

Impact of Russia- Ukraine War on Indian Economy

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Abstract - In this day and age, few individuals have considered making war predictions. Still, it is taking place. Both the global economy and the people of Ukraine are suffering as a result of something they have never done in their lives.

Ukraine was attacked by Russia on February 24, 2022. Since then, Russia has been the target of criticism from other nations as a whole, and now, other nations have united against Russia, greatly impacting the global economy.

My research attempts to determine how the ongoing conflict between Russia and Ukraine has influenced India's international commerce, what effects it has had on the country's future, and what other patterns the Indian economy will likely follow as a result of this conflict. I'll examine India's international commerce with Russia and Ukraine during the last five years and attempt to research how a conflict would affect trade in the future. We believe that this study article will aid in the understanding of the global impact of this conflict by the scholarly community.

Keywords - Impact, Russia- Ukraine war, Indian economy

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INTRODUCTION

India was hopeful about its future growth prospects after the COVID-19 pandemic and price surge in the previous fiscal year. This optimism was fueled by a number of factors, including a recovering stock market, increased reserves, increased production and manufacturing activities, and a return to stability in interest rates and volatility. India and the world faced additional challenges due to the conflict between Russia and Ukraine. Since the Russia-Ukraine war began on February 24 and the US imposed sanctions on the Russian economy in response, trade between these nations has a direct impact on India's economy. Although trading with Russia only makes up around 1% of India's total foreign trade, it falls under a sector where the government might potentially take further measures to safeguard the transactions. Still, the nation feels the effects of this. However, due to market forces such as the devaluation of the rupee, the rise in the price of edible oil and metals, transportation and interstate movement of commodities, etc., the indirect effects of the war on the Indian economy are significant and deserve attention (Rahman, and Tul-Kubra, 2020).

Furthermore, since February 1, 2022, with a few short breaks, most stock market indices have fallen by over 10%. Forecasts indicate that Brent crude oil prices will surge to about \$115 per barrel in the next month.

However, it is difficult to make precise forecasts on price changes because to factors like as China's zero-COVID policy and the slowdown in global demand for oil. The Indian economy is finding it more difficult to formulate plans and establish long-term expectations due to the increased volatility and ambiguity in the market.

With the Indian economy still reeling from the effects of the three-year pandemic, economist Jayanth R. Verma, a member of the Reserve Bank's Monetary Policy Committee (MRC), made the observation that private consumption has not entirely recovered, investment has stayed low due to the war, and inflation is much higher than the target. Health, education, manufacturing, services, tourism, and other sectors are immediately impacted by war, but in the short and medium term, it may have negative impacts on price level, economic productivity, inequality, employment, wages, and demographic dividend. Despite this, Indian agri-exporters are capitalizing on a seemingly insignificant opportunity presented by the war and the economic sanctions that follow against Russia. As a result, the globe is looking to India to make up for the shortage of wheat, maize, millet, and other essential grains that people in the US and Europe rely on. India, whose economy is still highly dependent on agriculture and allied sectors, sold 1.4 million metric tons of wheat in

April, and now Turkey has joined Egypt in placing an order for 50,000 metric tons of wheat.

Russia and Ukraine's Influence Conflict with India's Economy

Following WWII's conclusion in 1945, Russia and Ukraine engaged in what is arguably the greatest military conflict in human history. The war lasted for a long time, caused widespread economic chaos, and killed a lot of people. It also destroyed infrastructure and violated human rights in both Russia and Ukraine. India has taken a neutral stance, voicing grave concerns about the possible repercussions of war and promoting peaceful methods of conflict resolution; it has significant diplomatic, economic, nuclear energy, technical, and military relations with Russia. Nonetheless, India, like every other country in the modern, globally interconnected, integrated globe, cannot escape the devastation caused by the conflict.

Find out in this research how the ongoing conflict between Russia and Ukraine has influenced India's international commerce, how it has damaged the country's prospects, and what other tendencies the Indian economy will likely follow as a result of this conflict. This research examines India's international commerce with Russia and Ukraine during the last five years and attempts to determine how future trade may be affected by conflict. We believe that this study article will aid in the understanding of the global impact of this conflict by the scholarly community.

