iJRASET
International Journal For Research in Applied Science and Engineering Technology



INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Volume: 10 **Issue:** XI **Month of publication:** November 2022

DOI: https://doi.org/10.22214/ijraset.2022.47487

www.ijraset.com

Call: 08813907089 | E-mail ID: ijraset@gmail.com

International Journal for Research in Applied Science & Engineering Technology (IJRASET)
ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 10 Issue XI Nov 2022- Available at www.ijraset.com

US Recession and its Impact on E-commerce and Indian IT Industry

Mohan C[1], Garaga Gangadhar Gowtham[2], Guruprasad KG[3], Alexander Rozario A[4]
[1, 2, 3, 4]*First year of Xavier Institute of Management & Entrepreneurship, Chennai*

Abstract: ***The major effect of the COVID-19 pandemic and ongoing conflicts, including in Ukraine, has had a negative impact on the lives of ordinary people, notably in developing countries, with rocketing commodity and energy prices and interruptions in worldwide logistics related supply chains. As a result, it affected the US economy and plunged it into recession. This paper investigates the effects of the US recession on the Indian IT industry and e-commerce business. Also, this paper deals with the current scenario of the Indian IT Industry.***

Keywords: Recession, Depression, IT Industry, E-commerce business, economy, subprime mortgage and Speculation.

I. INTRODUCTION

Global frugality has been affected by the "US recession" or the downturn in the US request, to varying degrees. The world's profitable influence has changed, and its goods may be seen in the fact that stock requests are down, employment vacuity is down, and businesses are latterly dwindling their being pool and reducing benefits and pay envelope adaptations. The U.S. subprime mortgage extremity of August 2007 is the cause of the current global fiscal extremity. The so-called "decoupling phenomena," which asserted that underdeveloped countries wouldn't be impacted, has not materialized, despite the first print that it'll solely affect rich countries. Rather, as shown by the following criteria, the extremity has spread to a worldwide scale. India is a growing nation, and the impacts of the recession are still being felt moment. E-Business is a revolution that's reshaping businesses encyclopedically and having an effect across all diligence. E-business is vastly further than just setting up a commercial website or having IT staff purchase and execute computer software online. It has an impact on the entire company and the supply chain within which it works, enabling members of the value chain to unite at a far more advanced level of integration than previously possible. Employing e-business also enables businesses to cut charges and enhance customer response times. Organizations that change their business operations stand to gain greatly from the numerous new openings made possible by technology. The study first focuses on the delineations of abecedarian terms.

A. US Recession

In accordance with the brief overview — two sequential diggings of negative GDP — the United States will enter a recession in the summer of 2022. Later contracting 1.9% in the first three months of 2022, the frugality contracted 0.9% in the alternate quarter, fitting the standard description of a recession as at least two successive diggings of negative growth.

The National Bureau of Economic Research's (NBER) Business Cycle Dating Committee, which tracks recessions, defines a recession as "a severe drop in profitable exertion that's dispersed all across frugality and lasts for many months." The commission generally monitors employment, colorful types of real consumer expenditure, real particular income minus government transfers, and artificial product. especially, although the commission does punctuate that in recent decades, they've given further weight to real particular income, smaller transfers, and payroll employment, there are no set norms or thresholds that beget a decision of decline.

In the United States, a recession is defined as "a significant decline in profitable exertion spread across the request, lasting further than many months, typically visible in real GDP, real income, employment, artificial product, and noncommercial- retail deals".

A subprime mortgage is one that is given to people who have poor, incomplete, or non-existent credit histories. Subprime mortgages typically charge higher interest rates than standard (prime) mortgages because the borrower poses a higher risk to the lender.

A recession is a severe and long-lasting decline in economic activity. A recession is typically defined in economics as an extreme recession lasting more than three years or an extreme recession in which real gross domestic product (GDP) falls by at least 10% in a given year. Recessions are more common than mild recessions, and they are typically accompanied by high unemployment and low inflation.

E-business (electronic business) refers to the processing of online marketing processes via the World Wide Web, the Internet, extranets, or a combination of these.

©IJRASET: All Rights are Reserved

Buying and selling products and services; dealing with customers; business framework; managing the production and supply chains; collaborating with business partners; exchanging information; and automation are examples of customer-oriented, internal-oriented, and management-oriented business processes including the operation of the employee services provided and employee recruitment.

B. Types of Ecommerce

1) B2C (Business To Consumer)

B2C retailers produce directly for customers. Everything that a consumer buys from an online marketplace, from apparel and household goods to entertainment, is considered a B2C transaction. B2C purchases often have a narrower decision-making process than B2B purchases, especially for low-value products.

