INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, ECONOMICS & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

Indexed & Listed at:

Ulrich's Periodicals Directory ©, ProQuest, U.S.A., EBSCO Publishing, U.S.A., Cabell's Directories of Publishing Opportunities, U.S.A., Google Scholar, Indian Citation Index (ICI), J-Gage, India [link of the same is duly available at Inflibnet of University Grants Commission (U.G.C.)], Index Copernicus Publishers Panel, Poland with IC Value of 5.09 (2012) & number of libraries all around the world.

Circulated all over the world & Google has verified that scholars of more than **6303 Cities** in **196 countries/territories** are visiting our journal on regular basis.

Ground Floor, Building No. 1041-C-1, Devi Bhawan Bazar, JAGADHRI – 135 003, Yamunanagar, Haryana, INDIA

http://ijrcm.org.in/

CONTENTS

CALL FOR MANUSCRIPTS

We invite unpublished novel, original, empirical and high quality research work pertaining to the recent developments & practices in the areas of Computer Science & Applications; Commerce; Business; Finance; Marketing; Human Resource Management; General Management; Banking; Economics; Tourism Administration & Management; Education; Law; Library & Information Science; Defence & Strategic Studies; Electronic Science; Corporate Governance; Industrial Relations; and emerging paradigms in allied subjects like Accounting; Accounting Information Systems; Accounting Theory & Practice; Auditing; Behavioral Accounting; Behavioral Economics; Corporate Finance; Cost Accounting; Econometrics; Economic Development; Economic History; Financial Institutions & Markets; Financial Services; Fiscal Policy; Government & Non Profit Accounting; Industrial Organization; International Economics & Trade; International Finance; Macro Economics; Micro Economics; Rural Economics; Co-operation; Demography: Development Planning; Development Studies; Applied Economics; Development Economics; Business Economics; Monetary Policy; Public Policy Economics; Real Estate; Regional Economics; Political Science; Continuing Education; Labour Welfare; Philosophy; Psychology; Sociology; Tax Accounting; Advertising & Promotion Management; Management Information Systems (MIS); Business Law; Public Responsibility & Ethics; Communication; Direct Marketing; E-Commerce; Global Business; Health Care Administration; Labour Relations & Human Resource Management; Marketing Research; Marketing Theory & Applications; Non-Profit Organizations; Office Administration/Management; Operations Research/Statistics; Organizational Behavior & Theory; Organizational Development; Production/Operations; International Relations; Human Rights & Duties; Public Administration; Population Studies; Purchasing/Materials Management; Retailing; Sales/Selling; Services; Small Business Entrepreneurship; Strategic Management Policy; Technology/Innovation; Tourism & Hospitality; Transportation Distribution; Algorithms; Artificial Intelligence; Compilers & Translation; Computer Aided Design (CAD); Computer Aided Manufacturing; Computer Graphics; Computer Organization & Architecture; Database Structures & Systems; Discrete Structures; Internet; Management Information Systems; Modeling & Simulation; Neural Systems/Neural Networks; Numerical Analysis/Scientific Computing; Object Oriented Programming; Operating Systems; Programming Languages; Robotics; Symbolic & Formal Logic; Web Design and emerging paradigms in allied subjects.

Anybody can submit the **soft copy** of unpublished novel; original; empirical and high quality **research work/manuscript** ***anytime*** in ***M.S. Word format*** after preparing the same as per our **GUIDELINES FOR SUBMISSION**; at our email address i.e. infoijrcm@gmail.com or online by clicking the link **online submission** as given on our website (***FOR ONLINE SUBMISSION, CLICK HERE***).

GUIDELINES FOR SUBMISSION OF MANUSCRIPT

1. **COVERING LETTER FOR SUBMISSION**:

DATED: _____________

THE EDITOR

IJRCM

Subject: **SUBMISSION OF MANUSCRIPT IN THE AREA OF ____.**

(e.g. Finance/Mkt./HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

DEAR SIR/MADAM

Please find my submission of manuscript titled '____' for likely publication in one of your journals.

I hereby affirm that the contents of this manuscript are original. Furthermore, it has neither been published anywhere in any language fully or partly, nor it is under review for publication elsewhere.

I affirm that all the co-authors of this manuscript have seen the submitted version of the manuscript and have agreed to inclusion of their names as co-authors.

Also, if my/our manuscript is accepted, I agree to comply with the formalities as given on the website of the journal. The Journal has discretion to publish our contribution in any of its journals.

NAME OF CORRESPONDING AUTHOR	:
Designation/Post*	:
Institution/College/University with full address & Pin Code	:
Residential address with Pin Code	:
Mobile Number (s) with country ISD code	:
Is WhatsApp or Viber active on your above noted Mobile Number (Yes/No)	:
Landline Number (s) with country ISD code	:
E-mail Address	:
Alternate E-mail Address	:
Nationality	:

* i.e. Alumnus (Male Alumni), Alumna (Female Alumni), Student, Research Scholar (M. Phil), Research Scholar (Ph. D.), JRF, Research Assistant, Assistant Lecturer, Lecturer, Senior Lecturer, Junior Assistant Professor, Assistant Professor, Senior Assistant Professor, Co-ordinator, Reader, Associate Professor, Professor, Head, Vice-Principal, Dy. Director, Principal, Director, Dean, President, Vice Chancellor, Industry Designation **etc**. ***The qualification of author is not acceptable for the purpose***.

