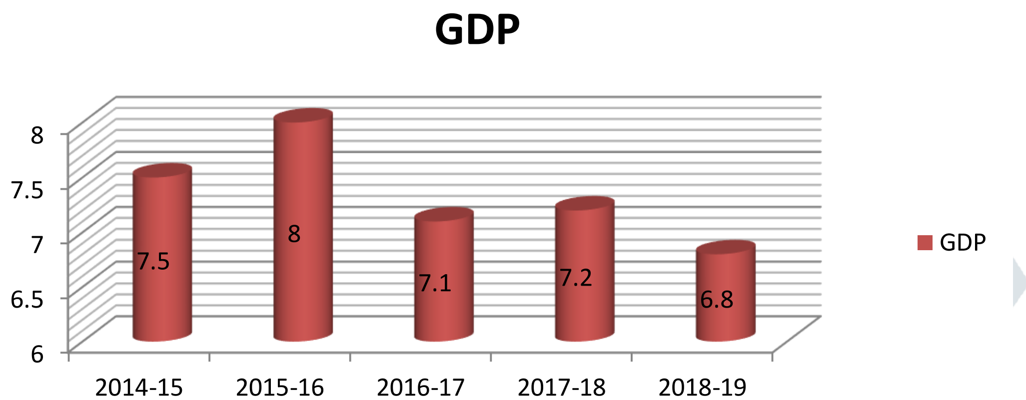
Research methodology

The research is purely based on secondary data, data collected from various scholarly books, articles, websites and others sources

Key indicators of financial crisis in India

1. **Low GDP rate**

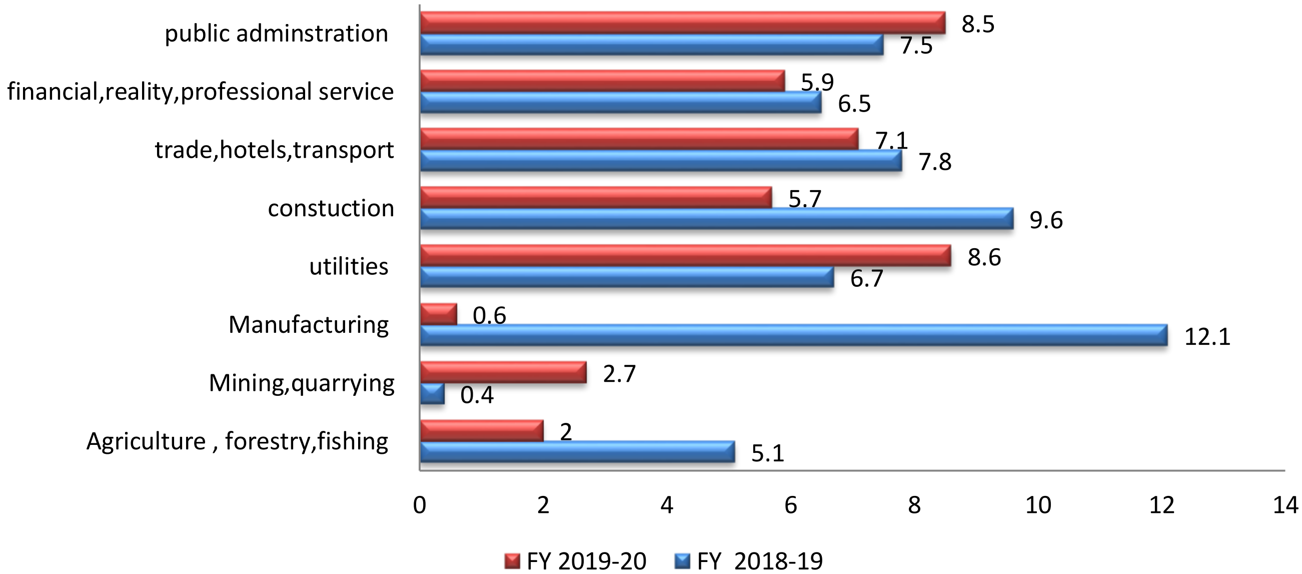
Years	GDP
2014-15	7.5
2015-16	8
2016-17	7.1
2017-18	7.2
2018-19	6.8



From the above graph and table it can be analyzed that in the year 2014-15 GDP was 7.5,2015-16 GDP was 8, 2016-17 GDP was 7.1, 2017-18 GDP was 7.2 and 2018-19 GDP was 6.8. It is clearly indicating that GDP of India is reducing year by year as a comparison in the year 2015-2016 the GDP of the country was 8 and current GDP is 6.8. It can be stated as lower GDP is also an indication of future financial crises in India.