REVIEW OF LITERATURE

Bhattacharjee, et al., (2023) Russia and Ukraine are not physically adjacent to India. However, India is exposed to the effects of the conflict between these nations due to its trading links with them. As a result, this study aims to look at how various sectoral economic indicators in India have been impacted by the crisis between Russia and Ukraine. The analysis in this research was conducted using the event study approach. The event day is the day on which the war was declared. Ten Indian economic sectors that are listed on the National Stock Exchange (NSE) make up the sample under study. The results pertain to the period from June 25, 2021, to March 28, 2022, which are -167 days to +20 days after the proclamation of war. In the post-event era, almost all of the sample sectors saw substantially positive anomalous returns. This category has been headed by the metals business, which has shown the biggest anomalous returns. Even though Indian industries had overall gains, anomalous profits were eliminated as the market quickly recovered. When it comes to hedging risks and choosing wise investments under heightened global uncertainty, portfolio managers, analysts, investors, and politicians may all profit from these findings. The study's findings assist policymakers in creating an institutional and supervisory framework that will facilitate the identification of systemic risks and the implementation of countercyclical measures to

mitigate them. India does not have the same commercial links or closeness to Russia or Ukraine as any other European nation. On the other hand, Russia has continued to be India's reliable friend in the sale of military hardware. This also applies to Ukraine, one of India's most important international allies. As a result, the dispute between these two nations has affected associated economies in addition to only Europe. Therefore, this research is one of the first efforts to investigate the damages caused by the conflict to the Indian economy.

Sarkar, & Gupta, (2023) The situation in Russia and Ukraine is having an effect on the global economy as a whole due to the fact that it slows down growth and makes inflation even higher. The commercial route between Russia and India is also impacted by the situation between Russia and Ukraine. In light of the present worldwide economic crisis, this study seeks to compile the most up-to-date information on its effects on the Indian economy. In order to determine how the crisis between Russia and Ukraine may affect India's economy, this research develops a mathematical forecasting model that accounts for disruptions to the country's primary transportation networks. Two particular methods, input-output modeling (I-O model) and interval programming (IP), are included into the model. The interdependence of economic sectors is the focus of Wassily Leontief's inoperability I-O model. Incorporating IP into IIM allows for the collection of data uncertainty. In this study, we look at the sector-to-sector links using the anticipated inoperability value. The impact of the Russia-Ukraine war on India's economy has been so severe that economic loss has dictated which industries are given the highest and lowest priority. For the purpose of analyzing the sectors in various settings, this study also provides a conclusion that lends credence to the choice. To further understand the impact of the Russian-Ukrainian conflict on other businesses, future studies may expand their scope outside the Indian economy. While this disruption is affecting only the transportation industry, it may have far-reaching effects on other industries as we investigate the crisis's aftereffects. The fact that just limited data is available for this investigation is very problematic. The global economy and transportation network are hit hard by the conflict between Russia and Ukraine. This article discusses how the Russia-Ukraine war may be modeled using the IIM-IP framework. The projections of values also help in investigating how the crisis has affected the Indian economy. This study uses a decision-support conclusion table that includes many scenarios to help decision-makers evaluate which parts of the Indian economy were most and least affected by the crisis.

Shah, et al., (2022) Under the guise of national security, Russia invaded Ukraine on February 24, 2022. Serious problems, including economic ramifications for the parties involved and for the world's atomic powers, are probably going to arise from the Russia-Ukraine conflict. One of the long-

term consequences of imposing severe sanctions on a petro-state like Russia may be an increase in the price of oil globally. When it comes to Russia, the economic effects of Putin's assault on Ukraine are mostly political. The interruptions in Russia's supply of Brent crude oil and other exports will depend on the economic sanctions that Western lawmakers have placed on the country. Regarding Ukraine, supply interruptions for wheat, sunflower oil, and other exports will depend on how much damage the Russian attacks have inflicted to its agricultural land and infrastructure. This research study aims to analyze the impact of the Russia-Ukraine crisis on Pakistan and South Asia as a whole..

OBJECTIVES

- To find the impact of the prevailing war on foreign trade in India,
- To find the impact affected its prospects, and other trends will be followed in the Indian economy
- To analyze the past five years of foreign trade between India and Russia and India and Ukraine
- To understand this war's worldwide effect.

