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NEHRU'S ANTI RECESSION VACCINE HAS IMMUNED INDIA AGAINST GLOBAL RECESSION

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Abstract:

The US economy accounts for 1/4 of the world's GDP. The dream development of USA was busted when the world major financial giants like Lehman Brothers, Bear Sterns, AIG, Merill Lynch etc. saw the unprecedented collapse of financial giants. The large Banks in US according to economists and financial experts are like dead man walking. A sober assessment of the growing mountain of losses from bad debts, measured in today's market place would over whelm the value of the banks...and they are insolvent (Sterelohr 2009).

The LPG reforms were introduced opening the doors on Indian economy. The economic polices pursued by India during the past 40 years prior to July, 1991, often dubbed as "license -control raj" was described as "mistaken polices" by Dr. Man Mohan Singh who was the finance minister in the PV Narismha Rao government and instrumental in the introduction of reforms. Some individuals even went to the extent of hailing it as our second independence had arrived. They were happy as they thought LPG reforms would free India from a rapacious and domineering state. These individuals were under the intoxication of opium of globalization. They had forgotten the economic history. But history repeats itself. India by the end of 2008 saw herself in front of the world recession. All that state would do was either wrong nor all that market would be right. The LPG not only gives you goodies but also the economic tsunami which even the developed world is unable to confront successfully.

Nehru was right when he once said 'most of us seldom take the trouble to think. It is a troublesome and fatiguing process and often leads to uncomfortable conclusions. But crises and deadlocks when they occur have at least this advantage that they force us to think' (The Unity of India: Collected Writings, 1937-1940 (1942), p. 94) The major impact of recession on India will be on IT & BPO, textiles and garments, automobiles, gems and jewelry, transportation, construction and mining, Hotel, Tourism, handicrafts and leather segments. So Tomorrow depends on how the developed world reacts to recession, will it hide behind protection or go ahead with globalization.

KEYWORDS:

Globalization, LPG, IT & BPO, Recession

"The belief that the American financial markets are somehow very efficient and that they invented all kinds of new instruments that were bringing about tremendous efficiency gains deserved to be emulated... In India the state would continue to play a strategic role as envisaged by Nehru..... We did not

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see him as ideologically wedded to particular methods or being against the private sector, though of course he viewed the government as having a strategic role..”

-Dr. Montek Singh Ahluwalia (2009)
Deputy Chairman, Planning Commission

“The developing countries will suffer for no fault of theirs from the recession visible in the US and the West.”

-P CHIDAMBARAM (2008)
Finance Minister, Government of India

INTRODUCTION

The US economy accounts for ¼ of the world's GDP. The dream development of USA was busted when the world major financial giants like Lehman Brothers, Bear Sterns, AIG, Merrill Lynch etc. saw the unprecedented collapse of financial giants. The large Banks in US according to economists and financial experts are like dead man walking. A sober assessment of the growing mountain of losses from bad debts, measured in today's market place would overwhelm the value of the banks...and they are insolvent (Sterne 2009). Simon Johnson a former chief economist at the IMF estimate that the US banks have a capital shortage of \$ 500 billion. In a more severe recession it will take \$ 1trillion or so to capitalize the banks. It also estimated the potential losers from and other credit Securities originated in the USA to \$ 2.2 trillion. The IMF also had estimated USA and European Banks would need at least \$ 500 billion in new capital in 2009.

The Wall Street collapsed greasing the wheels of financial tsunami. The ripples of this were witnessed on all the economies on the globe. But the degree and magnitude of this fall differed from economy to economy depending on their dependency on America and the fundamentals of their respective economies. The average spending of American consumers reduced significantly and that resulted in reduced demand for imported goods as well as the domestic goods. Demand for the goods reduced. The produced goods remained in godown of firms lacking any demand. Producers either reduced or stopped the production.

