

The International Conference

“The Role of the Financial Sector in Promoting Economic Growth in Asia”

*Session II The Current State of the Financial Sector and the
Regulatory Framework in Asian Economies*

The Current State of Financial and Regulatory Framework in
Asian Economies : The Case of India

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Abstract

Despite having a low exposure to the toxic assets involved in the sub-prime crisis and a gradualist approach towards liberalization of the financial sector, certain parts of the Indian financial sector was significantly affected by the global financial crisis. The consequent tightening of the liquidity and slump in global and domestic demand had a strong adverse affect on the industrial sector, a large part of which is covered by the Small and Medium Enterprises (SMEs). There was a significant decline in employment and output in some of these enterprises. Though, Indian policymakers reacted in a proactive manner, and introduced a host of measures to counter the adverse effect of the financial crisis, the subsequent recovery has not been uniform, with several markets and sectors still reeling under the aftershocks of the crisis. Indian financial sector will be impacted by the introduction of the Basel III norms. While, it is in a comfortable position to meet some of the proposed Basel III norms, the implementation of some of the other norms would be a challenge.