B2C companies typically spend less on marketing to sell, have significantly lower order values, and very few repeat orders than B2B companies due to their shorter sales cycle. Service and product marketing are both included in B2C marketing. By leveraging technologies such as mobile apps, native advertising, and contextual advertising, B2C innovators deliver offerings directly to customers and thereby make their lives easier.

2) B2B (B2B)

In the B2B business strategy, a firm sells its goods or services to another company. In some cases, the buyer may be the final consumer, but in most cases, the purchaser turns around and sells to the consumer. B2B sales have a longer cycle time but higher cognitive values and higher repurchase intentions.

His most recent B2B innovator has found a niche by replacing webstores and order sheets with e-commerce shopfronts and trying to improve niche market scapegoating. By 2021, 60% of B2B buyers will be millennials, nearly double the number in 2012. As the youth of today enters the age of commerce, his B2B sales online have become extremely relevant.

3) B2B2C (Business-To-Business-To-Consumer)

B2B2C stands for Business-to-Business-to-Consumer. It refers to a business strategy in which a company collaborates with another organization to sell its product or service to an end customer.

In contrast to when a company white describes as a product in order to present it as its own, the finished consumer knows that they are actually buying a goods while using a service from the original manufacturer.

4) B2G (Business To Government)

Business-to-government (B2G) E-commerce is indeed a business plan in which companies sell and market their products to government agencies on a local, regional, state, or federal level.

5) C2B (Consumer to Business)

C2B businesses allow individuals to provide services and merchandise to businesses. In this e-commerce model, a site enables clients to publish work they want done and companies to make an offer on the opportunity. He also thought about C2B affiliate marketing services.

The C2B e-commerce model has a competitive advantage in terms of purchasing both goods and services. This method allows consumers to specify a price or allows businesses to compete directly to accommodate their requirements. This model is being creatively used by modern entrepreneurs to connect companies with social media personalities in order to promote their products.

6) D2C (Direct To Consumer)

Consumer platforms sell directly to end users, without the guidance of third-party distributors or online sellers. There are no intermediaries between consumers and businesses, unlike other marketing strategies such as B2B2C.

7) C2C (Consumer to Consumer)

Consumer-to-consumer e-commerce companies interact with purchasers to exchange products and services while making money, typically through purchase or listing fees.

C2C companies benefit from self-growth because they have ready and willing buyers and sellers, but they face massive quality control and technology servicing challenges.

Companies such as Craigslist, Walmart, Alibaba, and eBay helped pioneer this model in the earliest days of the Internet.

©IJRASET: All Rights are Reserved | SJ Impact Factor 7.538 | ISRA Journal Impact Factor 7.894 |

II. LITERATURE REVIEW

The article "Impact of Global Recession on Indian IT Industry and Effectiveness of E-Business in the Era of Recession" by Nidhi Arora Kumar (2011) mainly concentrated on the global recession and its impact on the Indian IT industry. The causes of the Global Meltdown were also discussed in this paper. They were comparing the revenue of IT Services and BPO from 2005 to 2009. In addition, the paper discussed new technological innovations in E-business. The paper looked into the results of multiple B2B and B2C businesses during the economic downturn.

Prof. S.T. Bhosale's (2011) paper, "IT Services in India: Present Scenario," focused on the current state of the Indian IT sector. They were also studying the export of IT products, the future scope of manpower, and the challenges in the IT industry. According to Bhosale, India's $39.6 billion IT-ITES industry employs over 600,000 direct and indirect professionals across various sectors, making it the country's largest private sector. I grew up with a boss. It employs more than a million people. The rapidly expanding Indian IT sector and its ITES division are also opening up new opportunities for women. Women's participation in the IT BPO workforce is seen as critical to the industry's continued growth. IT-ITES development is based on knowledge, capability, and experience. As a result, it is difficult for any organization to develop internal competencies for operational knowledge management and to build the IT department's collective capabilities.

The article "IMPACT OF RECESSION ON INDIA" by Mangal Sain and Aditi Mittal (2013) discussed GDP growth in India and also stated the GDP growth at factor cost by economic activity (2004-05 prices). Then it describes the export and import positions. The paper discusses the opportunities that may arise as a result of the US recession.

Sher Verick and Iyanatul Islam's (2010) article, "The Great Recession of 2008-2009: Causes, Consequences, and Policy Responses" was interpreted to begin the understanding of history presented in this paper on the decades preceding the global financial crisis offers insight into various interpretations of recent economic trends. Second, the report underlines that the global financial crisis of 2007 was driven by a complicated and linked set of causes, including weak fiscal policy, global imbalances, risk misperceptions, and inadequate financial regulation. The study also demonstrates how worldwide economies were affected, resulting in the loss of millions of positions. Finally, while the recovery phase has begun, there are a number of dangers that might derail economic progress and stymie attempts to guarantee that the recovery is followed by job creation.

