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GLOBAL TURBULENCE AND INDIA'S PREPAREDNESS

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Abstract:

In the mid of September and October Govt. of India with initiative of Hon. Prime Minister and Finance Minister take one step ahead towards the reforms. It is supported by Confederation of Indian Industries (CII) and some economist. The Prime Minister is of the opinion that this dose will boost the Indian Economy. Since long back he is emphasizing that the present reduction is growth rate, inflation, less employment opportunities and downfall in value of rupee is the impact of global turbulence.

We have observed analysis and evaluated new Economic Policy for last two decades. There are positive and negative impacts of accepting adopting the new Economic Policy (NEP) the ingredients of this policy is globalization, liberalization and privatization.

After 2007-08 or the period of downsizing the world economy, India is doing better and will do better in near future. There is necessity of confirm agenda assured step and political consensus for this purpose. The country is equipped with abundance natural resources and reach tradition of agriculture which can be put to use for facing challenges, Agriculture package, Foreign Direct Investment (FDI) acceleration of public private partnership in the opening of insurance and pension sector of economy are examples of accepting the challenges of new economic world order.

KEYWORDS:

Global Turbulence F.d.i. Challenges Of Indian Economy.

INTRODUCTION

Globalization is the process of connecting domestic trade and services at international level. It is connecting with world economic order. The business trade and sources are performed beyond the political boundaries of the nation. The process in India started in 1991 with special initiative of the and then Prime Minister Late Mr. P.V. Narasimharao and Finance Minister Dr. Manmohan Singh. The process started and geared up after banking, and insurance reforms in economic system. The government accepted the policy of change almost in all sector of economy. There is change in industrial policy, licensing, import export transactions and foreign exchange policy.

After 2006-07 world economic order start realizing the downsizing and economic activity. It is started in U.S.A. with financial crunch in giant financial institutions Automatically in a year and two the recession or slow down process spread all over the world. The collapse of Mexican economy, crises in Asian economic order, observed in last few years.

The prices of oil and petroleum product continue at higher side. There is increase foreign current rate denoting reduction in value of rupee. The global crises observed in automobile manufacturing, information technology and other sectors of economy.

India started preparing for global turbulence from 2006-07. The package for agriculture, industrial concession, encouragement for Public Private Partnership (PPP) invitation for and Foreign Direct

Investment are some of the measures taken by India in this regard.

1.GLOBAL TURBULENCE

The political and economical set up of world economy changes after terrorist attack on U.S.A. The U.S.A. and U.S. started military operation in Afghanistan. The global turbulence is associated with world wide recession Mexican and Greek crises. The financial crises started in 2006 where there is systematic fall in system of new financial architecture in U.S.A. It is reported by various analyst that the scientific foundation of new financial architecture is shockingly weak.

The rating given by credit rating agencies in U.S.A. proves wrong and increases for the financial risk to investment banker. It is reported that investment banks played key role in generating the crisis.

Not only mortgage loan are in problem but the policy during the 2006 to 2008 for declaration various giant organization proves wrong. In 2006 Goldman Sachi declared and distributed \$650000 as bonus. The Mernil Lynch declared \$ 1 Million excess bonus comparing to last year.

There were cases of loss of liquidity of the time of booming period. The claims made by commercial banks on bank of assets in capital market provide false. In US the Bank of England started showing losses. The City Bank which is biggest bank by assets lost the money in one financial year (2006-07)

There was failure on the part of regulation of U.S.A. and U.S. who allowed the banks to measure the risk on funding. Few months before the Prime Minister of India Dr.Manmohan Singh urge world economic super powers to deposit the amount in world bank to come out from the liquidity crunch at world level. But except Germany, no big super powers are ready to take said measures.

The sign of the crisis also observed in Greek, Portugal, Spain and Italy. The big corporations like General Motors, IAG, City Group suffered in financial or economical slow down. The Lehman Brothers which operating at highest profitability collapse sharply during The experts reported that the current crises are outcome of consolidation of economic power due to globalization. It is triggered with associated problem if finance, banking and real estate. There is declining in real wages and along with that the problem of sub prime mortgage and debt increases.

2.SCOPE OF STUDY

- 2.1 The study covers the data of global recession published by various authors at international level.
- 2.2 India's preparedness is considered by economic polices and budgetary provisions.

3.LIMITATION

- 3.1The study concentrate on crises and preparedness.
- 3.2The focus on measures and reasons are not considered in study.

4.HYPOTHESIS

- 4.1 There is slowdown at global level which affected the overall economy of India.
- 4.2India started preparing from the year 2008-09 to face global turbulence.

5.GLOBAL TURBULENCE AND INDIAN SCENARIO:-

Since there is unification of world economic operation in some area on account of Globalization the world recession or slowdown spread every where. All national and international leaders started talking about world recession. The corporate sector started demanding packages and duty or tariff cuts with concessions.

The budget of Gort of India started showing impact of world turbulence. The packages, policy of R.B.I. for concession and government protection are the factors for consideration in these regard.

The impacts of global slow down can be observed as follows

Table No.1

	2006-07	2007-08	2008-09	2009-10	2010-11
Fiscal Deficit % of GDP	3.3	2.5	6.00	6.8	6.3
GDP at factor co % growth in GDP	9.7	9.2	6.8	8.00	7.5
Agriculture Sector	4.2	5.8	-0.1	0.4	5.4
Gross Capital Formation	15.3	17.2	-3.1	13.8	8.8
Exports	2.0.0	5.9	14.4	-5.5	11.00
Revenue Deficit	1.9	1.11	4.5	4.8	5.1
Trade Balance	-61782	-91467	-119520	-118374	-110000
Service sector GDP Growth	9.6	9.3	6.8	8.00	-

(Complied by Author Himself.)