NOTES:

a) The whole manuscript has to be in ***ONE MS WORD FILE*** only, which will start from the covering letter, inside the manuscript. ***pdf. version* is liable to be rejected without any consideration**.

b) The sender is required to mention the following in the **SUBJECT COLUMN of the mail**:

New Manuscript for Review in the area of (e.g. Finance/Marketing/HRM/General Mgt./Engineering/Economics/Computer/IT/ Education/Psychology/Law/Math/other, please specify)

c) There is no need to give any text in the body of the mail, except the cases where the author wishes to give any **specific message** w.r.t. to the manuscript.

d) The total size of the file containing the manuscript is expected to be below **1000 KB**.

e) Only the **Abstract will not be considered for review** and the author is required to submit the **complete manuscript** in the first instance.

f) ***The journal gives acknowledgement w.r.t. the receipt of every email within twenty-four hours*** and in case of non-receipt of acknowledgment from the journal, w.r.t. the submission of the manuscript, within two days of its submission, the corresponding author is required to demand for the same by sending a separate mail to the journal.

g) The author (s) name or details should not appear anywhere on the body of the manuscript, except on the covering letter and the cover page of the manuscript, in the manner as mentioned in the guidelines.

2. **MANUSCRIPT TITLE:** The title of the paper should be typed in **bold letters**, **centered** and **fully capitalised**.
3. **AUTHOR NAME (S) & AFFILIATIONS:** Author (s) **name**, **designation**, **affiliation** (s), **address**, **mobile/landline number** (s), and **email/alternate email address** should be given underneath the title.
4. **ACKNOWLEDGMENTS:** Acknowledgements can be given to reviewers, guides, funding institutions, etc., if any.
5. **ABSTRACT:** Abstract should be in **fully Italic printing**, ranging between **150** to **300 words**. The abstract must be informative and elucidating the background, aims, methods, results & conclusion in a **SINGLE PARA**. ***Abbreviations must be mentioned in full***.
6. **KEYWORDS:** Abstract must be followed by a list of keywords, subject to the maximum of **five**. These should be arranged in alphabetic order separated by commas and full stop at the end. All words of the keywords, including the first one should be in small letters, except special words e.g. name of the Countries, abbreviations etc.
7. **JEL CODE:** Provide the appropriate Journal of Economic Literature Classification System code (s). JEL codes are available at www.aeaweb.org/econlit/jelCodes.php. However, mentioning of JEL Code is not mandatory.
8. **MANUSCRIPT:** Manuscript must be in ***BRITISH ENGLISH*** prepared on a standard A4 size ***PORTRAIT SETTING PAPER***. *It should be free from any errors i.e.* ***grammatical, spelling*** *or* ***punctuation.*** *It must be thoroughly edited at your end*.
9. **HEADINGS:** All the headings must be bold-faced, aligned left and fully capitalised. Leave a blank line before each heading.
10. **SUB-HEADINGS:** All the sub-headings must be bold-faced, aligned left and fully capitalised.
11. **MAIN TEXT:**

THE MAIN TEXT SHOULD FOLLOW THE FOLLOWING SEQUENCE:

INTRODUCTION
REVIEW OF LITERATURE
NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
FINDINGS
RECOMMENDATIONS/SUGGESTIONS
CONCLUSIONS
LIMITATIONS
SCOPE FOR FURTHER RESEARCH
REFERENCES
APPENDIX/ANNEXURE

The manuscript should preferably be in ***2000 to 5000 WORDS***, But the limits can vary depending on the nature of the manuscript.

12. **FIGURES & TABLES:** These should be simple, crystal **CLEAR**, **centered**, **separately numbered** & self-explained, and the **titles must be above the table/figure**. **Sources of data should be mentioned below the table/figure**. *It should be ensured that the tables/figures are referred to from the main text*.

13. **EQUATIONS/FORMULAE:** These should be consecutively numbered in parenthesis, left aligned with equation/formulae number placed at the right. The equation editor provided with standard versions of Microsoft Word may be utilised. If any other equation editor is utilised, author must confirm that these equations may be viewed and edited in versions of Microsoft Office that does not have the editor.

14. **ACRONYMS:** These should not be used in the abstract. The use of acronyms is elsewhere is acceptable. Acronyms should be defined on its first use in each section e.g. Reserve Bank of India (RBI). Acronyms should be redefined on first use in subsequent sections.