Mr.Sandeep Krishnat Raval and Dr.P.S.Kamble (2011) explain in their journal "GLOBAL RECESSION & ITS IMPACT ON INDIAN ECONOMY" that there is a significant lack of balance in the world economy, that may have international consequences. This paper examines the gravitational pull of the incipient adverse situation, particularly for developing nations and discusses whether, as a result, a global recession is unavoidable. This article explores the worldwide current account imbalance and evaluates several opinions on the imbalance's causes and repercussions. Finally, the study goes over the different macroeconomic policies and shocks that may be used to remedy the imbalances.

Dean Baker's (2006) article, "Recession Looms for the US Economy in 2007," focuses on the decline in the housing market from 2005 to 2007, consumption and sales of goods, including the situation of durable and non-durable goods as the recession hits, non-residential investments, structures, trade imports and exports contributing to trade balance and its effect on GDP, government spendings including Federal and Defense industries. The decline in GDP, which resulted in a significant drop in tax revenues. As a result, the fiscal year 2007 deficit will be $370 billion. In fiscal year 2008, it will increase to $460 billion.

"Reconstructing the Great Recession," by Michele Boldrin, Carlos Garriga, Adrian Peralta-Alva, and Juan M. Sánchez (2013), concentrate on the recovery of the US economy following the Great Recession of 2008-2009. This paper assesses the construction sector's contribution to the performance of the US economy over the last decade. They also performed an empirical analysis, a Simple Model of Interlinkages, and a quantitative model and analysis.

According to Rajiv Kumar and Pankaj Vashisht's 2009 book "The Global Economic Crisis: Impact on India and Policy Responses," India was affected by the crisis in three ways: stock markets, trade patterns, and currency rates. The severity of the current crisis is concerned with the monetary and fiscal policy responses to the crisis, as well as the impact of the crisis on the Indian economy, as well as a critical evaluation of the policy responses. The final section discusses policy recommendations for reversing the downturn.

III. HISTORY OF US RECESSION

Recessions in the United States also have long history, and they are a normal, if unpleasant, component of the business cycle. The length of time a recession lasts is determined by the National Bureau of Economic Research.

GDP is calculated by the Bureau of Economic Analysis (BEA), and it defines a recession. The Bureau of Labor Statistics publishes the jobless rate. Because the jobless rate is a recession indicator, it typically peaks after the recession has finished.

©IJRASET: All Rights are Reserved | SJ Impact Factor 7.538 | ISRA Journal Impact Factor 7.894 |

Most firms assume the economy is rebounding before employing full-time personnel. Throughout the history of the United States, there have been 19 notable recessions.

A. Previous Great Recessions

The fact that the federal government did little to stop these four early recessions is one of their distinguishing features. Because of their harshness and unpredictability, they have backed the National Central Bank.

1893:

The Reading Railroad went bankrupt, and the stock market fell as a result. Banks stopped accepting cash payments, causing currency hoarding and bank collapse.

1873:

The construction of the nationwide train network encouraged speculation and contributed to the demise of America's largest bank. The Great Depression lasted throughout 1879.

1857:

The theft of Ohio Life Insurance and Trust at his company's New York headquarters has sparked widespread concern. Investors lost trust in banknotes after a ship carrying gold sank en route to New York. The company was unable to pay its employees, and business was halted.

1797:

Land speculation triggered the 1797 Panic. The United States First Bank and U.S. Alexander Hamilton, Treasury Secretary, increased the money supply, causing booms and busts.

B. Recession Of The Twentieth Century

There had been 12 recessions in the twentieth century. The Great Depression was officially the United States' second straight worst recession.

1907

From May to June of that year, the "panic of 1907" continued. It was caused by the spread of speculator losses to trust companies. These companies operated similarly to banks, but with fewer reserves. The Federal Reserve was established by Congress to prevent future financial collapse.

1929–38 (Great Depression)

His two recessions, which were closely related, were the worst economic crises in US history. His first recession lasted from August 1929 to March 1933, with a 12.9% drop in 1932. The country went through its second recession from May 1937 to June 1938.

A number of causes contributed to the Great Depression. The Federal Reserve began hiking interest rates in the spring of 1928 and kept doing so throughout the recession. The 1929 stock market crisis ruined businesses and life savings. A 10-year drought in the Midwest created the Dust Bowl, which decimated farmers.