The World Trade shrank at faster pace than production. Good number of firms lay off several employees. A white house forecast released by Bush administration on January 16, 2009 pointed out that US economy would lose 235,000 jobs a month in 2009. In January 2009 alone the US economy lost almost 600,000 jobs across all major industry. The president of America Mr. Obama recognized the growing unemployment '.....this is not an abstract debate. It is an urgent and growing crisis that can only be fully understood through the unseen stories that lie underneath each and every one of those 600,000 jobs that were lost'. In the 600,000 jobs lost 207,000 jobs belonged to manufacturing sector. Along with it if 734,000 discouraged workers who have stopped looking for jobs as they are sure of not getting it is added the magnitude of problem can be understood. Then the real unemployment rate will be at least more than double than the official unemployment rate of 7.2%. The United Nations agency ILO estimated that over 51 million jobs were lost world wide due to economic slow down by the end of 2009.

IMF predicted that the world economy is set to contract for the first time in sixty years. The IMF has forecast a decline of 3.0- 3.5% in the GDP of developed economies in 2009 whereas the emerging and developing economies will grow at 1.5-2.5% during the same period. The USA would shrink by 2.6%, Japan by 5.8% and Europe by 3.2%.

In 2008-09 the exports were down by 20% in Germany, 46% in Japan, 23.6% in USA over the previous year. The global manufacturing sector is worst hit, hence the economies depending more on manufacturing sector will not come out of recession soon including America. The manufacturing sector contributes 18% to the world's GDP. It contributes 33% of GDP in China, 14% of India's GDP, 14% of USA's GDP. Manufacturing makes up to about two thirds of US exports and contributed more to GDP growth over the last twenty years than any other segment of the US economy (David Huether, National Association of Manufacturers, Washington). The lack of demand for jet engines, locomotives, pharmaceuticals, medical equipments, high tech product, etc produced in USA will hurt the American revival programmes.

What is Recession?

According to 'The National Bureau of Economic Research' recession is defined as "a significant

decline in economic activity spread across the economy, lasting more than a few months." A recession generally refers to the decline in a country's Gross Domestic Product (GDP) growth for two or more consecutive quarters of a financial year. A recession is also preceded by several quarters of slowing down. Recession affects overall economic activities of the economy including, investment, employment, profits, output etc.

The turning point from boom condition is called recession. The exact causes of recessions cannot be exactly pin pointed. Generally it is presumed that it could be caused by cyclical movement of economy or by some external elements. It may also be caused by combination of several potential dangerous factors like high inflation, currency crises, speculation or the failure of a company or a bank. It will burst the boom and brings the phase of recession. Businessmen begin to realize they have over stepped their mark and their over optimism gives place to pessimism, where Investment decreases because of which price as well as income and profit too falls. When recession continues for a longer period with its severe implications, it's termed as economic depression which will lead to the economic collapse.

GENESIS OF THE RECESSION- 2009

The genesis of this recession can be found in sub prime mortgage crisis in the USA housing market. The word sub prime refers to borrowers who do not have a sound track record of repayment of loans. The risks inherent in sub prime loans were sliced into different components and packaged into a host of securities, referred to as asset backed securities and collateralized debt obligations. To facilitate marketability credit rating agencies also gave them the risk ranks of 'AAA' or 'BBB'. The greedy financial institutions to make more hay when sun shines used the relative easy liquidity conditions across the world to expand credit in the sub prime market. The truth came to light only when interest rose, the borrowers were neither in position to pay the interest nor principle. There was a huge default in the housing sector. Later on it was revealed to the world that even the financial institutions in the Europe have also committed the similar blunder.

IMPACT OF RECESSION ON INDIA

Nehru gave the anti recession Vaccine to India!