15. **REFERENCES:** The list of all references should be alphabetically arranged. ***The author (s) should mention only the actually utilised references in the preparation of manuscript*** and they may follow Harvard Style of Referencing. **Also check to ensure that everything that you are including in the reference section is duly cited in the paper**. The author (s) are supposed to follow the references as per the following:

- All works cited in the text (including sources for tables and figures) should be listed alphabetically.
- Use (**ed.**) for one editor, and (**ed.s)** for multiple editors.
- When listing two or more works by one author, use --- (20xx), such as after Kohl (1997), use --- (2001), etc., in chronologically ascending order.
- Indicate (opening and closing) page numbers for articles in journals and for chapters in books.
- The title of books and journals should be in italic printing. Double quotation marks are used for titles of journal articles, book chapters, dissertations, reports, working papers, unpublished material, etc.
- For titles in a language other than English, provide an English translation in parenthesis.
- ***Headers, footers, endnotes** and **footnotes** should **not be used** in the document.* However, **you can mention short notes to elucidate some specific point**, which may be placed in number orders before the references.

PLEASE USE THE FOLLOWING FOR STYLE AND PUNCTUATION IN REFERENCES:

BOOKS

- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS

- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES

- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS

- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–23

UNPUBLISHED DISSERTATIONS

- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES

- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES

- Garg, Bhavet (2011): Towards a New Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

IMPACT OF VARIOUS FINANCIAL CRISES ON INDIAN ECONOMY

Dr. M.MADHAVI
PROFESSOR & DIRECTOR
AURORA'S PG COLLEGE
RAMANTHAPUR

Dr. B.MADHUSUDHAN NAIK
ASST. PROFESSOR
AURORA'S PG COLLEGE
RAMANTHAPUR

ABSTRACT

Any financial system has to face a crisis at some point of time inevitably as evident from the crises faced by different countries at times. Any financial crisis will downbeat the economy of the country and will influence many sectors. Its impact on the balance of payments is a point to discuss and debate upon. World economies in the past one to two decades have experienced many crises. Majority of the crises created panic in banking sector, witnessed the crash of stock markets, the busting of other financial assets, created currency crisis and sovereign debt crisis. The position of Balance of Payments of any country is very sensitive to the crises happening in one or the other country due to unavoidable foreign trade operations through exports and imports. Further various transactions undertaken through current account and capital account are prone to setbacks as a consequence of the financial crisis taking place in other countries. So, it is essential to researchers in the area of financial management to know and understand the impact of financial crisis of other countries on their own economy. Hence, the authors, through this research article made an attempt to throw some light on certain significant repercussions on the Indian Balance of Payments and its key operating areas such as imports, exports, trade deficit, capital account, current account, overall account and foreign investments after the advent of various crises that took place in the world economy.

KEYWORDS

balance of payments, capital account, current account, exports and imports, financial crisis, foreign trade.

JEL CODES

G01, H12, O53.

INTRODUCTION

The term financial crisis usually refers to a variety of circumstances in which some financial assets unexpectedly gets undervalued and indicates a situation where there is collapse of financial assets inducing foreign investors to withdraw their investments from country of trade. Financial crisis of-course is an unavoidable circumstance, which adversely impacts on the financial position of many countries. Macro-Economic conditions of many countries have witnessed financial crises during 20th and 21st centuries. Majority of the crises have created panic in functional financial areas like Banking sector, Financial Markets, Money Markets and lead to uncertainty in the sovereign debt position of the trade related countries. One of the most influenced areas, by the financial crises is the Balance of Payments (BoP) of the countries that are closely related to the country where there is a crisis. The Balance of Payments (BoP) of any country refers to the transactions in goods, services, assets of residents of that country with the rest of the counties in the world for a specific time period, generally given for a year. The payments will be for export of goods and trade services, import of good and trade services and international purchases and sale of assets like foreign exchange, stocks, bonds and availing and repayment of loans. In simple words, the Balance of Payments represents the sum of a country's demand for foreign currency and supply of claims in its own currency against foreign claims. The transactions of BoP are made through current account and capital account transactions. Current Account transactions are used for receipts and payments for exports and imports of goods and payments for services, while Capital Account transactions are used for money market and capital market transactions along with loan transactions. When there is a crisis taking place in any of the foreign country with which the country is having trade and commerce transactions, the effect will be automatically laid on the BoP position of the transacting country and India is no exemption for the effects of financial crises happening in other countries.

Even though there are many financial crises that took place from times till date, the most debated over are the Great Depression of 1930s, the OPEC Oil Price Shock of 1973, the Asian Crisis of 1997, the American crisis of 2008 and the Russian Financial crisis of 2014 which have created a havoc in the Global Financial systems and severely affected many countries' monetary and fiscal positions. Further there are many other crises like the Turkish Crisis, Argentine Crisis, Swedish Crisis, Finish Crisis that have influenced many trade related countries including India. The authors through this research paper focused on the impact of some of the major crises along with other crises that have impacted India's Balance of Payments, Imports, Exports, Trade deficit, Capital Account, Current Account and Foreign Investments.

