

The effects of the global financial crisis have been more severe than initially forecast. By virtue of globalization, the moment of financial crisis hit the real economy and became a global economic crisis; it was rapidly transmitted to many developing countries. The crisis emerged in India at the time when the Indian economy was already preoccupied with the adverse effects of inflationary pressures and depreciation of currency. The crisis confronted India with daunting macroeconomic challenges like a contraction in trade, a net outflow of foreign capital, fall in stock market, a large reduction in foreign reserves, slowdown in domestic demand, slowdown in exports, sudden fall in growth rate and rise in unemployment. The government of India has been highly proactive in managing this ongoing crisis with a slew of monetary and fiscal measures to stabilize the financial sector, ensure adequate liquidity and stimulate domestic demand. As a result of this combining with many several structural factors that have come to India's aid, India's economic slowdown unexpectedly eased in the first quarter of 2009. The present paper makes an attempt to assess the impact of global financial crisis on the Indian economy and discuss the various policy measures taken by government of India to reduce the intensity of impacts. The paper also highlights recovery of Indian economy from crisis and in the end of paper concluding remarks are given towards.