

Impacts of Global Financial Crisis on India

1. **Decline in GDP Growth:** India's GDP growth fell from around 9% in 2007–08 to about 6.7% in 2008–09 due to global slowdown.
2. **Stock Market Crash:** The Sensex and Nifty witnessed a sharp fall as foreign investors pulled out funds from the Indian market.
3. **Rupee Depreciation:** The Indian rupee weakened significantly against the US dollar due to capital outflows.
4. **Fall in Exports:** Demand for Indian goods like textiles, gems, jewellery, and IT services declined in global markets.
5. **Job Losses:** Export-oriented sectors such as textiles, gems, and IT faced layoffs and salary cuts.
6. **Liquidity Crunch:** Banks and financial institutions faced shortage of liquidity due to global credit tightening.
7. **Reduced Foreign Investment:** Both FDI and FII inflows declined as investors became risk-averse.
8. **Decline in Industrial Production:** Industrial growth slowed, especially in manufacturing and construction sectors.
9. **Impact on IT Sector:** Indian IT companies faced fewer projects and lower revenues from the US and Europe.
10. **Real Estate Slowdown:** Demand for property declined, affecting construction and housing finance sectors.
11. **Inflation and Price Instability:** Initially inflation rose due to oil prices, followed by deflationary pressures during slowdown.
12. **Banking Sector Caution:** Although Indian banks were largely insulated, they became more conservative in lending.
13. **Impact on Remittances:** Remittances from Indian workers abroad slowed down, especially from the US and Gulf regions.
14. **Government Fiscal Stress:** The government had to increase spending through stimulus packages, leading to higher fiscal deficit.
15. **Policy Response and Recovery:** RBI reduced repo rates and CRR to infuse liquidity, and fiscal stimulus helped the economy recover faster than many other countries.