The New Deal brought the first recession to a conclusion and raised GDP by 10.8%. The second recession ended when the drought ended, and the government boosted expenditure for World War II.

1945

The recession extended eight months, from February to October. It was an unavoidable byproduct of World War II demobilization.

1949

The recession commenced in November 1948 and continued until October 1949, when the unemployment rate hit 7.9%. The problem was triggered by the Fed increasing interest rates too rapidly.

1953

This slump lasted 10 months, from July 1953 to May 1954. This was due to financial constriction after the Korean War. GDP declined by 2.2% in the third quarter of 1953 and 5.9% in the fourth. It declined by 1.9% in the first quarter of 1954.

1957

During the recession, which extended from August 1957 to April 1958, GDP decreased by 4.1% in the fourth quarter of 1957 and reached a low of 10.0% in the first quarter of 1958. In July 1958, the unemployment rate hit 7.5%. The Fed's tightening monetary policy is to blame for the current economic slump.

1960

This slump lasted 10 months, from April 1960 to February 1961. GDP climbed by -2.1 percent in the second quarter of 1960, 2.0 percent in the third quarter, and 5.0% in the fourth quarter. The rate of unemployment exceeded 7.1% in May 1961.

©IJRASET: All Rights are Reserved | SJ Impact Factor 7.538 | ISRA Journal Impact Factor 7.894 |

1970

From December 1969 to November 1970, the recession was modest, lasting 11 months. The unemployment rate reached 6.1% in December 1970. The economy declined 1.9% in the fourth quarter of 1969 and 0.6% in the first quarter of 1970. GDP increased by 0.6% in the second quarter of 1970, 3.7% in the third, and 4.2% in the fourth.

1973-75

The country underwent a 16-month recession from November 1973 to March 1975. The oil embargo imposed by OPEC has been credited for doubling oil prices, but Richard Nixon's actions throughout his administration also led to the downturn.

C. 21st Century Recession

He faced three recessions in the first decade of the twenty-first century. Each one was worse than the one before it, albeit for different reasons.

2001

The recession in 2001 lasted eight months, from March to November19. This was sparked by a boom and then a bust in the dotcom industry. The 2000 panic contributed to his 2000 boom. Companies spent billions of dollars on new software because they were concerned that the previous systems were not intended for the transition from the 1900s to the 2000s. Many dotcom enterprises were overly overpriced and went bankrupt.

2008-09

The Great Recession continued from December 2007 to June 2009, making it the greatest period of economic downturn since the Great Depression. The Federal Reserve cut the federal funds rate to 0%, promising to keep it there until 2023. Congress has authorized billions of dollars in aid. In the third quarter, the economy increased by 33.8%, although not enough to compensate for prior losses.

IV. CAUSES OF RECESSION

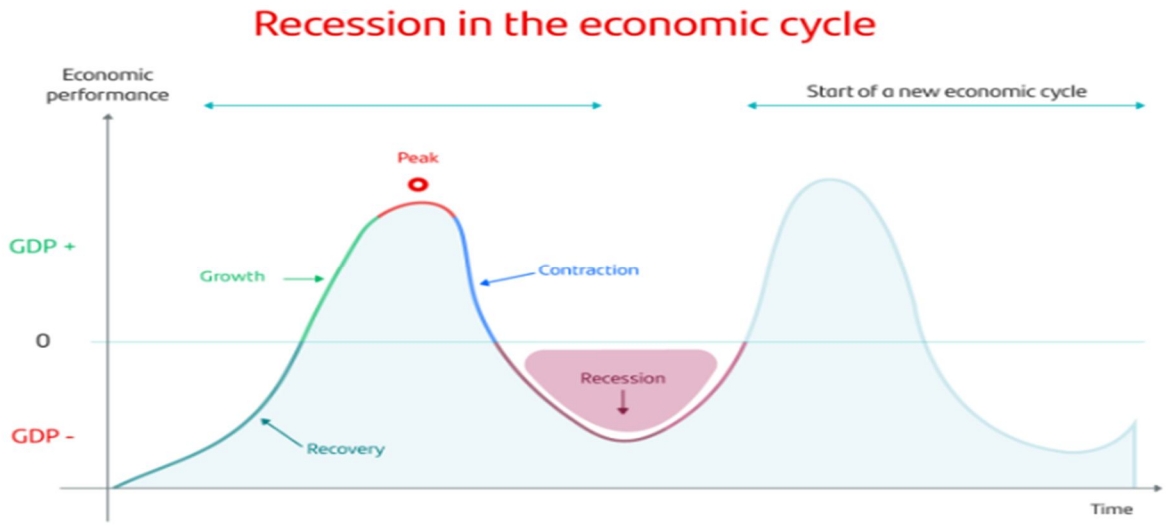
A recession occurs when a chain reaction of events begins and continues until the economy contracts. Each event is related to what has come before and what will come after. People may stop buying hamburgers if hamburger prices rise. This has an impact on restaurants, which in turn has an impact on servers. There are numerous such interconnected chains throughout the economy.

