

## INITIATIVES OF GOVERNMENT OF INDIA TO COMBAT THE CRISIS OF RECESSION: AN EVALUATION

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### ABSTRACT

*Recession is one of the worst phase of Trade cycle, which has classified as Depression, Recovery, Expansion and Recession. So it is necessary to take action by Indian Government to combat the emergency of Recession. It is noticed that slashed capitalisation and uninspired devoted capital market had put pressures on major sectors of the financial system, as Non Banking Financial Institutions and mutual Funds. In today's uncertain business environment, even though lendable Resources with banks have been significantly increased though reduced CRR and SLR requirements, it has not prevailed in proportionately increased lending. This paper looks at possible reasons Evaluated by Government of India to combat the crisis and recommends measures that could push banks to lend more.*

**Keywords:** NBFCs, CRR, SLR, RBI, Commercial Banks, Mutual Funds, Devoted.

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### Introduction

The main impact, especially following the collapse of Lehman Bros in September 2008, has been the outcome of the reduction in net capital inflows and the important amendment made in the devoted stock market. The slashed foreign capitalisation and the uninspired devoted capital market had Laid Pressures on Few Sectors of the economic system, such as NBFCs and mutual funds. Huge fund from the corporate sector under the scheme of money market is Partly reflected by large magnitude of set of mutual fund and other regulatory arbitrage. Due to massive alteration in the stock prices there were pressure on large redemption on mutual funds. Hence Problem arises due to mismatches between Assets and Liabilities of Mutual funds. India is facing the economic heat too and while it is not so bad yet as to raise the spectre of a technical recession in India, it is clear that the Indian economy's growth rate is slowing massively. This is obviously taking it slow on the Indian economy.

### Objective of the Article

The objective of the proposed research work is to measures taken by Government of India as well as by RBI to Fight from the economic Recession regarding development of Global financial market.

### Research Methodology

The present research paper is analytical and descriptive in nature based on Secondary data collected from the various website, books, magazine and Journal.

### Reserve Bank's Policy Response

Several measures has been taken by the Reserve Bank to infuse rupee along with liquidity of foreign exchange and to retain credit flow of beneficial zone of the economy. To manage Liquidity Serious reduction was made in CRR and SLR. Measures aimed at enhancing the rupee liquidity. The CRR was reduced from 9 percent (September 2008) to 4 percent by early February 2020. Now a days SLR is reached at 19 percent (April 2019), by opening of a special repo window under the scheme of LAF (Liquidity adjustment Facility) for the purpose of ban to refinance to NBFCs and mutual funds.

To equalise the contraction caused to the Balance sheet of RBI due to fall in its foreign assets, various policy action taken by the RBI. For the purpose of expanding domestic asset on the balance sheet of RBI through open market operation various policy initiatives has been adopted.

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### **Response and Remedial Measures**

The key question confronting the economy now is the backwash effect of the American financial crisis. Central Banks in several countries, including India have moved quickly to improve Liquidity. Globalisation has assured that the economy of India and financial market cannot continue abused form the present economic emergency in the developed economies.

In fact that the Indian economy allied to global market through trade and services as full float in Current Account and debt and equity as partial float. It is time to evaluate the impact which is based on three active acute factors (i) Opportunity of global liquidity (ii) demand for India investment and (iii) Cost thereof. Lightening the above circumstances, The RBI has taken up the following remedial measures:

- It is decided by the RBI has decided to pump in additional liquidity through series of monetary and administrative measures after considering the sharp fall in stock indices and the steadily decelerated FDI flows, Pressure on forex reserves due to increased current account deficit.
- The government has taken all efforts to ensure availability of bank finance for productive purposes particularly infrastructure in order to maintain healthy financial markets.
- The RBI, banks and other financial sectors will have to work in a concerted manner and ensure that judicious disbursement of Bank loans.
- The RBI in response to neutralise the impact of financial crisis on Indian financial markets has been decided to maintain the policy rates and cash reserve ratio at the current level.
- The RBI has evolved a monetary policy that will intent at providing appropriate liquidity to achieve the sufficient credit growth steady with the comprehensive projection of economic growth.
- Banks allowed to borrow funds from their overseas branches and correspondent banks

### **Strategies to Combat Economic Recession**

- Introduce full- Scale socialization of banks, not just nationalization of bad assets.
- Regulate complete clarity to the public by opening the account assisted by organisation of citizen and worker within the financial system.
- Introduce latest banking system.
- Social and environmental ethics be applied to all lending.
- Re-examine the policy of Central Bank for determination of social, environmental and evolutionary objectives.
- Dynamic and modern tax system should be applied.
- Recommend a global taxation system for the purpose of tax evasion.
- Tariffs and duties should be revised on import of luxury goods and others which are produced locally by means of increasing fiscal base.
- Assured the people who lose their home due to default in payment regarding their mortgages caused due to emergency and be offered them revised terms of payment at low EMI.
- Privatisations of public services should be stopped.
- Under the control of parliament public enterprises be established to increase employment of local communities.
- Introduce participatory budgeting over public finances at all feasible levels.
- The prices of essential commodities should be subsidies.
- Introduce a permanent global ban on short- selling of stock and shares.
- Producer has to encourage for producing, product and also for sale closest to the local market.
- All negotiation for mutual free trade be cancelled.

In order to curb economic recession various measures have been taken by the government of the respective countries.

### **Measures taken up by the Government**

The government of all the countries that have been hit by recession are taking initiative to help their people. The governments have extended loans to the companies that are nearing bankruptcy.

The Indian government also needs to stay focussed on the fundamentals that matter to play a positive role. India suffers from three significant problems when compared to other emerging economies. These problems are within the powers of government to address. The first is the excessive size of the fiscal deficit and active steps to rein in government spending and by extension government borrowing.

Secondly efforts to deal with corruption need to be accelerated to convince global investors about the rule of law. Thirdly, the public education system ought to be reformed to perform as a future human capital growth. To stimulate the economic growth of the country during recession, government tries and reduces the interest so that more and more people can opt for finance. To curb the liquidity crisis several initiatives has been taken by RBI:

- Repo Rate has been cut by the Government of India.
- The Government has also reduced CRR rate
- The Interest rate of loan extended by RBI was reduced.
- As per the recommendations done by the RBI the various banks have cut the interest rates.

### **Conclusion**

Global Financial meltdown, means the economic Tsunami has caused a big dent on the economic structure of both developed and developing countries like India. India needs to maintain adequate liquidity and capital adequacy. As recession is the part of economic cycle. Various measures have been taken so far by the RBI and the government of India in the wake of slowdown. Even, though the several measures has been taken by the Govt. of India and the RBI to tackle the slowdown and credit crunch. The fact is that the way forward on this crisis at the present time is too uncertain as the economies of the world are interdependent on each other and to see one's economy in isolation is highly impossible. Even today it is not possible to clearly see the lane of the emergency and its resolution over the coming months. It is just not possible to have a precise road map all laid out to be unleashed in one go Almost every country whether or not directly affected has to manage under uncertainty. There are simply too many unknown unknowns.

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