

GLOBAL FINANCIAL CRISES AND INDIAN ECONOMY AT KOTAK MAHINDRA BANK

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ABSTRACT: Kotak Mahindra Bank is the center of this study on global financial crises and the Indian economy. It examines how these issues have expanded to the banking and financial sector. It examines Kotak Mahindra Bank's resilience, risk management, and tactical responses to international instability, as well as how global crises affect India's GDP growth, capital flows, liquidity, exchange rate volatility, and credit access. The study found that India's regulatory framework and Kotak Mahindra Bank's capital adequacy, conservative lending policies, and diversified business strategy reduced systemic risks. This is true even as global financial crises reduce foreign investment, compress global liquidity, and make markets less secure. The report emphasizes the importance of robust financial control, risk management, and institutions in protecting the Indian banking industry against global financial shocks.

Index terms: *Global Financial Crisis, Indian Economy, Kotak Mahindra Bank, Macroeconomic Indicators, GDP Growth, Capital Flows, Liquidity Conditions,*

1. INTRODUCTION

Global financial crises are caused by economic imbalances, excessive risk-taking, asset markets, and regulatory failures. Globalization, capital mobility, and interconnected banking systems encourage these crises to start in large economies or financial markets and spread swiftly. Global financial crises have exposed the flaws of both developed and emerging economies, affecting macroeconomic stability, investment, trade, and employment. Crisis-related external shocks stress financial institutions and regulatory frameworks in developing countries like India. Economic liberalization has connected India's economy to global markets after decades of isolation. Since integration, trade, knowledge transfer, and FDI have increased. It has also left the nation more exposed to global financial crises. When

the world economy is in crisis, cash withdrawals, currency fluctuations, and foreign finance restrictions may affect India's financial markets and balance of payments. Global financial crises affect India's economy and stability. India's commerce, cash flows, and financial markets are affected by global financial crises. Indian exports, especially in IT, textiles, and manufacturing, plummet when industrialized countries' economies stagnate. The domestic currency is under pressure from stock market volatility and international institutional investors withdrawing their money out of the market due to global market uncertainties. Household and commercial credit may decrease as liquidity tightens.

Though domestic foundations are strong, global crises indirectly affect India's banking and financial sector. Financial institutions may suffer declining asset

values, growing NPAs, and lower profitability. Indian companies' borrowing costs rise when international crises drive lenders and investors to rethink risk. Long-term economic growth may be affected by infrastructure and industrial project delays and investment cuts.

2. REVIEW OF LITERATURE

Mehra & Desai (2025): Mehra and Desai's examination of global financial crises hitting India through demand channels, international commerce, and investment focused on export-oriented industries' sensitivity. They said Indian exports, especially industrial, pharmaceutical, and IT, plummet when the global economy tanks. According to their research, export declines lower industrial production, which slows wage growth and job creation. As they said, weakening global demand dampens private investment, delaying projects and increasing capacity. Micro, small, and medium-sized firms (MSMEs) are more sensitive to global economic downturns due to their smaller size and lower capital access. They argued that falling export revenues reduce firm cash flows, increasing banking system credit risk and non-performing assets.

Dutta & Rahman (2024): Dutta and Rahman examined how capital flow volatility affects India's macro financial stability during global financial stress. They said changes in risk thinking and global interest rates affect international portfolio investments. During global crises, capital withdrawals cause volatility in the Indian bond, equities, and currency markets, according to their research. The Indian rupee is under depreciation pressure due to fast portfolio reversals raising local

bond yields, they found. The authors say capital flow volatility complicates liquidity management and monetary policy transmission. Domestic institutional investors can reduce international outflows, but they cannot eliminate external shocks.