Reasons for lower GDP

Sectors Wise Growth	**FY 2018-19**	**FY 2019-20**
Agriculture , Forestry, Fishing	5.1	2
Mining, Quarrying	0.4	2.7
Manufacturing	12.1	0.6
Utilities	6.7	8.6
Construction	9.6	5.7
Trade, Hotels, Transport	7.8	7.1
Financial, Reality, Professional Service	6.5	5.9
Public Administration	7.5	8.5



Here there are major sector comparison which can influence GDP in high level. Comparison between financial year 2018-19 and 2019-20

Agriculture , Forestry, Fishing sector as decline from 5.1 to 2.0 there is fall of 3.1.

Mining, Quarrying has increased from 0.4 to 2.7 it means there is rise 2.3 it shows that our resources are extracted much this is also sign of crises.

There is major decline in manufacturing sectors from 12.1 to 0.6 which means decline of 11.5. It shows very bad state because decline in manufacturing sector means loss in employment for the public.

Utilities shows the increasing line from 6.7 to 8.6 it means 1.9 increase

Trade, Hotels, Transport as a decline from 7.8 to 7.1 it means decline of 0.6 as compared to previous year.

Financial, Reality, Professional Service as also as a decline from 6.5 to 5.9 which means 0.6.it can clearly indicate that financial and professional services are reduced.

As the result after analyzing all the sectors there is major drop in the performance which can have high impact on GDP.

Major worries GDP may decline in future 2020-2021

1. Slowdown in private sectors.
2. Low domestic products demand in country
3. Negligible growth in manufacturing Gross value added it means less exports.
4. Higher of government spending leads to higher credit

Suggestions to increase GDP

1. Tax cutting need to be done so that it can leads to revive the capital formation.
2. RBI should boost government expenditure, so that circulation of currency will leads to improvement.
3. Creation of demand for the products, so that public can purchase them again.
4. Government to take reforms that boots Indian economy.

2. Decline in rupee value

Decline in rupee value is also an major indication that economy is undergoing an major financial crisis

Key reasons behind recent fluctuations in the Indian currency

1. RBI action to prevent slowdown in economy
2. Lower of exports and government action to overcome them
3. Yuan tumbling to more than 11-year lows and trade war impact.
4. Weakness in oil prices is limiting the rupee losses

Suggestions to overcome decline in rupee value

1. The Reserve Bank of India (RBI) will provide dollars directly to state oil companies in attempt to support the rupee that has slumped over 20 percent this year.
2. The government will soon issue quasi-sovereign bonds to help bring more dollar inflows into the country. Under the scheme, state finance companies will sell these bonds to fund infrastructure development.
3. The government has hiked the import duty on gold and silver to 10 percent to rein in the imports. The RBI has tightened the norms for gold imports by linking them to exports. Also, credit availability for gold imports has also been tightened.
4. PSU oil companies would be allowed to raise additional funds

5. The RBI has tightened liquidity to reduce the availability of rupee in the banking system to reduce rupee volatility. However, these measures have led to an increase in the short-term interest rates.
6. The government has banned the duty-free import of flat-screen televisions to stem the flow of foreign currency out of the country.

Conclusion

The Indian financial crisis started with a collapse in the GDP of the country and the adverse economic instability to other sectors of the economy. The financial institutions such as banks and large insurance companies are facing with financial troubles that threatened downfall of other large organizations in the economy. Slow economic recovery in the India is expected before the situation goes worst.Investors in the Indian economy are faced with diverse risks that were evidenced by the global financial crisis such as the liquidity, counterparty and systemic which can be diversifiable risks that pose threats of potential losses of investment in the financial markets.

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