A country's economic stability is governed by elements such as its ability to produce products and services, military conflicts, health problems, market trends, and consumer confidence.

Throughout history, various financial downturns have occurred, wreaking havoc on the fortunes of both individuals and businesses. Governments at all levels throughout the world normally take steps to avert recessions. It is, however, not always successful.

The economy, like the sea, goes through a cycle of ups and downs.

It grows to a peak, then descends and begins to rise again. Economic growth refers to an upward trend in the economy. When it falls, however, it is referred to as an "economic contraction" (or "recession").



ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 10 Issue XI Nov 2022- Available at www.ijraset.com

Each recession has its own set of causes and consequences. Growing economies are more likely to experience a business cycle downturn. However, other factors can cause recessions, many of which are neither predictable nor avoidable. Here are three of the most common causes of recessions.

1) *Oversupply:* In a prosperous economy, businesses seek to expand output to match customer demand. An overabundance of products and services that are not used produces an economic slump when demand peaks and begins to decrease, forcing enterprises to produce less and shrink in size, while individuals lose buying power and consumption falls. continue.
2) *Uncertainty:* Uncertainty about how the economy will evolve increases the risk of company choices. Both war and pandemics wreak havoc on the economy by making short-, medium-, and long-term consumption trends unpredictable. Economic activity suffers when firms and consumers hesitate from making spending and investment choices.
3) *Speculation:* Economic bubbles arise when the price of something unexpectedly surges owing to speculation, market fluctuations, or consumer optimism. Investors are piling in, hoping to profit from a price boost. However, when they begin selling it, supply exceeds demand (leading in fewer new purchasers), prices fall, and the bubble collapses. This happened with Tulips in the 17th century and in the 2008 property market.

   The longer the recession lasts, the more difficult it will be to reverse the effects of reduced consumption, investment, goods and services, and unemployment. It also increases the likelihood of an economic downturn. This is the next difficult period for the economy.

V. CURRENT SCENARIO OF INDIAN IT INDUSTRY

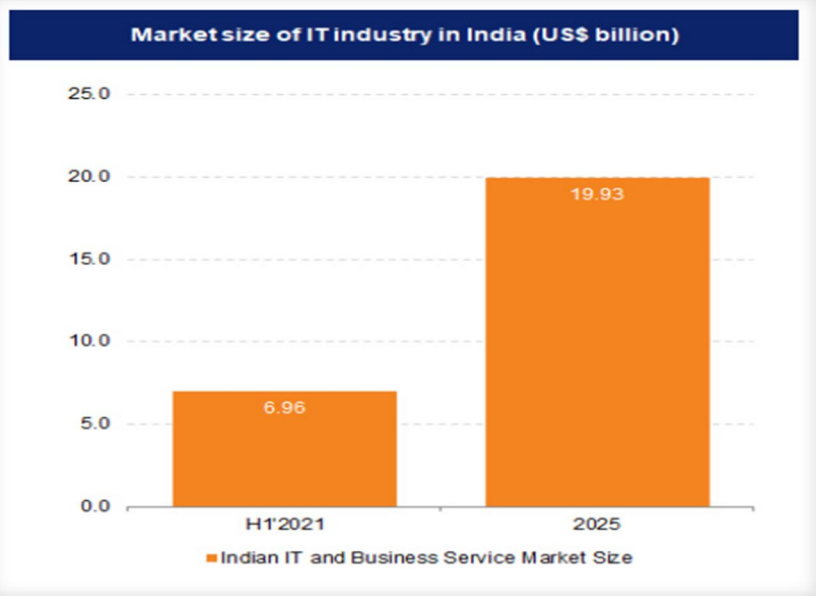
India is a key global sourcing destination in 2019-2020, accounting for around 55% of the $200-250 billion global services sourcing industry.

The IT industry in India will earn $227 billion in sales in FY2022, up 15.5% from the previous year, according to the National Association of Software and Service Companies (NASSCOM).

Gartner predicts that the IT expenditure in India would increase from $81.89 billion in 2021 to $101.8 billion in 2022.

The Indian software products sector is predicted to be worth $100 billion by 2025. Indian companies are focusing their overseas efforts on expanding their worldwide footprint and improving their global delivery hubs.