OBJECTIVES

The research paper aims at fulfilling the following objectives:

1. To understand the impact of financial crises on various economies in general and on Indiana Economy in particular
2. To study the impact of various crises on the Imports and Exports of the country
3. To analyze the impact of these crises on capital and current account balances of the country
4. To find and analyze the impact of financial crises of various countries on the foreign investment position of the country.

RESEARCH METHODOLOGY

This research is a descriptive research and hence no primary data is used in the observations and analysis of trends. The research paper makes use of secondary data that is available in the form of Newspaper coverage, analyses by financial experts, articles through magazines, journals and the content available in various websites along with the data available in the website of Reserve Bank of India, the Apex Bank of India. Trend Analysis is used to analyze the trends in the exports, imports, current account transactions, capital account transactions and foreign investment patterns after the happening of financial crises in the international arena.

IMPACT ON KEY COMPONENTS OF BALANCE OF PAYMENTS

Major components of India's Balance of Payments are merchandise Exports and Imports, Trade Balances, Current account balances, Capital account balances, Foreign Investments, External assistances, Commercial borrowings, Rupee debt services, NRI deposits, Monetary Movements and Reserves (increases / decreases).

As all these directly or indirectly get affected by the changes in the world economy. The present study concentrates on the changes that took place in the Merchandise exports and imports, trends in trade balance, trends in capital and current account balances and trends in Foreign Direct Investment.

TRENDS OF INDIAN MERCHANDISE EXPORTS

India's merchandise Exports were not greatly impacted throughout the financial crises in 20th and 21stcentury. Excluding few cases, all the time it has a positive supplement in merchandise exports from US$16955 Million in 1989 to US$316741 Million in 2014. From 1989-2014, there were numerous financial crises turned out in the global economy. The impact is discussed as below;

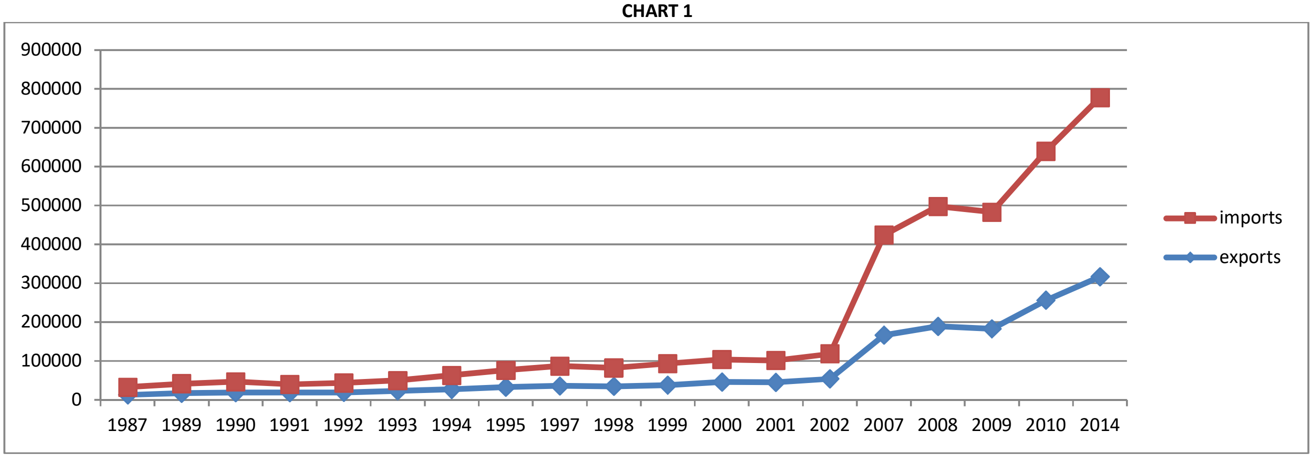
1. During 1989-91 United States Saving and Loan crisis, 1990 Japanese asset price bubble burst, 1992 Black Wednesday speculative attacks on currencies and in European Exchange Rate Mechanism also, the impact on majority of the exports is minimal. In 1990 India's total merchandise exports was US$18477 million and in 1991 it declined (-1 percent) to US$18266 Million. Thus, there is only minor impact on the exports.
2. During the Asian Financial crisis 1991-98 and Russian Financial crisis 1998, the growth of merchandise exports was dwindled around 4 percent from US$35680 million to US$34298 Million.
3. Throughout the Turkish economic crisis 2000-2001 and Argentine economic crisis during 1999-2002, the growth of merchandise exports experienced both positive and negative trends. In the year 2000 exports amounted to US $ 37542 Million and they increased to US$ 45452 Million in 2001, thus exports increased around 4 percent between these two years. Instantly in 2002 exports dropped down to US$44703 Million, it plunged around (-2 percent). There was a rapid enlargement of merchandise exports from US$53774 Million in 2002 to US$189001million in 2014. It was around 250 percent hike recorded in the period of crisis. It may also be the impact of global crisis in 2008, that the growth of merchandise exports fallen down in 2009 from US $ 189001 Million to US $ 182442.
4. Again in 2010, during the European sovereign debt crisis, merchandise exports have recovered around 40 percent from US$182442 million in 2009 to US$ 256159 million in 2010 and in the following year 2011 also exports recorded 40 percent increase from US$256159 million to US $ 309774 million. It implies that the 2010 European sovereign debt crisis has not greatly impacted on India's exports in 2011. But the overall export growth rate during 2011-15 was not very progressive i.e., it is about only 3 percent of export growth from US$309774million to US$ 316741 million, in these four years. In the period of 2012 to 2015, exports recorded negative growth from US$ 309774 million in 2012 to 306581 (-1 percent) in 2012, and from US$318607 million in 2013 to US$3 16741 million in 2014.