When India got her political independence, majority of people were poor, India lacked capital and technology, Economy was in Chaos. But the aspiration of people was high, so were our spirited leaders. Mr. Nehru who took up the responsibility of prime minister gave a clear indication of policies to come. Mr. Nehru set the clear objectives through his tryst with destiny speech delivered to Constituent Assembly of India, on the eve of India's Independence on August 14th, 1947

'Long years ago we made a tryst with destiny, and now the time comes when we shall redeem our pledge, not wholly or in full measure, but very substantially. At the stroke of the midnight hour, when the world sleeps, India will awake to life and freedom..... Are we brave enough and wise enough to grasp this opportunity and accept the challenge of the future?....That future is not one of ease or resting but of incessant striving so that we may fulfill the pledges we have so often taken and the one we shall take today. The service of India means, the service of the millions who suffer. It means the ending of poverty and ignorance and poverty and disease and inequality of opportunity. The ambition of the greatest men of our generation has been to wipe every tear from every eye. That may be beyond us, but as long as there are tears and suffering, so long our work will not be over.....The future beckons to us. Whither do we go and what shall be our endeavour? To bring freedom and opportunity to the common man, to the peasants and workers of India; to fight and end poverty and ignorance and disease; to build up a prosperous, democratic and progressive nation, and to create social, economic and political institutions which will ensure justice and fullness of life to every man and woman'.

Nehru had a clear vision and clarity of thoughts, he wanted economic independence with political independence. He wanted to eradicate poverty by more equitable distribution, better education and good health. His speech at US house of representatives and the Senate in Washington D.C. on October 13, 1949 makes it clear to us 'We have achieved political freedom but our revolution is not yet complete and is still in progress, for political freedom without the assurance of the right to live and to pursue happiness, which economic progress alone can bring, can never satisfy a people. Therefore, our immediate task is to raise the living standards of our people, to remove all that comes in the way of the economic growth of the nation..... To remove this poverty by greater production, more equitable distribution, better education and better health, is the paramount need and the most pressing task before us and we are determined to accomplish this task. We realize that self-help is the first condition of success for a nation, no less than for an

individual. We are conscious that ours must be the primary effort and we shall seek succor from none to escape from any part of our own responsibility. But though our economic potential is great, its conversion into finished wealth will need much mechanical and technological aid.

The Nehru major economic ideologies are listed below

1. Nehru personally believed in Socialism. But he did not allow it to override him when the policy matter for India mattered, he wanted a practical approach in framing the Indian economy, which would suit best the country's needs. The industrial policy statement of 1948 and 1956 proves the point.
2. Nehru gave India the mixed economic system where the golden characteristics of both Capitalism and Socialism were combined. But he stressed more on the role of State in the economic development. Nehru emphasized that the state would control the key areas of the Indian economy.
3. He not only tried for the betterment of rural economy by trying to bring in good number of agrarian reforms and construction of multi purpose huge dams for which he called temples of modern India. The dams would not only harness energy, but would also support irrigation to a great degree. He also tried for industrial development by investing in basic and key capital industries. The second five year plan was devoted towards industrial development.
4. In order to have a long term successful growth strategy and for assured development, he introduced the Five Years Plan in 1951.
5. Nehru inspired the industrialists to provide a fillip to India's economy. He welcomed the foreign investment to fill the capital scare country. But he stressed that the sectors of foreign investment must be regulated, and the terms and conditions of investment and employment would be strictly controlled by government rules in case there were possibilities of a foreign investment.
6. Nehru encouraged the development of small scale industries and cottage industries as they are the solutions to unemployment problem. But his cottage industry development programs were meant as a part of the community development programme.

Nehru's regime was not one of great economic growth for India. Some do blame this on his economic policies. But his decisions were necessitated by the needs of the times. All the developed economies too in their earlier stages of development had the state led development through the different means of protection.

The LPG reforms were introduced opening the doors on Indian economy. The economic policies pursued by India during the past 40 years prior to July, 1991, often dubbed as "license-control raj" was described as "mistaken policies" by Dr. Man Mohan Singh who was the finance minister in the PV Narasimha Rao government and instrumental in the introduction of reforms. Some individuals even went to the extent of hailing it as our second independence had arrived. They were happy as they thought LPG reforms would free India from a rapacious and domineering state.