With earnings of US $ 39.6 billion, the Indian IT-ITES industry has emerged as the country's most significant private sector employer, employing 1.6 million professionals directly and indirectly employing over 6 million people in other industries. Women's workforce engagement in IT-BPO is considered as a vital facilitator of the industry's stable growth. Knowledge, competence, and experience are the foundations of IT-ITES development. As a result, developing internal capacities for efficiently managing knowledge, as well as collective competency building for the IT industry, will be crucial for any firm. Managing knowledge is a multi-period decision-making process that begins with R&D investment and goes via knowledge dissemination, innovation development, and revenue generation via commercialization.



©IJRASET: All Rights are Reserved

ISSN: 2321-9653; IC Value: 45.98; SJ Impact Factor: 7.538
Volume 10 Issue XI Nov 2022- Available at www.ijraset.com

VI. IMPACTS OF US RECESSION

A. Impacts of US Recession On Indian IT Industry

As a result of Federal Reserve Chairman Jerome Powell's harsh tone at a Jackson Hole conference, technology stocks have taken a major knock. It began to decrease again on September 14 after rebounding, in response to higher-than-expected US inflation figures. The United States and Europe are critical markets for Indian IT firms. The majority of our sales come from these markets.

According to a recent assessment by rating agency CRISIL, India's IT industries, together with those in the US and Europe, would account for more than 86% of sales in fiscal year 2022.

Because of Powell's comments and higher-than-expected inflation, there are fears of a recession, which could lead to US and European companies cutting back on their IT expenditure, which would damage India's IT companies' earnings growth.

According to estimates, 61% of Infosys' sales come from North America, while 25% come from Europe. Tata Consultancy Services' (TCS) revenue is split between North and Latin America, which generates 55% of it, and the UK and continental Europe, which generates 30% of it.

Because the Indian IT industry is presently selling at 28 times its one-year ahead P/E compared to its prior 10-year P/E of 18 times, ICICI Securities believes that a considerable percentage of the growth and profits predictions over the next three years have already been included into share prices. As a consequence, the brokerage industry is cautiously optimistic after a three-year period of sector optimism.

JPMorgan forecasts a poor medium-term prognosis for IT firm profits. The industry has gotten increasingly gloomy.

Operating margins will be moderated to the pre-pandemic level of roughly 23% this fiscal year, according to CRISIL, as travel resumes and hiring costs rise amid high attrition. Margin had reached a peak of 26 percent in fiscal 2021 due to significant cost savings, which then declined to roughly 24 percent in the previous fiscal year.

Nomura has not changed its skepticism of the industry. It stated that there will likely be less money available for IT spending as a result of slower revenue growth and increasing inflation.

B. Impacts of US Recession on Business

1) How the Recession has Affected Small Enterprises

Across the board, small firms in the US have remarkable numbers. He generally refers to businesses with fewer than 500 people, and in 2014, he contributed 43.5% of US GDP, down from 48% in 1998.

30% of US earnings and 35% of employment between 2012 and 2016 came from companies with less than 100 employees.

The fact that most small firms are little shouldn't be concealed by these statistics. Statistics from the Internal Revenue Service (IRS) for 2013 show that more than 70% of sales were under $500,000, and nearly 40% of sales were under $100,000. Only 20% of the 29.6 million small enterprises the US Census Bureau counted employed people.

The majority of SMEs now have less financial cushion, market strength, and leverage due to this lack of scale.

In a period of increased uncertainty and recession-related business risks, they are likely less enthusiastic about lending to businesses that do not have significant cash reserves and investments to serve as collateral.

SMEs often cannot raise funds through the sale of shares or the issuance of bonds, unlike publicly traded firms. In contrast to huge businesses in high-value industries, failing SMEs frequently cannot even request assistance from the government.

Small firms are hence especially susceptible to the rise in bankruptcy linked to prior recessions. The COVID-19 recession was an exception, as widespread pandemic relief measures made accessible to companies of all sizes helped to prevent an anticipated wave of bankruptcies.

Small firms generally do worse than large enterprises during a recession because they have a lower capacity to absorb revenue decreases when the level of economic uncertainty rises.

2) The Impact of the Recession on Large Corporations

Large corporations are not immune to economic downturns. In 2020, 244 filed for bankruptcy, the most since 2009; the hardest hit industries were energy, retail, and consumer services.

Share prices may fall dramatically as sales and profit decreases occur in quarterly earnings reports, as bear markets usually follow and even precede recessions. If earnings plummet sharply, some businesses may be obliged to decrease or abolish shareholder payouts.

©IJRASET: All Rights are Reserved

Large organizations, on the other hand, have more choices for countering sales and profit decreases during a recession than small enterprises.