TRENDS OF IMPORTS

1. The imports of India have considerably increased in the 20th century from US$ 15715 million in 1985 to US$55383 million in 1999. The growth rate in imports was 252 percent, which is observed during the period of United States savings and loan crisis that occurred during 1989-1991. India's imports diminished from US$24411 million in 1989 to US$ 21064 million in 1991.The rate of decline are observed to be -15 percent. During the Asian Financial crisis 1997-98 and the devaluation and banking crisis across Asian continent, the imports of India plunge from US$51187 million in 1997 to US$ 47544 million in 1998 registering a negative growth rate of -7 percent.
2. During the crisis period of 1990-1995, which witnessed the Japanese Asset price bubble collapse, Swedish Banking Crisis and Finish Bank crisis in 1990, and also during the speculative attacks on currencies in the European Exchange Markets and the economic crisis in Mexico during 1994, the imports of the country moved from US$27914 million to US$ 35904 million registering a growth of 29 percent during this period.
3. In the beginning of 21st century, economic crisis of 2000-2001 caused a decrease in India's total volume of imports from US$ 57912 million in 2000 to US$ 56277 million in 2001, i.e., decreased around -3 percent.
4. During Global Financial crisis 2008, India's imports increased from US$ 257630 million in 2007 to US$ 308520 million in 2008 listing a growth rate of 19 percent. However, India's imports declined from US$ 308520 million in 2008 to US$300644 million in 2009 indicating a decline of around -3 percent. During the time of Russian Financial Crisis 2014 also, there was a minute decline in imports of around 1 percent, from US$ 466216 million in 2013 to US$ 460920 million in 2014.

The phases of change in the rates of exports and imports were given below in the trend line.

CHART 1



Source: RBI Website

The above trend line is drawn from the data collected through Reserve Bank of India(RBI) website. The trends drawn in the figure indicate the total imports and exports from all sectors.

TRENDS OF TRADE BALANCE

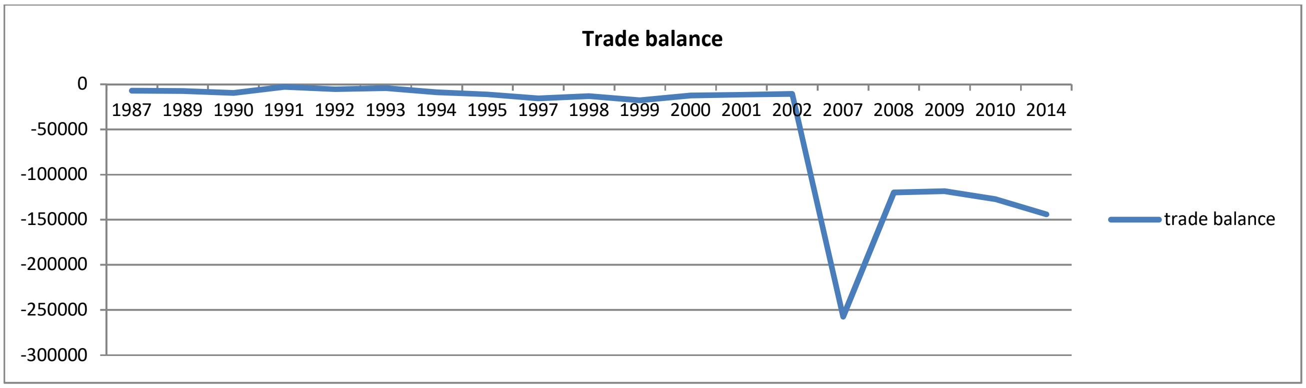
Trade balance is the surplus or deficit between exports and imports of a country. The India's exports always have been lesser than the imports due to the developing nature of the economy. The position of trade balances is also one of the sensitive factor to be studied to understand the impact of various financial crises on the total economy.

1. From the largest one day break down of stock market in history in 1987 till the Russian financial crisis in 2014 and Chinese financial crisis of 2015; all these crises critically impacted the India's Trade balance as there is a persistent negative gap between exports and imports. India's negative trade balance moved from US$-7168 million in 1987 to US$-144179 million in 2014. There is drastic increase in the deficit of trade balances. Only in few cases, it registered lower trade balance deficit.