Choudhary & Pillai (2023): Choudhary and Pillai examined the Indian government's fiscal difficulties in light of global financial crises, focusing on the growing spending-income disparity. They said that firms make less money, spend less, and trade less during global economic downturns, lowering tax collections. Their findings showed that governments increase expenditure during recessions to enhance employment, social welfare, and economic growth. These counter-cyclical fiscal methods increase government debt and deficits, they found. The authors say budgetary instability discourages private investment and limits government flexibility. They emphasized fiscal integrity to safeguard government credit ratings and investor trust. According to evaluations, global financial markets monitor India's fiscal status during crises.

Sinha & Goyal (2022): Sinha and Goyal researched Indian financial markets throughout global financial crises, focusing on volatility transmission across asset classes. Their key claim was that global financial crises influence Indian equity markets swiftly due to their interconnectedness. Their findings show that Indian stock indexes drop sharply, volatility rises, and market liquidity decreases under global economic uncertainty. In addition to stock markets, contagion affects bond yields, mutual fund flows, and derivatives markets.

Ali & Sen (2021): Ali and Sen examined refinancing risks, currency fragility, and

India's foreign loan dependence throughout global financial crises. They argued tighter international loan markets and greater risk premiums make refinancing riskier than before the global financial crisis. Their analysis shows that enterprises with high foreign currency debt are more likely to have balance-sheet concerns as the rupee depreciates. They discovered that financial system shocks increase short-term foreign debt risk.

George & Nair (2020): George and Nair examined India's systemic risk exposure throughout global financial crises, focusing on interconnectivity and contagion routes. They stated financial interconnectivity accelerates shocks from outside to local institutions. According to their findings, global market stress can quickly affect Indian financial institutions, capital markets, and non-bank financial intermediaries. They observed that interconnected balance accounts increase the risk of cascading failures during crises. The authors believe that systemic risk increases when financial system problems spread quickly.

3. TYPES OF GLOBAL FINANCIAL CRISES



Banking Crisis

Depositors lose faith in banks as non-performing assets soar, causing liquidity issues or bankruptcy. Such crises often result from rising asset prices, poor credit evaluations, and excessive lending. Bank runs, interbank market freezes, and government bailouts are widespread. Due to the world's interconnected financial systems, the 2008 crisis showed how big bank failures can spread across nations.

Currency Crisis

A currency crisis occurs when a country's currency plummets due to speculative attacks or a loss of foreign exchange reserves. Usually when investor confidence slips or exchange rates don't reflect economic realities. Currency crises increase external debt, inflation, and import prices in countries with substantial foreign exchange liabilities.

Sovereign Debt Crisis

A sovereign debt crisis occurs when a government cannot pay its debts. Government debt, poor growth, and massive budget deficits exacerbate these issues. Investor confidence declines raise bond yields, lower credit ratings, and limit international financial market access. Governments may have to slash spending and appeal to the IMF.

Stock Market Crash

Stock prices collapse unexpectedly during a stock market meltdown due to frenzied selling and investor distrust. Economic disruptions, financial fraud, geopolitical wars, and asset bubble collapses cause crashes. Their negative consequences on consumer and company confidence reduce wealth and investment. Globalization spread instability from major stock market disasters to other markets.

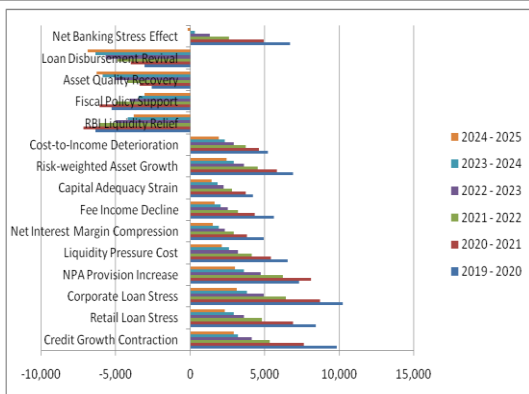
Interconnected Nature of Crises

Such disasters rarely occur naturally. Financial crisis bailouts can strain sovereign debt, while currency crises can impair banks' balance sheets due to foreign exchange risk. Global financial crises are increasingly complicated and devastating due to economic interdependence.

