Impact of Recession on Indian Market and Strategies

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Introduction

A recession is slowdown or a massive contraction in economic activities. Its' a period of temporary economic decline during which trade and industrial activity are reduced; generally identified by a fall in GDP (gross domestic product) in two or more successive quarters.

Key Words *: Recession in India, FDI, GDP, Indian Economy,*

The reason

A recession normally takes place when consumers lose confidence in the growth of the economy and spend less. This leads to a decreased demand for goods and services, which in turn leads to a decrease in production, lay-offs and a sharp rise in unemployment. Investors spend less as they fear stocks values will fall and thus stock markets fall on negative sentiment.

Indian Economy

The economy of India is the tenth-largest in the world by nominal GDP and the third-largest by purchasing power parity (PPP). The country is one of the G-20 major economies and a member of BRICS. IMF (International Monetary Fund) report reveals "on a per-capita-income basis, India ranked 141 by nominal GDP and 130 by GDP (PPP) in 2012".

India is the 19th-largest exporter and the 10th-largest importer in the world. The economy slowed to around 5.0% for the 2012–13 fiscal year compared with 6.2% from past fiscal.

Objective of the study

Impact of Recession on Indian market

Impact of Recession on Rate of Inflation in India

Impact of Recession on India's GDP Growth rate

Impact of Recession on Indian Employment

Impact of Recession on FDI

Research Methodology

The present study based on secondary data only. Secondary data are collected from various sources like magazine, Government report. Large amount of secondary data is available in the forms of articles, manuals and previously conducted researchers on the similar topic. The data gathered will help in identifying key parameters to examine through further exploration and thus will help in defining the objectives of the research.

Limitations of the study

Though every effort was to make it an objective study, bias at the end of the respondents cannot be ruled out.

Results and Discussion

India economy is one of the fastest growing economies of the world now going through a mild recession, said Shankar Sharma market expert adding "Indian economy is growing at 4.8% and expected GDP growth target of 6.5% would not be met".

Despite monetary tightening reducing growth with little effect on inflation over the past few years, but must needs to do more that has not worked.

Basic law of economics

As per the rudimentary laws of economics if the demand for USD in India exceeds its supply then its worth will go up and that of the Indian rupees will come down in that respect. It may be that importers are the major entities who are in need of the dollar for making their payments. Another possibility here could be that the Foreign Institutional Investors are withdrawing their investments in the country and taking them elsewhere.

This can create a shortfall in supply of the dollar in India. In fact, of late, the FIIs have been heading to greener pastures like Singapore owing to the greater operational efficiency and lesser bureaucratic problems that have unsettled the Indian business fraternity and hampered its overall economic growth.

This situation can only be addressed by exporters who can bring in dollars in the system. If somehow the FIIs can be wooed back, then this imbalance can also be addressed to a certain extent.

Impacts of Recession in India

Recession reduced industrial output

It reduced job opportunities

Recession reduced liquidity in the Indian economy

It brings GDP down

Brought change in consumer behaviors and their purchasing power

Impact of Recession on Indian Industrial output

During Recession industrial growth faltering India’s industrial sector which are suffering from the depressed demand condition in its export market as well as from suppressed domestic demand due to the slow generation of employments. The domestic demand due to the India's economic downturn leaves middle classes fearing the worst.

After the 2008 world economic crisis India recorded 9% GDP growth for at least two years but in recent the rupee was tumbled, losing a sixth of its value against the dollar. Share prices were fallen, commodity prices were on rise, investment was stalled and growth was slow. Few experts termed as “It is a crisis” while some experts trace the problem to the failure of Manmohan Singh's government to push through structural reforms that could boost growth.

Notably, India imports much more than it exports, and so the current account deficit is at an unsustainable 4.8% of GDP. Until it is brought down, there can be very little hope of reviving investor confidence in the economy.

Gold has played an important role in skewing the trade deficit. A century ago, the economist John Maynard Keynes wrote that India's irrational love for gold was "ruinous to her economic development", and the obsession still runs deep.

India's annual production of gold is barely 10 tonnes, so last year it imported 860 tonnes, which were made into jewellery or stored as coins and bars in family safes.

Impact of Global Meltdown on the Indian Economy

The Indian economy has shown negative impact of the recent global financial meltdown. Though the Public sector in India, including nationalized banks could somehow insulate the injurious effects of globalization as we are also part of the globalization strategy of neo liberalization , there is a limit of our ability to resist global recession, which may change into a great depression. The impact of the crisis was significantly different for the Indian economy as opposed to the western developed nations.

