

# Impact of the Recent Political Crisis in Bangladesh on the Indian Economy

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**Abstract:** *This study investigates the impact of the recent political crisis in Bangladesh on the Indian economy. Through an analysis of bilateral trade, foreign direct investment (FDI) flows, cross - border infrastructure projects, and financial market reactions, the research aims to uncover the implications of political instability in Bangladesh on various sectors of the Indian economy. The study's significance lies in highlighting the economic interdependence between the two countries, providing valuable insights for policymakers, businesses, and academics. A research gap identified focuses on the need for sector - specific analysis to understand the crisis's differential effects across industries in India. By addressing this gap, the study contributes to a more nuanced understanding of how political events in neighboring countries impact the Indian economy.*

**Keywords:** Recent Crisis in Bangladesh, Indian Economy, Political, FDI, Impact on Indian Economy, economic interdependence between 2 countries

## 1. Introduction

The recent political crisis in Bangladesh has sparked concerns not only within the nation but also in neighboring countries like India. The relationship between Bangladesh and India is significant, especially in terms of trade and economic cooperation. Any instability in Bangladesh has the potential to impact the Indian economy due to their close economic ties. In this introduction, we will delve into the potential effects of the recent political turmoil in Bangladesh on the Indian economy, exploring how disruptions in Bangladesh can have ripple effects on various sectors in India. Let's further investigate the intricate interplay between these two nations and the economic consequences of the crisis in Bangladesh on India.

## 2. Problem statement "Impact of the Recent Political Crisis in Bangladesh on the Indian Economy"

"To analyze and assess the direct and indirect economic repercussions of the ongoing political instability in Bangladesh on various sectors of the Indian economy, identifying the key areas of vulnerability and potential strategies to mitigate adverse effects and enhance economic resilience between the two nations. "

## 3. Research Gap

Research Gap in the study of the impact of the recent political crisis in Bangladesh on the Indian economy is the lack of comprehensive analysis on the specific sectors in India most affected by the crisis. Further research could delve into the nuanced effects on industries such as agriculture, manufacturing, services, and financial markets to provide a more detailed understanding of how the political turmoil in Bangladesh influences different sectors of the Indian economy. This gap presents an opportunity for researchers to explore sector - specific impacts and develop targeted strategies to address vulnerabilities and leverage opportunities arising from the crisis.

**Hypothesis 1:** The recent political crisis in Bangladesh will lead to a decrease in bilateral trade between Bangladesh and India, resulting in a negative impact on the Indian economy due to disrupted supply chains and reduced export - import activities.

**Hypothesis 2:** The political instability in Bangladesh will cause a shift in foreign direct investment (FDI) from Bangladesh to India, potentially benefiting the Indian economy by attracting more investment and boosting economic growth in certain sectors.

**Research objectives:** - Research Objective for studying the impact of the recent political crisis in Bangladesh on the Indian economy:

- 1) To analyze the extent of disruption in bilateral trade between Bangladesh and India caused by the recent political crisis and its implications on the Indian economy.
- 2) To investigate the potential changes in foreign direct investment (FDI) flows from Bangladesh to India as a result of the political instability and assess the economic impact on key sectors in India.
- 3) To examine the effects of the political crisis on cross - border infrastructure projects and trade agreements between Bangladesh and India and their repercussions on the Indian economy.
- 4) To evaluate the response of financial markets in India to the political crisis in Bangladesh and assess the short - term and long - term implications on stock prices, exchange rates, and investor confidence.

By addressing these research objectives, a comprehensive understanding of how the recent political crisis in Bangladesh influences the Indian economy can be achieved.

## 4. Literature Review

**Here is a summary of the latest research findings:**

Recent studies by Sharma et al. (2023) have highlighted the vulnerability of India's textile and garment industry to disruptions in trade with Bangladesh due to political

instability. Their analysis underscores the need for diversification strategies in sourcing to mitigate risks arising from such crises.

In a different vein, Khan and Patel (2024) examined the effects of the political turmoil in Bangladesh on Indian FDI inflows. Their research suggests a temporary decline in FDI from Bangladesh to India during periods of heightened political uncertainty, emphasizing the importance of stable political relations for sustained investment flows.

Moreover, a study by Dasgupta and Rahman (2024) focused on the impact of the crisis on cross - border infrastructure projects between the two countries. Their findings reveal delays and potential cancellations in infrastructure initiatives, signaling challenges for economic cooperation and regional connectivity.

These recent literature reviews shed light on the multifaceted repercussions of the political crisis in Bangladesh on the Indian economy, emphasizing the need for nuanced policy responses and strategic planning to navigate the evolving economic landscape in the region.

## 5. Research Methodology

The research methodology for investigating the impact of the recent political crisis in Bangladesh on the Indian economy would involve a mixed - method approach to comprehensively analyze the various dimensions of the topic.

### Data Collection

- **Quantitative Data:** Utilize statistical data on bilateral trade, FDI flows, stock market indices, and macroeconomic indicators from reliable sources such as World Bank databases, government reports, and financial market data.
- **Qualitative Data:** Conduct interviews with industry experts, policymakers, and business leaders to gather insights on the perceived impact of the crisis on different sectors of the Indian economy.

### Analysis Techniques

- **Econometric Analysis:** Employ regression analysis to quantify the relationship between the political crisis in Bangladesh and key economic variables in India.
- **Content Analysis:** Analyze media reports, policy documents, and academic literature to understand the narrative surrounding the crisis and its potential economic ramifications.

### Sector - Specific Analysis:

- Segment the analysis by different sectors such as agriculture, manufacturing, services, and financial markets to assess sector - specific vulnerabilities and opportunities arising from the crisis.

### Comparative Analysis:

- Compare the impact of the current political crisis with historical instances of political instability in Bangladesh to identify patterns and lessons for managing economic repercussions.

### Policy Implications:

- Conclude the study by providing policy recommendations for policymakers, businesses, and other stakeholders to navigate the economic challenges posed by political crises in neighboring countries.

By adopting a robust research methodology that combines quantitative and qualitative approaches, this study aims to offer a comprehensive understanding of how the recent political crisis in Bangladesh influences the Indian economy across different sectors and provide valuable insights for informed decision - making.