2. After the United States saving and loans crisis in 1989-91 and Japanese asset price bubble collapse in 1990, there was a record lowest negative trade balance of US$ -2798 million in 1991, since the year 1984. It was US$-9437 million in 1990, in 1991 trade balance deficit reduced by 70 percent compared to 1990. During 1991, the growth of both exports and imports declined. In 1992, deficit of trade balance increased to 94 percent in comparison with 1991. India's negative trade balance came down to US$- 4056 million in 1993 from US$ - 5447 million in 1992 indicating a decrease of 34 percent.
3. During the Mexico's economic crisis in 1994, the negative trade balance further rose to from US$-4056 million in 1993 to US$ -9049 millions in 1994 indicating an increase of 123 percent. In this case, both exports and imports increased in comparison with 1993. During the Russian financial crisis in 1998, the trade deficit growth rate came down to 15 percent amounting to US$ - 15507 million. Also, there is a decrease in both exports and imports in comparison with that of 1997.
4. During the period of Turkish economic crisis in 2000- 2001, there is a negative growth of trade balance that drastically declined from US$ -17841 million in 1999 to US$ -12460 million in the year 2000. Even though there is decline of 30 percent of the trade balance, there was a positive impact on the exports and imports of India in comparison with the imports and exports in the year 1999.
5. The economic crisis of 2001 also impacted the trade balance deficit. Trade balance moved from US$ -12460 million in the 2000 to US$ - 11574 million in the year 2001, but during this time there was no decline in exports and imports in India. In 2002 also, trade deficit decreased from US$ -11574 million in year 2001 to US$ -10690 million in 2002. During this time also there was no decline of exports and imports. The Global financial crisis of 2008 influenced the trade balance deficit from US$ -61782 million to US$ -119519 million in 2007, and during this time there was drastic increase of exports and imports.
6. Finally, in 2014 Russian financial crisis impacted deficit trade balance which moved from US$ -147699 million in 2013 to US$ -144179 million in 2014. At the same time exports and imports decreased when compared with the year 2013.

The trends of trade balance are reflected in the following chart.

CHART 2



Source: RBI Website

The above trend line clearly depicts that there is a stability more or less in the trade balances from 1987 to 2001 and there is a sharp fall in 2007 indicating the influence of Global financial crisis and there is recovery in 2009.

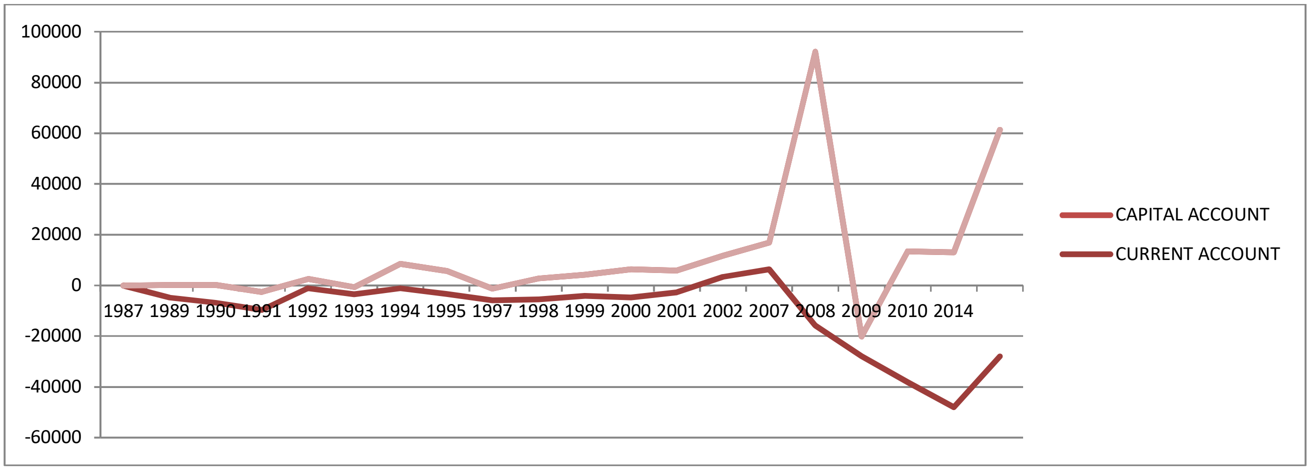
TRENDS OF CURRENT ACCOUNT AND CAPITAL ACCOUNT BALANCE

Current Account and Capital Account Balances are also the indicators the financial position of the country. Indian current account is having a negative balance from 1987 to the year 2014 continuously except for the years 2001, 2002, and 2003. The amount of balance is US$ -6841 million in 1989 to US$ -27937 million 2014 ignoring the three years mentioned above.