Change in consumer behaviors due to recession

Not only in India but recession has affected all over the world now-a-day. Economic slowdown resulted many companies loses their contract, probably it influence the employees and fails to get enough money and loosing jobs. So in our daily activities it affects different problems in life and our lifestyle turns very worse. But if people have a mentality to overcome this situation he himself decreases his expenses and should follow the tables. Easily his life will go happiness.

The fact that recession is changing the consumer behaviors as well as the attitudes in the current retail market .The customer has become more loyal & they stick to the supermarket which gives them value for money. I am not sure how the income tracker of an average middle class family this year, but average family has seen less spending per month.
Even during an economic downturn, consumer spending continues. However, buyer attitudes and behavior patterns alter substantially in recession as consumers delay replacing serviceable products and focus on achieving value for money, seeking out deals and eliminating indulgences. This insight explores how consumers prioritize spending during a recession and provides implications and recommendations for action.

Impact of Foreign Direct Investment (FDI) in India's retail sector

FDI is the process by which the residents of one country acquire the ownership of assets for the purpose of controlling the production.

Retailing in India is one of the powerful supports of its economy and accounts for about 15 percent of its GDP. Organized retailing is absent in most rural and small towns of India. Supermarkets and organised retail stores account for just 4 percent of the market. The main fear of FDI in retail trade is that it will certainly disrupt the livelihood of the poor people engaged in this trade.

The opening of big markets or foreign-sponsored departmental outlets will not necessarily absorb them; rather they may try to establish the monopoly power in the country.

Challenges to the retail trade in general include, geographically dispersed population, complex distribution network, little use of IT systems, limitations of mass media and existence of counterfeit goods. FDI is a major source of external finance which means that countries with limited amounts of capital can receive finance beyond national borders from wealthier countries.

According to International Monetary Fund (IMF), FDI is defined as " an investment that is made to acquire a lasting interest in an enterprise operating in a economy other than that of the investor" The investor's purpose is to have an effective voice in the management of the enterprise.

Withdrawal of investors due to land hurdle

Recently Arcelor Mittal and Posco (Pohang Iron and Steel Company) decided to pull out from their projects in India. Posco did not go ahead with a steel plant worth Rs 30,000 crore that was supposed to be built in Karnataka and Arcelor Mittal withdrew from setting up a steel plant in Odisha that was supposed to cost around 52,000 crore rupees. There were lot of delays and problems related to acquiring land for the project. In fact in 2012-13 the Indian companies have spent more outside India compared to FIIs in India.

Recently in August 2013 Indian rupees crossed 68 against the US dollar

The Indian Rupee has depreciated to an all time low with respect to the US Dollar. On 28th August 2013, the Indian rupee had gone down to 68.825 against the Dollar but the situation was somewhat revived by the Reserve Bank of India that decided to open a special window for helping state owned oil companies –

Indian Oil Corp Ltd., Bharat Petroleum Corp and Hindustan Petroleum Corporation.

This situation forced us to think why this is happening or happened; the factors which created such situations.

Findings

1. Lack of strategies
   As business performance is highly variable under recession conditions, and no particular strategy can guarantee survival and success. Much depends on contingent factors, for example, business resources and relations with other stakeholder groups – partners, competitors, customers, suppliers, government and others.

2. Small enterprises are not necessarily more vulnerable to recession than larger organizations.

3. The government should play a vital role in encouraging innovation and being more flexible in the delivery of support.

Suggestions
— to Survive and succeed in a Challenging Economy

1. Organize and motivate the working team to maximize productivity and efficiency

2. Contingency Plans for worst situation

3 Value addition to Product and Service

4 Development of good relationships with costumers

5. Good investment in Sales and Marketing

6 Enough Credit (financial) facility

7. Use of Internet to boost the business

8. Energy and Water Conservation to save money

9. Use of Solar energy in the business premises

10. Be a part of Green Economy to save money

Conclusion

Due to India's rapid and growing integration into the global economy India has been hit by the global meltdown. To combat these effects of the global crisis on the Indian economy and to prevent future collapse, an effective departure from the dominant economic philosophy of the neo-liberalism is required.

The first such departure should be a return by not only ensuring food security but along with food production which would be more profitable.

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