

THE EURO ZONE CRISIS: CAUSES AND IMPACT ON INDIAN BANKING

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ABSTRACT:

With the introduction to new economic policy 1991 which laid stress on liberalization, privatization and globalization gave a rise to wave of global financial crisis that hits the surface of many countries in the globe. The term financial crisis means a situation where there is great downgrading in the domestic currency or other financial assets forcing international investors to withdraw their funds from such countries. From time to time various financial crises and associated recession originated in many countries like US of America in early 2008 and then it extend to Europe in year 2010 engulfed most of the developed and developing economy across the world. These crises affected the entire global economy directly or indirectly. The major causes for these crises are: rising government (public debt), inflexible monetary policy, inflation, currency deficit and rise in a trade imbalance led to tighten the policy and landed towards growth projection. Apart from these factors, financial growth has also deteriorated and downside risk has escalated. The present study makes an attempt to identify the immediate impact and the causes of the ongoing financial crises originated in the Euro Zone that is commonly known as Sovereign Debt Crises on Indian banking sector.

KEY WORDS: Sovereign Debt Crises, Liberalization, Privatization and Globalization (LPG).

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