

**T**he US housing sector boom bubble burst, bringing in its wake the subprime mortgage crisis that has sent ripples through the global economy. Over the past year, almost all economies in the world have faced the heat of the crisis. Some experts even feel that this disaster may even lead to more appalling economic devastations than the great depression.

Sectors like stock markets and banking have been affected worldwide, especially in Europe and Asian countries. Across the globe there is a fear that the repercussions of this crisis in the financial world would be evident for many years to come beginning with a US recession. Major Banks and other financial institutions around the world have reported shocking losses of nearly U.S. \$435 billion as of July 17, 2008.

In the past few months, banks such as Citigroup, Merrill Lynch, UBS, Credit Suisse, IKB Deutsche, Industriebank and Barclays, to name a few, have posted large writedowns due, mainly, to sub-prime mortgage exposures. UBS AG reported over \$18 billion in losses for 2007 and may report an equal amount in 2008. Barclays reported £1.6 billion in credit-related losses, though Credit Suisse is not in red as yet, it has nevertheless reported substantial (\$1.88 billion) writedowns. Jobs in the finance sectors have been hit badly. From July 2007 to March 2008 financial institutions laid off more than 34,000 employees and job cut announcements are continuing even now. Top management has also not escaped unscathed, as the CEOs of Merrill Lynch and Citigroup were forced to resign within a week of each other. Various banks and institutions have been forced to look for merger deals. At least 100 mortgage companies have either shut down, suspended operations or been sold since 2007.

Profits at the 8,533 U.S. banks have declined from \$35.2 billion to \$646 million (89 percent) during the fourth quarter of 2007 versus the prior year, on account of high loan defaults and provisions for non-payments. Profits for these banks have declined from \$35.6 billion to \$19.3 billion during the first quarter of 2008 versus the prior year, a decrease of 46%.

The crisis also affected Indian banks which have ventured into USA. ICICI, India's second largest bank, has reported mark-to-market loss of \$263 million in its loans and investment exposures. Other banks such as State Bank of India, Bank of India and Bank of Baroda have refused to release their figures.

The subprime crisis has also placed downward pressure on economic growth. There is a lending crunch which has reduced the investment by businesses and consumer spending, which drive the economy. It has also badly affected the infrastructure sector, which was driving the economic indicators in the recent years.

On July 19, 2007, the Dow Jones Industrial Average hit a record high, closing above 14,000 for the first time. By mid August, the Dow had dropped below 13,000 and the S&P 500 had crossed into negative territory year-to-date. Similar drops occurred in virtually every market in the world, with Brazil and Korea being hard-hit. Indian stock market also became turbulent and is yet to stabilize.

Several steps have been taken by regulators to ensure that the economies tide this crisis as soon as possible but the end seems to be far off in the horizon. According to Alan Greenspan, the former Chairman of the Federal Reserve, "The current credit crisis will come to an end when the overhang of inventories of newly built homes is largely liquidated, and home price deflation comes to an end. That will stabilize the now-uncertain value of the home equity that acts as a buffer for all home mortgages, but most importantly for those held as collateral for residential mortgage-backed securities. Very large losses will, no doubt, be taken as a consequence of the crisis. But after a period of protracted adjustment, the U.S. economy, and the world economy more generally, will be able to get back to business."

**Dr. Ashok Gupta**  
**Director**



FROM THE  
DIRECTOR



# EDITOR'S NOTE

**T**here is an anonymous quote "Numbers give us sense of security. Like a course on a navigational chart, they tell where we have come from and where we are going."

Team OORJA draws security from the fact that our journal is in its sixth year of existence and soon we will have a silver jubilee of sorts with twenty five different issues of OORJA lined up in many a libraries.

Andrew Carnegie might not be the first name that comes to mind when one thinks of quotable quotes but there is one that I like a lot. It is simple but has fair slice of wisdom. He says, "People rarely succeed unless they have fun in what they are doing."

Our editorial team truly enjoys what it does for every new issue of OORJA. Be it searching terms for In Focus or deciding the books to be reviewed , we have an uproarious time, making what could have been a serious academic effort, a fun filled activity that everybody looks forward to. We feel our sense of enjoyment in publishing Oorja has also reached our contributors. No doubt we receive creative articles and papers like "Promotional Mantras Adopted by Filmmakers for Success at Box Office: An Empirical Study".

I would like to invite the Research Scholars at the professional institutions to send us their working papers for publication in our journal. I also request the librarians across the country to send us papers on library management, digital library and other contemporary library-enrichment related issues which need to be addressed to provide future professionals the best of reference material.

As usual, the current issue of OORJA is packaged to hold the interest of a wide variety of readers.

Happy reading.

**Dr. Shalini Talwar**  
**Editor-in-Chief**