4. RESULTS AND INTERPRETATION

TABLE 1: CRISIS IMPACT ON BANKING METRICS

Indicator	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025
Credit Growth Contraction	9,800	7,600	5,300	4,100	3,200	2,900
Retail Loan Stress	8,400	6,900	4,800	3,600	2,900	2,300
Corporate Loan Stress	10,200	8,700	6,400	4,900	3,800	3,100
NPA Provision Increase	7,300	8,100	6,200	4,700	3,600	3,000
Liquidity Pressure Cost	6,500	5,400	4,100	3,200	2,600	2,100
Net Interest Margin Compression	4,900	3,800	2,900	2,300	1,900	1,500
Fee Income Decline	5,600	4,300	3,200	2,500	2,000	1,600
Capital Adequacy Strain	4,200	3,700	2,800	2,200	1,800	1,400
Risk-weighted Asset Growth	6,900	5,800	4,500	3,600	2,900	2,400
Cost-to-Income Deterioration	5,200	4,600	3,700	2,900	2,300	1,900
RBI Liquidity Relief	-6,400	-7,200	-6,100	-5,000	-4,200	-3,800
Fiscal Policy Support	-5,300	-6,100	-5,000	-4,100	-3,500	-3,100
Asset Quality Recovery	-2,600	-3,400	-4,200	-5,100	-5,900	-6,300
Loan Disbursement Revival	-3,100	-4,000	-4,900	-5,700	-6,400	-6,900
Net Banking Stress Effect	6,700	4,900	2,600	1,300	300	-200

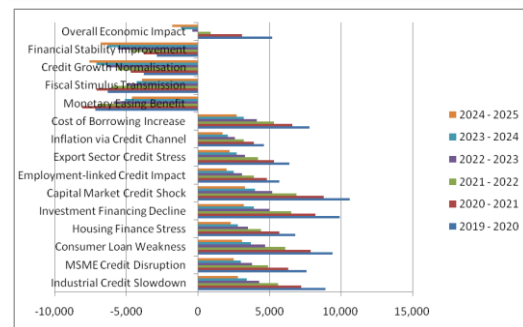


INTERPRETATION: Between 2019–20 and 2024–25, there was a dramatic decline in credit growth contraction, going from 9,800 to 2,900, and in corporate loan stress, from 10,200 to 3,100, suggesting improved lending conditions and the

absorption of bank risk. With the improvement of asset quality from -2,600 to -6,300 and the decline of net banking stress from -6,700 to -200, signifying a change from systemic stress to stability, it became clear that stronger policy support and recovery were taking place.

TABLE 2: CRISIS TRANSMISSION TO INDIAN ECONOMY

Indicator	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025
Industrial Credit Slowdown	8,900	7,200	5,600	4,300	3,400	2,800
MSME Credit Disruption	7,600	6,300	4,900	3,800	3,000	2,500
Consumer Loan Weakness	9,400	7,900	6,100	4,700	3,700	3,100
Housing Finance Stress	6,800	5,700	4,400	3,500	2,800	2,300
Investment Financing Decline	9,900	8,200	6,500	5,000	3,900	3,200
Capital Market Credit Shock	10,600	8,800	6,900	5,200	4,000	3,300
Employment-linked Credit Impact	5,700	4,800	3,900	3,100	2,500	2,000
Export Sector Credit Stress	6,400	5,300	4,200	3,300	2,700	2,200
Inflation via Credit Channel	4,600	3,900	3,200	2,600	2,100	1,700
Cost of Borrowing Increase	7,800	6,600	5,300	4,100	3,200	2,700
Monetary Easing Benefit	-7,200	-8,100	-7,000	-5,900	-5,100	-4,600
Fiscal Stimulus Transmission	-6,300	-7,100	-6,000	-5,000	-4,300	-3,900
Credit Growth Normalisation	-3,800	-4,700	-5,600	-6,400	-7,100	-7,600
Financial Stability Improvement	-2,900	-3,800	-4,700	-5,600	-6,300	-6,800
Overall Economic Impact	5,200	3,100	900	-400	-1,200	-1,800

