GLOBAL TURBULENCES OUTLOOK AND ITS IMPACT

DR. (MRS.) TWINKLE PRUSTY*; MISS RACHANA VISHWAKARMA

*ASSISTANT PROFESSOR,
FACULTY OF COMMERCE,
BANARAS HINDU UNIVERSITY,
VARANASI

**JUNIOR RESEARCH FELLOW,
FACULTY OF COMMERCE,
BANARAS HINDU UNIVERSITY,
VARANASI

ABSTRACT

The global economic crisis that stated in the United States of America due to subprime mortgages affected worldwide. Different views on the reasons of the crisis include sub-prime mortgage, securitization and repackaging of loans, excessive leverage, mismatch between financial innovation and regulation, fair value accounting rules, typical characteristics of US financial system, failure of good corporate governance and complex interplay of multiple factors. Due to sluggish market prospect, developing countries were the most affected economies that cannot be completely insulated to global and domestic economic recessions. The impact of economic crisis on India were found to be transmitted through different channels, viz., financial sector, exports and exchange rates, and the manifests itself in several direct and indirect ways. Ultimately it was showing impact on GDP growth rate, boosting inflation and on FDI flows &international trade.

The purpose of this paper is to describe the reasons and stages of the crisis include boom in the housing market, speculation, high-risk mortgage loans and lending practices, securitization practices, inaccurate credit ratings and poor regulation of the financial institutions. This study revealed the effect of global turbulences on developed and developing countries and also attempts how global turmoil affects the Indian economy (i.e. GDP, Export, Import, etc). Lastly suggestion is given on policy implication to overcome from this crisis.

KEYWORDS: Developing and Developed countries, Economic crisis, Financial crisis, Global turmoil, India.