Gurucharan Das (2000) in his column white elephant in The Hindu on 1 January 2000 writes, India has recently emerged as a vibrant, free market democracy after the economic reforms and it has begun to flex its muscles in the global information economy. The old centralized, bureaucratic state, which killed our industrial revolution over the past 50 years, has begun a subtle but definite decline... it has tripled the size of the middle class, which is expected to become half the Indian population within a generation. In the Fifties, we passionately believed in Nehru's dream of a modern and just India. But as the years went by, we discovered that Nehru's economic path was taking us to a dead-end and the dream soured. Having set out to create socialism, we found that we had instead created statism. We were caught in a thick jungle of Kafkaesque bureaucratic controls. Our sense of disillusionment reached its peak during Indira Gandhi's autocratic rule in the Seventies.

These individuals were under the intoxication of opium of globalization. They had forgotten the economic history. But history repeats itself. India by the end of 2008 saw herself in front of the world recession. All that state would do was either wrong nor all that market would be right. The LPG not only gives you goodies but also the economic tsunami which even the developed world is unable to confront successfully.

Nehru was right when he once said 'most of us seldom take the trouble to think. It is a troublesome and fatiguing process and often leads to uncomfortable conclusions. But crises and deadlocks when they occur have at least this advantage that they force us to think' (The Unity of India: Collected Writings, 1937-1940 (1942), p. 94)

Despite the major set back in few discussed sectors, India has the anti recession vaccine given by Nehru. Call it as strong fundamentals of Indian economy laid by Nehru or hurdles of growth factors, today India is more immuned to face the ills of global recession.

Montek Singh Ahluwalia in the interview to PTI (October 18, 2009) has pointed out that opined that the ongoing financial crisis has shattered the supremacy of Europe and American financial system.... The belief that the financial markets are somehow very efficient and that the American financial system invented all kinds of new instruments that were bringing about tremendous efficiency gains which deserved to be emulated...I think this view has been totally discredited, In India the state would continue to play a strategic role 'as envisaged by Nehru. We did not see him (Nehru) as ideologically wedded to particular methods or being against the private sector, though of course he viewed the government as having a strategic role. We have never changed that view, though the nature of the role has to change over time.....Most importantly, we should avoid over leverage, improve, systems of risk management and strengthen supervision.....this does not mean banning all financial innovations. Since fixed exchange rates are a thing of the past...we have to evolve a system that can deal with FOREX risk.....We have deliberately chosen a gradualist path for the evolution of our financial system and that decision has been vindicated. But there is no room for complacency...everyone is learning and we must watch carefully what new trends will evolve and also new methods of risk mitigation.....this was a failure ,but not just a private sector failure. It was also a failure of the regulators,”

Indian economy opened its doors to LPG only one and half decade back, but thanks to Indian Bureaucracy and changing philosophy of political policy makers, India did not globalize too much and hence the impact of recession is not seivour in India. To quote “....Despite all the talk, we are no where even close to being globalized in terms of any commonly used indicator of globalization. In fact, we are still one of the least Globalized among major countries-however we look at it...” (RBI (2000))

The major impact of recession on India will be on IT& BPO, textiles and garments, automobiles, gems and jewelry, transportation, construction and mining, Hotel, Tourism, handicrafts and leather segments.

IT AND BPO

As per the NAASCOM report (2008) the Indian IT-BPO industry is estimated to achieve revenues of USD 71.7 billion in the financial year 2009, with the IT software and services industry accounting for USD 60 billion of revenues. In 2009 the direct employment is expected to reach nearly 2.23 million, an addition of 226,000 employees, while indirect job creation is estimated to touch 8 million. The Export revenues are estimated to gross USD 47.3 billion in FY2009, accounting for 66 per cent of the total IT-BPO industry revenues.