When everything else fails, they can reduce positions, stop hiring, postpone pay increases, and resort to layoffs to cut expenses. You may reduce spending, limit R&D, and even halt new product launches. Such layoffs at major corporations can affect a significant number of employees and vendors.

3) The Business Impacts of a Recession

Many of the repercussions of the recession affect both large and small enterprises. In this part, we'll look at some of the most typical problems that businesses of all sizes encounter during a downturn.

4) Sales are Dwindling

Nothing affects a business more than when the register stops ringing or orders slow to a trickle during a slump. During an economic downturn, aggregate demand diminishes, causing the majority of firms' sales to fall. Manufacturing and energy are two cyclical industries that have experienced significant decreases. Companies with large fixed expenses, such as merchants and technology providers, bear a disproportionate share of the loss when revenue falls. Overstocking may force manufacturers to curtail output until demand rebounds.

Consumer demand degradation affects the projected returns on investment for advertising and marketing efforts, driving budget reductions. As a result, revenue for media organizations that publish, broadcast, or sell advertisements online may suffer.

5) Bankruptcy and Credit Impairment

One of the first repercussions of a recession on firms is tighter credit conditions. When the intensity and duration of a downturn are unpredictable, lenders become more selective in the risks they are ready to underwrite.

Accounts receivable can increase during a recession as liquidity concerns affect customers and businesses all the way up and down the supply chain. Customers that owe the firm money may be sluggish to pay or fail to pay at all. As a result, the corporation may be obliged to slow down its own payments. While large organizations may be able to refinance their debt at a cheaper interest rate when the Federal Reserve reduces the federal funds rate in reaction to the downturn, the majority of businesses remain burdened with fixed-rate debt.

6) Employee Reductions in Benefits and Layoffs

One of the first repercussions of a recession on firms is tighter credit conditions. When the intensity and duration of a downturn are unpredictable, lenders become more selective in the risks they are ready to underwrite

Accounts receivable can increase during a recession as liquidity concerns affect customers and businesses all the way up and down the supply chain. Customers that owe the firm money may be sluggish to pay or fail to pay at all. As a result, the corporation may be obliged to slow down its own payments.

While large organizations may be able to refinance their debt at a cheaper interest rate when the Federal Reserve reduces the federal funds rate in reaction to the downturn, the majority of businesses remain burdened with fixed-rate debt.