METHODOLOGY

The majority of this article is based on secondary sources, particularly those found on several websites and in daily newspapers. Since all of the data and information has been gathered and compiled, it is presented in a methodical way from which significant conclusions may be made. Moreover, the essay pertains to the current circumstances.

Impact of the prevailing war on foreign trade in India

A war's effects on India's international trade may be complex and vary based on a number of variables, including the kind and length of the conflict, the nations participating, the level of severity, and the sectors impacted (Bedi, 2022).

Disruption of Supply Chains: War may cause delays or disruptions in the flow of products by upsetting transportation networks. Both imports and exports may be impacted by this interruption, which might result in delivery schedule delays and higher transportation expenses (Channan, 2022).

Reduction of Trade Volumes: Uncertainty reigns during wartime, which lowers investment and consumer confidence. As a consequence, trade volumes may decline as companies become more hesitant to do business internationally.

Changes in Trade Patterns: nations may try to diversify their trading partners or lessen their dependence on nations that are directly engaged in the conflict as a result of war. In an effort to lessen the

effects of the conflict, India can try to improve commercial relations with friendly or neutral countries.

Impact on Key businesses: The conflict may have a disproportionately large impact on certain businesses. sectors that rely on imported components or raw materials, for instance, could not have enough of them, while sectors that depend on exports would see a decline in demand from nations impacted by conflict.

Exchange Rate Fluctuations: Wartime economic instability may cause exchange rate fluctuations, which can have an impact on the price of imported products and the competitiveness of Indian exports.

Policy Changes: In reaction to the conflict, governments may impose tariffs or trade restrictions, either to defend homegrown businesses or as a component of larger economic penalties against warring nations. Trade flows may be further disrupted by these policy changes. Humanitarian Aid and Assistance: Aside from its effects on commerce, war may also result in a rise in the demand for humanitarian aid. India could take part in or provide humanitarian help to areas devastated by conflict, which might have an impact on its finances.

Long-Term Economic Impact: Depending on a number of variables, including the length of the conflict, post-war rebuilding efforts, and geopolitical realignments, the long-term economic effects of war on international commerce in India will vary. Wars have the potential to permanently harm economies, impacting infrastructure, investment, and general economic expansion. Overall, a war in India is expected to have a negative short-term effect on international commerce, with possible long-term repercussions depending on the intensity and length of the battle. It will be essential to be flexible, diversify your trading partners, and implement strong economic policies in order to lessen the effects of conflict on international commerce.

Impact of Indian Economy Due To War

When they were progressively trying to get over the pandemic's misery, one of the main effects of the war was a halt in the rate of economic development. Global supply chains were profoundly affected by the closure of two crucial trade routes, one between Russia and Ukraine and the other as a result of sanctions imposed on Russia by other countries. Inflation soared as a result of oil prices hitting record highs. In spite of this, the Indian economy grew by 13.5% in the first quarter of the fiscal year 2022–2023, which is April–June 2022. Gross domestic product grew 6.3% in the following quarter, from July to September of 2022. This puts India's economy in a better position than most others throughout the world. A relatively "bright spot" according to the World Bank and the International Monetary Fund (IMF) (World Economic Forum, 2022).



Figure 1: Russia- Ukraine war

(Source: Aishwarya Paliwal, Mar 4, 2022, India today)

Military supplies for India: According to popular belief, India has been consistently abstaining from voting at the UN since the invasion of Ukraine in an effort to safeguard its supply of military equipment, the vast bulk of which is imported from Russia. From 2016 to 2020, the Stockholm International Peace Research Institute, a military think tank, calculated that almost 25% of Russia's total weapon shipments went to India. This shows that defence expenditure as a proportion of India's GDP is substantial each year.

Prices of crude oil: The US sanctions on Russia, one of the world's leading crude oil producers, are expected to keep tensions high and, in turn, push up the price of crude oil. In addition, by the middle of 2021, the price had risen to \$108 a barrel, the most it had been in 14 years (as of May 5, 2022). India currently imports most of its oil needs, with the Middle East supplying most of that supply due to logistics and geography, thus the impact on the nation will be small.