The optimistic report of National Association of software and Service companies (NASSCOM) and its estimates though has to be appreciated, but in reality the US recession will hit hard as India exports 60% of its IT and BPO services to USA and nearly 75 per cent of its revenues coming from the US, the impact will be seivour. The reduction in demand from US has forced many Indian Fortune 500 companies to slash their IT budgets.

Large IT and BPO firms have started looking at other markets like ASEAN Nations, Europe, and even the domestic market, to spread their risks. This can be best seen with Infosys setting up an India centric team. The European, ASEAN, Arab countries and the African countries may offer viable short-term alternatives to our export-dependent sectors. But the IT – and BPO have to slash their prices reasonably to create market in these economies.

But for the time being with the lay off knife hanging on his day a IT –BPO employee has to work with reduced salaries, longer working hours, frequent performance appraisals. Many of leading IT companies like IBM, TCS, American Express, etc have removed many of their employees. Many of my friends in IT sector do complain in private that they are allotted the work of two individuals or to quit themselves. With the deadline software engineers are working, with huge mental stress with limited or no time to their families. Satyam fraud was another blow for the IT industry which hit the Indian IT brand image very hard abroad.

INDIA GARMENT SECTOR

The demand for clothes in the USA and Europe has put India's ready-made garment export industry into a deep problem. The business has dropped to the tune of 50%, exports have fell by the same percent, because of which thousand of workers are axed. A report in front line quotes a cutter cum labour contractor statement that 'workers are ready to work for less, but there isn't any work' in the industrial hub of Manesar in Gurgaon district rightly indicates the plight of the garment working community.

The exporters should be given more incentives and persuaded to explore new markets-in Asia, the Far East and Africa. They should also focus on the domestic consumer with affordable prices.

GEMS AND JEWELLERY

India controls the 90% of world business in diamonds and 3.5% in gems and Jewellery business in the world trade. In 2007-08 diamonds earned the foreign exchange earnings accounting to 13.5% of the total merchandise export. The global gems and Jewellery business is worth more than \$82 billion. Of this 48% (\$39 billion) comes from USA. About \$ 17 billion business comes to India from America.

In India 85% of diamonds are cut, shaped, polished and exported from Surath. In the unorganized sector Diamond industry is the biggest single employer in the casual period. But today as the demand for the diamond from US has reduced, lakhs of workers bellies have gone empty. No demand for diamond, no work, no food!

AUTOMOBILES INDUSTRY

The fall in the price of crude oil from 176\$ per barrel to less than 46\$ per barrel itself is the indicator of slump in the world automobile industry. India was emerging as one of the major manufacturing base for automobiles, but now due to decrease in demand for the automobiles hundreds have lost jobs. The prices of cars, two-wheelers and commercial vehicles are slowly coming down. The government is also trying to boost the industry with 5 percent duty cut. All the major manufacturers namely Maruti, Hyundai, M&M, Tata Motors, Ford, Skoda and TVS have passed the benefits of the reduced duty to the customers.

INCREASED UNEMPLOYMENT

Slowly all the manufacturing industries are coming into the fold of recession. The unemployment in India is increasing. The study by labour ministry reveals that five lakh jobs were lost between October and December 2008. Exporting units post a higher decline in unemployment. Metals and textile sector lay off 2.6% and 1.29% of their work force respectively.

TOURISM AND HOTEL INDUSTRY

The tourism sector has also been greatly affected. If tourism industry declines, it affects hotel industry, both boarding and lodging, transportation industry, retail business around the tourist spots. Tourism has provided employment to lakhs of people directly and indirectly. If tourists are reduced it affects their livelihoods. Hotels have already reported 20-25 % cancellation from international tourists who were booked to visit over the next one year. Many hotels have slashed the prices of their services, but still tourism is yet to gain momentum