1. During the period 1989 to 1991, balance of current account recorded changes like US$-6841 million, US$-9680 million and US$-1159 million respectively. Negative current account balance reduced almost 88% in 1991 compared to 1990, again negative current account balance increased in 1992 to US$ -3526 million. During economic crisis of Mexico in 1994, negative current account balance increased drastically from US$ -1159 million 1993 to US$ -3369 million in 1994. In 1997 current account balance was US$ -5499 million and in 1996 it was US$ -4619 million.
2. The Asian financial crisis in 1997 much impacted the current account balance which moved from US$ - 4619 million in 1996 to US$ -5499 million in 1197. During the Russian financial crisis of 1998, current account deficit was reduced to US$ -4038 million from US$ - 5499 million in 1997, again during the period of Argentine economic crises (1999 to 2001) and Turkish economic crisis current account balance flows are US$ -4698, -2660 and 3400 million 1999, 2000 and 2001 respectively. After these crises current account balance recorded positively first time in 2001, continued for 2002 and 2003 with US$ 3400, 6345 and US$ 14083 million respectively.
3. In the period of global financial crises 2008, the current account balance changed from US$ -15738 million from US$ -9565 million in 2006. At the end during Russian financial in 2014 deficit current account balance moved to US$ -27937 million from US$ -32397 million in 2013.
4. Capital Account is also very sensitive to the changes taking place in the national and international economies. Capital Account balances also have noticed to change even though not abnormally throughout these crises periods. During 1989-1991when there is crisis in the United States, the capital account balance increased from US$ 4506 million in 1986 US$ 4512 million in 1987, to US$ 8064 million in 1988. During 1989-1992 the balances started to collapse like US$6977million in 1989, US$ 7188 million in 1990, US$ 3777 million in 1991, against US$ 8064 million in 1988. In the years 1993 and 1994 capital account balances recouped to US$ 9694 million, US$ 9156 million respectively, from US$2936 million in 1992.
5. Again capital account balance started to slump in 1995, during the era of Mexico's economic crisis in 1994-1995, moved to US$ 4690 million in 1995 from US$ 9156 million in 1994. It revamped in 1996 and 1997 as US$ 11412 million and US$10010 million in the respective years. Capital account balance turned down during the period of Asian financial crisis 1997-1998, it shifted from US$ 10010 million in 1997 to US$ 8260 million in 1998 and touched US$ 11100 million in 1999. A point to note here is that during normal circumstances of the economy from 2003-2006, balance of capital account recorded a rise from US$ 17338 million to US$ 46171 million.
6. Following 2007-2008 global financial crisis, the balance of capital account diminished considerably from US$ 7835 million in 2009, US$ 61103 million in 2010 and US$65324 million in 2011 from US$ 10902 million in 2007. Capital account balance moved to US$ 91989 million in 2012 and surged to US$ 47906 million in 1993 and at the end of 2014 it pulled off to US$ 89344 million.

The trends of capital account and current account balances are depicted in the following trend plot.

CHART 3



Source: RBI Website

The overall balance is a composite of current account balance and capital account balance. Fortunately, the balance of these two accounts together has been recorded as US$195 million in 1987 to US$ 61406 million in 2014. Thus even though there are financial crises happening and inspite of the sensitivity to the international economic conditions, India is able to balance the capital and current accounts without much abnormalities.

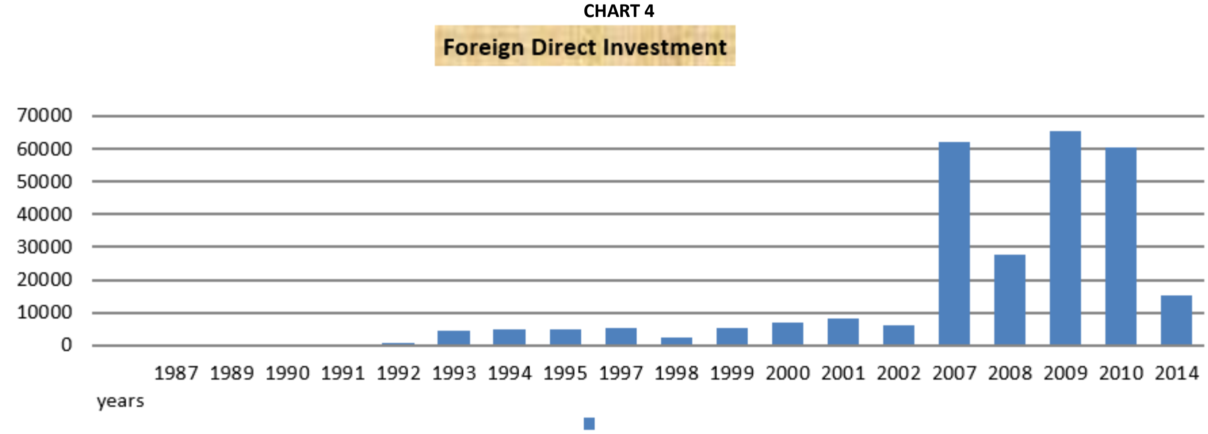
TRENDS OF FOREIGN DIRECT INVESTMENTS IN INDIA

Foreign investment is indispensable to the progress of any nation and India is no exception for that. Infact, it the most sensitive to the changes taking place in the international affairs and hence reflects the impact very clearly.