Modifications to International Politics: Particularly, India will find itself entangled with both the Devil and the Deep Sea. It is time to draw clear lines now (Rajagopalan, 2022). If India does not publicly condemn Russia and withdraw from all agreements it has entered into with the country, including the \$4.6 billion advance paid for nearly \$46 billion in defense deals with Russia in the coming years (a portion of the \$26 billion advance paid for the \$260 billion in deals signed between 2016 and 2023), the US has the right to impose sanctions on the Indian government. India will have to make a tough choice. Joining hands with Pakistani and Chinese forces, Vlad will soon assemble Russian soldiers to march and grab control of Kashmir and Arunachal if they align with the US and punish Putin. This will happen in a matter of weeks. Importantly, Russia presented Imran Khan with an honorary parade. The Kremlin has requested an honor guard in particular!!!!)

US Hegemony and its Position: A lot of people lost faith in the United States when they withdrew from Afghanistan. If the United States fails to overcome

Putin, US hegemony will disintegrate and other powers will arise (Rajagopalan, 2022).

Energy Crisis: An international energy catastrophe is imminent. Britain, the Baltic States, and the rest of Europe will feel its effects acutely. Energy Crisis: The European Union (EU) will have to pay for expensive energy deals with other countries, which will put a damper on their plans to invest in infrastructure in the future and infuriate the people—after all, they'd prefer Putin to use his bombs on Ukraine than to see a 40% spike in their heating costs.

Share market volatility: Recent volatility in the stock index suggests that investors may see a decline in their portfolio value due to disruptions in global supply chains brought on by rising crude oil prices. We also believe that investors would be enticed to shift their focus from the volatile stock market to these financial assets if bank deposits were to earn greater interest rates.

Movement of major commodity prices (%) since Feb 24, 2022



Figure 2: Impact of war on Major commodity prices

(Source: Surojit Gupta & Sidhartha Read more at:

Indian Rural Economy Positive Impact Due To War

The country's agricultural economy is expected to benefit greatly from the prolonged conflict between Russia and Ukraine. According to a study written by director of research Amnish Aggrwal of the Mumbai-based trading company Prabhuda Lilladher, "the Russia-Ukraine war has driven up commodity prices." India may benefit from an increase in rural demand and sentiment in the next months (Anand, 2022).

- Among the top exporters of sunflower, wheat, maize and barley worldwide, Ukraine accounts for 47%, 10%, 20%, and 17% of total exports. Russia has a significant presence as well, exporting 25% of barley and sunflower wheat. We see that 14% comes from wheat, mustard, barley, cotton, and soybeans. According to the Mumbai-based brokerage, "We believe Rubi crops like wheat will give an incremental profit of Rs 30,200 crore and major crops Rs 57800

crore an increase of 32% year on year" (Anand, 2022).

- Experts in rural areas said that after agricultural harvest and the establishment of the monsoon, rural demand is anticipated to sharply recover, initiating a new phase of economic expansion. According to the brokerage business, there would be an increase in job possibilities and income in rural regions due to government programs aimed at improving infrastructure (Anand, 2022).

India-Russia Trade:

Trade Volume:

- Examining the trade volume over the past five years can give insights into the overall strength and trajectory of the trade relationship.

Major Commodities:

- Identify the major commodities traded between India and Russia during this period. Common items might include oil, natural gas, diamonds, metals, machinery, and pharmaceuticals.
- Analyze any fluctuations in the volume or value of these commodities traded over the years.

Trade Balance:

- Determine whether there's a trade surplus or deficit between India and Russia.
- Assess how the trade balance has evolved over the past five years and any factors contributing to it.

Significant Events or Agreements:

- Highlight any significant events, agreements, or policy changes that might have impacted trade relations during this period.
- For instance, the signing of bilateral trade agreements, changes in tariff policies, or geopolitical events that influenced trade dynamics.

India-Ukraine Trade:

Trade Volume:

- Similar to India-Russia trade, analyze the trade volume between India and Ukraine over the past five years.
- Compare the total value of imports and exports annually to understand the overall trend.

Major Commodities:

- Identify the key commodities traded between India and Ukraine, which may include agricultural products, metals, machinery, chemicals, and textiles.
- Look for any changes in the volume or value of these commodities traded over the years.

Trade Balance:

- Assess the trade balance between India and Ukraine to understand if there's a surplus or deficit.
- Analyze how the trade balance has evolved over the past five years and factors influencing it.