As per the Table No. 1 year 2007-08 and 2008-09 shows discouraging result. The industry service sector agriculture has suffered due to global turbulence. Right from 2007-08- the Govt. of India started explaining the impact of global slow down. It is observed in last 3 years at the time of petroleum price hike and inflation the government is trying to explain impact of global slow down. Almost at every international economic forum the Finance Minister is inviting Foreign Direct Investments. Presently industrial growth especially at manufacturing sector is started to be at minus side.

6.INDIA'S PREPAREDNESS:-

6.1 Current Decisions:-

Very recently the Hon. Prime Minister started the process towards a step ahead in economic reform. The retail insurance and provident fund/ Pension sector is open for Foreign Direct Investment either fully or at increase percentage. It is a step for additional resource mobilization. It will generate capital as well as employment opportunity, Govt. will be benefited with collection of additional revenue from FDI.

6.2 Speedup to Infrastructural Project:-

The giant project like highways and other public utility projects will be completed soon. It is specially focused by Hon. Prime Minister that the hurdles incompleteness of project must be route out at earliest. It will flow the government money and public money in market by which consumption demand will increase in near future. It is one step ahead towards building infrastructure and facing global turbulence.

6.3 Interest Rate Deregulation:-

The Reserve Bank of India along with Private and Public sectors banks are trying to push the banking sector. The interest rate deregulation is already announced Banks are trying to attract loan holders and depositors for banking operation. The consistency can be observed in RBI banking policies in last three or four years.

6.4 Budgetary Provisions to Face Slow Down (Year 2012-13)

6.4.1 Exemption from the Capital Gain Tax on sale of residential property if sale consideration is used to subscribe equity of manufacturing small scale industry. This will help to real estate sector as well as to manufacturing sector.

6.4.2 The target for agriculture credit is increased by Rs 11 lakh Crores, to provide benefit to farmers. It shows consistency from 2007-08 to provide package to agriculture sector.

6.4.3 Delhi Mumbai industrial corridor is taken for approval. Rs.18,500 Crores is provided in recent budget with us \$4.5 billion by Japan govt. it will boost the infrastructure as well as industrial sector in near future.

6.4.4 Tax free bonds of Rs. 60,000 Crores will be available for investment in infrastructure sector. It will provide employment opportunities. As infrastructure is essential for sustainable development the financing

and infrastructure factors is considered for the top priority since 2006-07

6.4.5 Rajiv Gandhi Equity Saving scheme is introduced for small investors. The investment up to Rs 50000/- in equity is allowed for deduction purpose if the annual income is below Rs10 Lacs. It will provide resources in capital market. This step is for generation of additional capital.

7. BUDGETARY PROVISIONS IN 2011-12

7.1. Investment limits of Foreign Institution Investors. The generation of resources is very important in infrastructure sector. During the year 2011-12 Govt. of India increases the limit of F.I.I in investment for infrastructure sector.

7.2. Agriculture credit. The agriculture credit is increased to Rs. 475000 crores from Rs 375000 for providing additional financial resources to agriculture sector.

7.3. Allocation to infrastructure sector to provide. finance the last year provision of Rs. 2,14,000 crores is increased to 2,48,000 crores.

8. BUDGETARY PROVISION IN 2010-11

The year in which the economy will suffering from inflation, high petroleum prices government decided to restructure the pricing policy. Additional provision of Rs 16,500 crores was made to provide capital to public sector banks Rs 1,73,552 crores are provided for infrastructure development to boost the sector. Along with the Rs 66100 crores are provided for rural development.

9. BUDGETARY PROVISION IN 2009-10

The budget document focus on impact of fall out at global level. The short term medium term and long term goals were decided in budget. The resources are provided to commercial banks and India Infrastructure Company Limited upto Rs 1 Lakh crore for economic recovery. The agriculture credit target was set to 325000 crores. The export credit guarantees cover for 95% to hit badly due to global slow down.

10. BUDGETARY PROVISION IN 2008-09

The programmes like Bharat Nigam Jawaharlal Neharu National Urban Renewal mission were kept at priority to get additional resources.

11. FOREIGN INVESTMENTS

To boost the economy the foreign investment are necessary. Government is trying to encourage foreign investments since 1991. The result of their policy is satisfactory. It can be shown in following table.

Table No.2

Sr. NO.	Year	Amount of Foreign Direct Investment FDI	Amount of Foreign Institutional Investors FII
1	2004-05	3713	9287
2	2005-06	3034	12494
3	2006-07	7693	7067
4	2007-08	15893	27433
5	2008-09	19816	-14030
6	2009-10	18771	32396
7	2010-11	10500	9820

(Economic Survey 2011-12)

12. FINDINGS AND CONCLUSION:-

There is economic slowdown at global level. It is viewed by experts and can be observed with economical data. The giant organization are suffered in financial terms.

Government of India is facing the slowdown by providing financial and institutional support to agriculture industry and infrastructure sector. The real steps lilies disinvestment F.D.I. in various sectors and acceleration of infrastructure project will help to come out from slowdown.

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