1. During 1989-1991 United States Saving and Loan Crisis, Foreign Direct Investments declined from US$410 million in 1989 to US$ 103 million in 1990 and US$ 133 million in 1991. After that Foreign Investment reinforced to US$ 557 million in 1993. Mexico's economic crisis did not greatly impact foreign investments in India, it touched to US$ 4922 million in 1994 from US$ 4233 in 1993.
2. However, it had adverse impact at the end of 1997-1998 during the Asian financial crisis, where the Foreign Direct Investment slugged from US$ 5390 million in 1997 to US$ 2412 million in1998. Throughout this period, about 55 percent of Foreign Direct Investments were withdrawn from India because of both Asian financial crisis and Russian economic emergency.
3. Foreign Direct Investments in India recovered in 1999 to US$ 5191 million, to US$ 6791 million in 2000, and to US$ 8146 million in 2001 even though there is Turkish economic crisis in 2000-2001. However, at the end of Argentine economic crisis a large amount of Foreign Direct Investments in India i.e., around 31 percent of is withdrawn from country.
4. During 2007-2008, at the time of Global financial crisis and during 2008-2011, at the time of Argentine economic crises, Foreign Direct Investment was much impacted; it has decreased from US$ 62000 million in 2007 to US$ 27884 million in 2008. The situation got better in 2009 where it got increased to US$ 65485 million and again declined to US$ 60500 million in 2010, which may be owed to the European sovereign debt crisis. This trend persisted for three more years and the foreign investment came down to US$ 35792 million in 2013. Further, the foreign investment has reached to US$ 15348 registering a negative growth compared to the previous year.

The trends of foreign investments are plotted hereunder.

CHART 4



Source: RBI Website

The above trend indicates that there are fluctuations in the Foreign Direct Investment and it has decreased further in the year 2014.

CONCLUSION

The above data indicates that the financial crises happening in the international scenario have their impact either positively or negatively on the Balance of payments, Capital and Current Accounts transactions, Imports and Exports of the country and also on the amount of Foreign Investments of the country. Among all the crises, the much impacting crisis is the Global Financial Crisis that took place during 2007-08, where there is a drastic decline in the total amount of foreign investment. Another crisis that has impacted the economy and created a wide gap between the imports and exports is the Russian Financial crisis that took place in 2014. The study indicates that any economy will be sensitive to the changes taking place in the international financial system and cannot escape the impact on one or the other areas related to the Balance of Payments. The important aspect to be mentioned here is that even though the economy is sensitive to the international scenario, it has never been critically impacted by the conditions due to the prevalence of strong financial policies and sustainable financial system of the country.

LIMITATIONS OF THE STUDY

The present study is having certain limitations; it has considered only some of the major financial crises that have been much debated over throughout the world and the impact is studied only relevant to the areas mentioned in the objectives. Also, the tables contain the data up to 2015 only, as the study is limited to the financial crises that occurred till the year 2015.

SCOPE FOR FURTHER RESEARCH

There is a lot of scope for the researchers to study the impact of the financial crises on individual sectors of the economy and also on the service sector especially. Further research can also be carried out by considering the data till date.

REFERENCES

1. Government of India, Ministry of Finance 'Economic Survey 2009-10' New Delhi.
2. Government of India, Ministry of Finance 'Union Budget for 2010-11' New Delhi.
3. Reserve Bank of India (2008) 'Handbook of Statistics on the Indian Economy', Mumbai
4. Reserve Bank of India (2009) 'Macroeconomic and Monetary Developments – First Quarter Review 2009- 10', Mumbai, July 27, 2009.
5. Reserve Bank of India (2009) 'Macroeconomic and Monetary Developments in 2008-09', Mumbai, April 20, 2009.
6. Reserve Bank of India 'Handbook of Monetary Statistics of India', Mumbai

Online Sources

7. http://www.globalissues.org/article/768/global-financial-crisis
8. http://www.cnn-ibnlive.com, accessed on 12th
9. http://www.france24.com/en/20081201-us-recession-december-2007-say-economists
10. http://www.globalissues.org accessed on 18th December, 2018
11. http://www.magportal.com accessed on 2nd January, 2019.
12. http://www.rbi.org accessed on 20th January, 2019.

REQUEST FOR FEEDBACK

Dear Readers

At the very outset, International Journal of Research in Commerce, Economics & Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as, on the journal as a whole, on our e-mail **infoijrcm@gmail.com** for further improvements in the interest of research.

If you have any queries, please feel free to contact us on our e-mail **infoijrcm@gmail.com**.

I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward to an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-
Co-ordinator

DISCLAIMER

ABOUT THE JOURNAL

In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

Our Other Journals