Significant Events or Agreements:

- Highlight any notable events, agreements, or policy shifts affecting trade between India and Ukraine.
- This might include trade agreements, changes in import/export regulations, or geopolitical developments impacting trade relations.

Comparative Analysis:

After looking at the trade dynamics between India and Russia and India and Ukraine separately, we can compare the patterns, volumes, primary commodities, and trade balances between the two sets of countries.

Determine any trends, distinctions, or similarities that show up in the comparison study.

One may get important insights into the changing commercial connections and dynamics between these nations by doing a thorough examination of the last five years of international trade between India and Russia and India and Ukraine (Kishore, 2022).

War's worldwide effect

Wars may have far-reaching consequences that affect many facets of society, the economy, and geopolitics globally (Nagarjuna, 2022). Here are a few major consequences of war on a global scale:

Humanitarian Crisis: Wars often result in large-scale displacement of populations, leading to refugee crises and humanitarian emergencies. Civilians are particularly vulnerable to violence, displacement, and lack of access to basic necessities such as food, water, and healthcare.

Economic Disruption: Wars disrupt economic activities both locally and globally. Infrastructure damage, loss of productivity, trade disruptions, and investment uncertainties can lead to economic

downturns not only in the countries directly involved in the conflict but also in neighboring regions and globally.

Resource Allocation: Wars divert resources away from social and economic development towards military expenditures. This can strain public finances, limit investments in education, healthcare, and infrastructure, and exacerbate poverty and inequality.

Political Instability: Wars can lead to political instability within countries and regions, affecting governance structures, social cohesion, and stability. Failed states or regions with weak governance may become breeding grounds for extremism, terrorism, and organized crime.

Global Security Concerns: Wars can have ripple effects on global security, contributing to regional instability and creating tensions between countries. They can also lead to the proliferation of weapons, including weapons of mass destruction, and increase the risk of interstate conflicts or terrorist attacks.

Environmental Impact: Wars often result in environmental degradation due to pollution, destruction of ecosystems, and the use of weapons with long-term environmental consequences (e.g., chemical warfare, deforestation, oil spills). This can have long-lasting effects on biodiversity, public health, and natural resources.

Refugee and Migration Flows: Wars generate large-scale refugee and migration flows, impacting countries both within and beyond the conflict zone. This can strain host countries' resources, contribute to social tensions, and raise concerns about border security and immigration policies.

Human Rights Violations: Wars are often accompanied by human rights abuses, including atrocities such as genocide, ethnic cleansing, torture, and sexual violence. The international community faces challenges in ensuring accountability, justice, and protection for affected populations.

Diplomatic Relations: Wars can strain diplomatic relations between countries, leading to alliances and rivalries that reshape geopolitical dynamics. Efforts to resolve conflicts through diplomacy, mediation, and peacekeeping may be complicated by geopolitical interests and power struggles.

Psychological and Societal Impact: Wars have profound psychological and societal effects on individuals, communities, and entire societies. Trauma, loss, and displacement can leave lasting scars, affecting mental health, social cohesion, and cultural identity.

Overall, the effects of wars worldwide are complex and multifaceted, with far-reaching consequences for human lives, economies, ecosystems, and

international relations (Sharma (2022)). Efforts to prevent, mitigate, and resolve conflicts are crucial for promoting peace, stability, and sustainable development globally.

CONCLUSION

Factors such as India's reduced need on Russian oil and gas, along with other global worries, are projected to keep the country's export boom going strong in 2022. Nevertheless, Indian officials face a number of difficult issues stemming from underlying tensions in the continuing Russia-Ukraine conflict: The long-standing animosity between Moscow and New Delhi is not going away anytime soon. Russian aims to strengthen China and undermine the US are at odds with India's objectives. Risk management: Given the uncertainty of the situation, New Delhi must tread cautiously. Indian policy should not be idealistic and fixated on the idea of total disengagement, but rather practical and focused on what the US can realistically do. To successfully navigate the ever-changing geopolitical terrain, one must first accept the multipolar world as it really is. The main points—India's export advantage, the difficulties caused by the conflict, and the need of taking a practical approach to the United States—remain unchanged in this condensed version of the original text. It sheds light on the origins of the animosity between Russia and India as well.

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