THE PROBLEM OF TERRORISM

Prior to the terrorist attacks in Mumbai, India Foreign Direct Investment flows was shooting up by a whopping 124% during the first five months of 2008-09 to \$14.6 billion. Despite the global financial turmoil, it is set to surpass the FDI target of \$35 billion during 2008-09. The sectors that attracted maximum FDI inflows in 2007-08 were services, telecom, housing, construction activities, real estate, electrical equipment, computer software and hardware. In 2007-08, India ranked fourth after China, Hong Kong and Singapore as a major investment destination in Asia. But this quarter has already seen the decrease in FDI inflows to India. The recession added by terrorist menace is hurting the FDI inflow into Indian economy

Foreign students who were planning to come to India for their studies also will not come to India due to the security reasons. In line with this policy, the Singapore government issued a temporary travel ban on school children who were to travel to India's Bangalore for a leadership conclave. The Malaysian government has also cautioned its citizens against traveling to India for the time being. Many European countries, Australia and even USA issues the warnings to its citizens whenever such blasts/ terrorists attack takes place in India.

THE PROBLEM OF CORRUPTION

The corruption in India is almost institutionalized. From attender to village accountant, tahashildar to Deputy Commissioner Office and from a petty politician to politician in power in the highest office one takes bribe to get the things done. The one who does not give is always lost from the world. Crores of tax payer's money is diverted into the pockets of corrupt politicians and officials. This has strained the economy, tarnished India's image abroad, and sapped the investor's confidence. India has to solve the

problem of corruption to ease itself towards real growth.

EMPLOYMENT DOMINATED BY AGRICULTURE SECTOR

Service sector contributes more than fifty two percent to GDP but employs twenty six percent of her population whereas agriculture contribute only 18.5% to GDP, but employs 52.5% of India's population. To be more precise India has a work force of 484 million people of which 273 million works in rural areas (mostly in agriculture and allied activities), 61 million in manufacturing and about 150 million in services (around 3 Million work in IT sector).

The service sector is contributing majority to GDP, the IT-BT employs less than two million individuals directly. But though the income derived from them will reduce, it will not have the wider impact Only 27.82% of Indians live in urban areas which is prone to recession, majority of those living in rural areas are not prone to recession directly. The impact if at all there will very negligible.

INDUSTRY DOMINATED BY PUBLIC SECTOR INDUSTRIES

India has 217 Central public sector enterprises with more than three lakh crores public investment. The PSU are still dominating the industrial sector despite disinvestment.

The Navratna industry and Miniratna industries are booming with profit and expanding rapidly.

STRONG BANKING SYSTEM

RBI successfully used its monetary tools like CRR, SLR suiting to the changing economic conditions and was highly successful. RBI has infused over Rs.400,000 crores in the system since October 2008 by cutting ratios and significant interest rates. The commercial banking system in India is dominated by public sector banks in India. There are 27 public sector banks with 72,165 branches (RBI Annual Report, 2007) constituting 89.61% of the total commercial branches. The share of public sector banks in the total business is 71.06% and private banks are just 21% in India (RBI, 2008). It has 133 regional rural banks with its 14500 branches catering exclusively for rural India. Apart from these there are more than 5.03 lakh cooperative societies with a membership of more than 20.9 crores (1/5th of the population in India are the members of cooperatives) and working capital of more than Rs.227111.8 crores.

But Institutions such as ICIC Bank, City Bank are exposed to international banking systems, had a few hiccups but recovered with timely emergency steps.

RELIEF FOR EXPORTERS

The government of India is taking active steps to reduce the impact of recession on India on export units. It has announced the relief for exporters which includes a 2% interest subvention up to March 2009 for pre- and post-shipment export credit for all exports. Additionally, an Rs.350-crore booster for schemes like Market Development Assistance (MDA) and Market Assessing Scheme has been granted to help exporters develop new markets.