VII. CONCLUSIONS

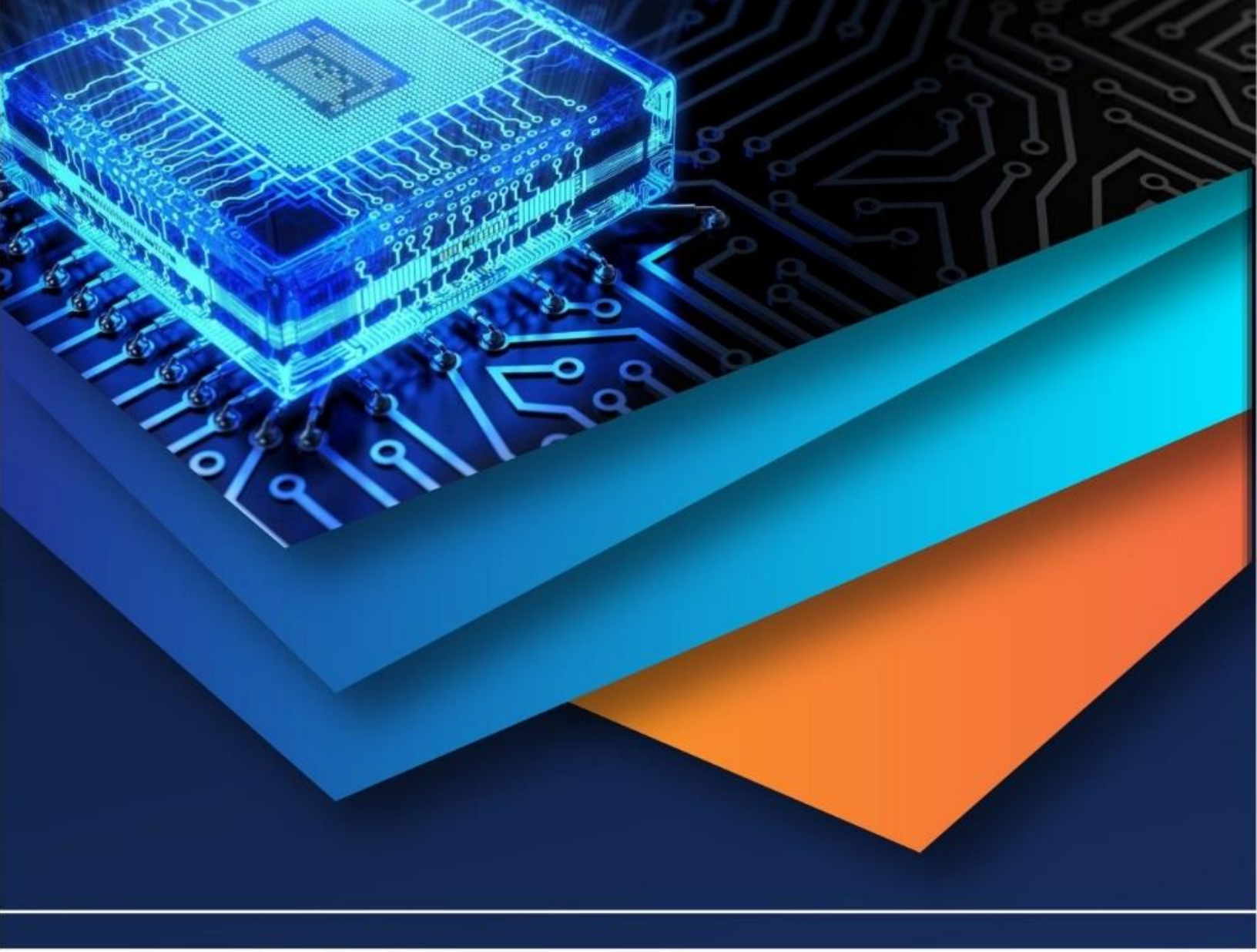
Economic slowdown in the United States and potential recession in other countries such as the United Kingdom, Australia, New Zealand, Taiwan, and the Philippines will have a small but significant impact on the Indian economy. The impact will be felt more acutely in the information technology (IT) industry, which generates 40% to 78% of its revenue from offshore clients. According to JPMorgan's tech team report, software companies in the United States are expected to reduce their budgets by 5%-6% in nominal terms due to inflationary pressure. Contracts with Indian IT firms such as Tata Consultancy Services (TCS), Infosys, Wipro, and Tech Mahindra, which get more than half of their international business from the US, will suffer as a result. The startup ecosystem has also taken a hit. News of the U.S. recession and volatile financial markets saw seed funding drop about 33% from $10.3 billion in the first quarter to $6.9 billion in the second quarter, according to Tracxn Technologies. Indian IT industry faces many challenges. On the one hand, costs are increasing due to the cost of hiring and maintaining IT staff. At the same time, rising commodity and energy prices are driving up operating costs, coping with lower demand as businesses scale back their discretionary IT spending.

©IJRASET: All Rights are Reserved | SJ Impact Factor 7.538 | ISRA Journal Impact Factor 7.894 |

According to Statista Digital Market Outlook, e-commerce revenues are expected to fall for the first time in history. The largest single weakening factor is supply chain issues, with inflation also playing a significant role in the downward revision. The widely anticipated US recession and subsequent increases in unemployment present significant challenges for the e-commerce sector.

REFERENCES

[1] Nidhi Arora Kumar (2011), "Impact of Global Recession on Indian IT Industry and Effectiveness of E-Business in the Era of Recession", Global Journal of Business Management and Information Technology, Volume 1, Number 1 (2011), pp. 9-25 © Research India Publications http://www.ripublication.com
[2] Prof. S.T. Bhosale (2011), "IT Services in India: Present Scenario", ResearchGate, Volume 1, Issue VI, pp. 1-4 https://www.researchgate.net/publication/260982561
[3] Sher Verick, Iyanatul Islam (2010), "The Great Recession of 2008-2009: Causes, Consequences and Policy Responses", IZA DP No. 4934
[4] Dean Baker (2006), "Recession Looms for the U.S. Economy in 2007", CENTER FOR ECONOMIC AND POLICY RESEARCH
[5] Mangal Sain, Aditi Mittal (2013), "Impact of recession on India", Academia, Vol. 01 Issue-04
[6] David C. Wheelock (2011), "Banking Industry Consolidation and Market Structure: Impact of the Financial Crisis and Recession", Federal Reserve Bank of St. Louis, 93(6), pp.419-38.
[7] Dr.P.S. Kamble and Mr.Sandeep Krishnat Raval (2011), "Global Recession and its impact on Indian Economy", Indian Streams Research Journal, Vol-I, Issue-VII



10.22214/IJRASET

45.98

IMPACT FACTOR: 7.129

IMPACT FACTOR: 7.429

INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

Call : 08813907089 (24*7 Support on Whatsapp)