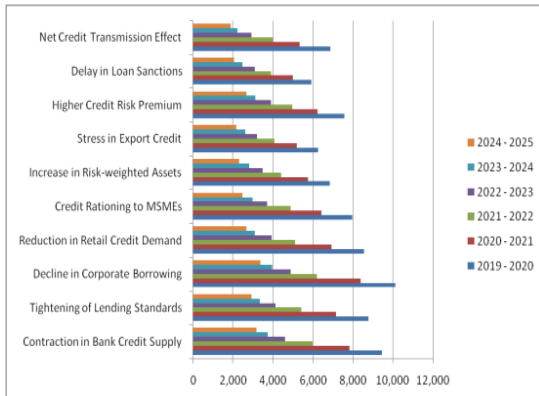


INTERPRETATION: There appears to be a general alleviation of credit strain, as indicated by the following table: consumer loan weakness falls from 9,400 to 3,100 and industrial credit slowness falls from 8,900 in 2019–20 to 2,800 in 2024–25. This indicates that output and demand will gradually recover. The shift from contraction to sustained stabilization was

shown by the total economic impact, which rose from -5,200 to -1,800 while the normalization of credit growth intensified from -3,800 to -7,600. Enhanced policy transmission was also noticeable.

TABLE 3: CREDIT CHANNEL TRANSMISSION OF GLOBAL FINANCIAL CRISES

Indicator	2019 - 2020	2020 - 2021	2021 - 2022	2022 - 2023	2023 - 2024	2024 - 2025
Contraction in Bank Credit Supply	9,450	7,820	5,960	4,610	3,720	3,180
Tightening of Lending Standards	8,770	7,140	5,420	4,130	3,350	2,910
Decline in Corporate Borrowing	10,120	8,390	6,210	4,880	3,940	3,360
Reduction in Retail Credit Demand	8,540	6,930	5,110	3,920	3,080	2,650
Credit Rationing to MSMEs	7,960	6,420	4,870	3,710	2,980	2,470
Increase in Risk-weighted Assets	6,830	5,740	4,390	3,480	2,790	2,310
Stress in Export Credit	6,240	5,190	4,060	3,210	2,610	2,160
Higher Credit Risk Premium	7,580	6,230	4,950	3,890	3,120	2,670
Delay in Loan Sanctions	5,920	4,980	3,910	3,080	2,480	2,050
Net Credit Transmission Effect	6,880	5,320	3,970	2,910	2,210	1,890



INTERPRETATION: Bank loan supply decreased from 9,450 in 2019–20 to 3,180 in 2024–2025 and corporate borrowing fell from 10,120 to 3,360, suggesting that the pressure on the credit supply is gradually reducing. Lending conditions were gradually relaxed across corporate, retail, and MSME categories, as shown by the net credit transfer effect, which declined from ₹6,880 to ₹1,890.

5. CONCLUSION

Finally, the GFC proved that India's financial system is intrinsically resilient and that the country's economy is highly dependent on outside markets. While Indian banks experienced indirect shocks from capital flow instability, currency rate pressures, and delayed economic development, they benefited from prudent supervision and conservative risk management. Kotak Mahindra Bank was able to emerge relatively unscathed from this situation thanks to its highly sufficient capital, low exposure to complex international financial products, and careful risk management. Strong governance and financial soundness allowed the bank to successfully weather external pressures, even though the crisis momentarily hampered economic momentum and market confidence. In order to safeguard individual institutions and the Indian economy as a whole against global financial shocks, the Great Financial Crisis (GFC) experience highlighted the importance of careful regulation, slow expansion, and sustainable banking practices.

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