OPPORTUNITIES GALORE

Talented technicians

It appears Indian has got blessings in disguise. Thanks to the compulsions of recession more than one lakh good skilled technicians are already on way back to India, Indian government should provide the basic infrastructure to these technicians and use their knowledge for the development of the economy. The private public partnership can be undertaken by the government to utilize the skill of these technicians.

Savings of the returned technicians

Repatriation of foreign exchange by NRIs has become a major source of India's foreign exchange earnings in recent years. But now these people return to India as many of them will be losing their jobs. Hence this source will dry up leading to the diminution of our foreign exchange reserves. But these technicians will be bringing back all their savings and this can be used as their initial investment to start the fresh firms here, which can be used to boosten the economic growth of the economy.

Health and tourism industry

The talented professionals along with the relatively cheap cost will help the revival of tourism industry too. The health and eco tourism could be offered in a package collaborating with the economic hotels and quality hospitals. India has advantage in cheap medicine US food and Drug administration has recognized 100 generic drugs from India. When compared to the rest of world, India has quality medical care at cheap cost. A heart valve replacement surgery would cost \$ 9000 in India whereas a similar surgery would cost \$12,500 in Singapore, \$ 90,000 in Britain, and \$ 200,000 in the USA.

Weakened rupee to boost exports

In the last three months ending 2008, the strengthened Rupee against the dollar also contributed for the decline in exports. Now the rupee has weakened against the dollar and it will also contribute for strengthening of exports to some extent.

Domestic market

The 1100 million population in India can be used for the major advantage to beat the recession. The 350 million middle class gives major thrust for extending the market demand. Rural India has largely been unexplored. The former president Dr. Abdul Kalam has suggested to go rural to beat the recession. If the government offers the proper incentives and guidance, it will kick-start the economy.

Crucial role of Government

As per the finance ministry statement issued on 18 March 2009, the government has collected Rs 2, 96,200 crores from direct taxes in this fiscal, prompting the authorities to assert that the target of Rs 3, 45,000 crores for 2008-09 will be met. Hence the fears that income tax will reduce to larger extent this year has dispensed. The government can take more pro active role and can take more public work to increase the income among masses.

27.5% of the Indian population lives in poverty in 2004-05 as per the NSSO Data (URP Method). The government at least now can try to spend more on poverty alleviation programmes which adds to the purchasing power of the masses. Banks can extend their banking facilities to all the households in the India. As 45.65 million farmer households (51.4%) do not have access credit either from institutional or non institutional credit (NSSO survey of farmer households).

If the government can play a catalyst role and stimulate the domestic demand, it will help thwart the recessionary conditions in IT, manufacturing and other industry.

World Tomorrow-bleak or prosperous!

The US which championed the spread of globalization all over the World through its World Bank IMF and WTO is now doing everything to protect its economy from recession. In doing so it is reversing globalization and resorting to protection of its economy.

The US Congress is pushing for the introduction of 'Be American buy American' and 'US jobs for American workers' in its stimulus plan that would compel the project financed by stimulus money to use American made steel, construction materials men and machinery Bailed out banks in Europe is now lending money only to their domestic customers restriction of HIB visa.

If all the countries retaliate with similar law, the World trade will also decrease and some economist fear will lead to another great depression (Alok Ray, 2009).

The great depression in 1930 deepened in USA by the passing of infamous Smoot Hawley tariff in 1930 which allowed protection. The Smoot Hawley tariff during 1929-34 contributed for the reduction of world trade by 60%. The USA is also trying to increase its subsidy for its agriculture from its present \$ 8 billion to \$ 15 billion in WTO. Hence tomorrow depends on how the developed world reacts to recession, will it hide behind protection or go ahead with globalization. India should continue with her cautious approach and mixed economy, where the state will have a say in important economic decisions.

CONCLUSION

Though the impact of recession in India is minimal, even that minimal negative impact can be converted into opportunity. The government of India has to play very crucial role to convert the recession

threat into a great opportunity. IMF has suggested to stabilize the financial condition as well as sustained strong policy support to bolster demand.

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