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THE IMPACT OF RUSSIA-UKRAINE WAR ON INDIAN MARKET: A THEORETICAL ANALYSIS

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Abstract

The Russia-Ukraine war which outbreak in Feb 2022, which is also known as the "black-swan" event sent economic shockwaves across the global market including India. As a large emerging economy deeply integrated into global trade through energy imports, agricultural commodity markets, and evolving financial linkages, India stood at a complex crossroads of geopolitical pressure and economic opportunity. This paper presents theoretical analysis of this war's impact on the India's market. It basically focused on the five dimensions: the stock market, food and agricultural commodities, the financial and payments system, the foreign exchange market, and geopolitical and trade relationships. The study is based on descriptive nature and on secondary data which is collected from various journals, articles and government publications. The finding indicates that India's stock market experienced short-term volatility, while the Indian rupee depreciated at its lowest but certain sectors and trade relationships benefited from the crisis. Agricultural inflation, fertilizer supply disruptions, and payment system challenges added further complexity. The paper concludes with the suggestions for strengthening India's economy against any further geopolitical shocks.

Keywords: Russia-Ukraine War, Indian Economy, Stock Market, Foreign Exchange Market, Food and Agricultural Commodities, Rupee, Financial and Payment System, Geopolitical Risk.

Introduction

The Russia-Ukraine war outbreak in Feb 2022, was one of the most significant geopolitical events. This event is often described as a “black swan” event- an unpredictable occurrence with severe global consequence (Yousaf et al., 2022). It disrupted the decades old supply chains, global market, and forced governments worldwide to reassess their economic strategies. At that time Indian economy was already facing the aftershock of the Covid-19 pandemic and this war situation added more pressure on India from rising energy and food prices (Thirupathi, 2023).

This war adversely affects the growth and high inflation rate, because of this crisis the whole world economy could be seen with slower growth and faster inflation (Nazeeruddin, 2022). Crisis between Russia and Ukraine is not new. And is got worsened in 2014, when Russia illegally and forcefully, occupied some of south-eastern territories (Siddu and Suri, 2022).

Russia and Ukraine are largest exporter of wheat, sunflower oil, fertilizers and crude oil in the world. Together, they account for approximately 30% of global wheat exports and a significant share of sunflower oil supply (Nazeeruddin, 2022). Russia and India have a long history. As the two countries have developed strong relationships in various sectors including trade, investment, energy, defense and technology (Debo, 2024). This outbreak has also had spillover effects on other countries, including India’s domestic market. As an international sanction imposed on Russia by US, European Union and ither Western Nations. US Countering America’s Adversarives through Sanctions Act (CAATSA), says that it would impose sanctions on any countries on any countries on any country that purchases major defense hardware from Russia, including the S-400 missile defense system, which is currently in operation (Reddy, 2026). US sanctions on India include a 50% tariff. This is made up of a 25% “tariff” and another 25% “penalty” tariff. The reason given is that India keeps buying oil from Russia. (Wikipedia).

India’s reaction to the crisis was different from Western countries. India follows a tradition of making its decisions. So, India did not criticize Russia publicly. India also did not vote in United Nations meetings about the conflict. India’s neutral position comes from its relationship with Russia, in defense, energy and diplomacy. This helped India keep trading with Russia. India even got Russian oil because Western buyers stopped buying it. (Thirupathi, 2023). The conflict also showed that India has some economic problems.

This paper theoretically analyses the impact of the Russia-Ukraine war on India's market. It is structured around core areas like – stock market, food and agricultural commodities, the financial and payments system, the foreign exchange market, and India's evolving geopolitical and trade relationships. Here we do not document what happened, but to understand the underlying factors and what they mean for India's long-term market trends.

Literature Review

Reddy, (2026), investigated how the war affected parts of India's economy. The study found out that companies that run refineries make chemicals and do packaging were having a tough time because of high crude oil prices and the supply chain was disrupted. The BSE Sensex went down to 52,843 on March 7, 2022, which's a big drop of about 14.4% from where it was in October 2021. The NSE-Nifty also dropped down to 15,863, representing a fall of 14.14%. It also discussed about the threat of CAATSA sanctions on India because due to its purchase of military equipment from Russia, which added another layer of geopolitical complexity.

Gopal et al., (2025), studied that Russian-Ukraine war contagion effects on hat BRICs stock markets using DCC-GARCH model and found out that India's market showed comparatively better resilience than other nations, with volatility stability faster than Russia, Brazil and South Africa. Also, the study found that at the same time, India's financial connection with Russian became stronger, as due to increased imports of discounted crude oil. Also, the financial shocks from war did impact India, but string domestic policies helped limit their overall effect.

Debo, (2024), investigated how Russia-Ukraine has influenced India's market through its impact on Russia-India economic relation. The study also found that it disrupted global trade, financial system, energy supply due to the western sanction on Russia. And because of this India's overall market stability was affected and particularly to sector like energy, defense and pharmaceuticals. The study also found that the crisis opened some new opportunities for India, such as discounted crude oil imports from Russia, trade partner diversification and expansion of strategic cooperation and expansion of strategic cooperation. Also, the push India towards stronger economic resilience and diversification.

Narula, Chopra, and Goyal, (2024), examine the impact of the Russia–Ukraine war on the Indian stock market and show that the invasion created immediate negative reactions in key indices such as the NIFTY 50 and Sensex. The study suggests that rising geopolitical uncertainty lowers investor confidence and increases market volatility and leads to short-term declines in stock prices. The study also shows that sectors linked to global trade and oil were more affected due to rising uncertainty and disruptions. Overall, it highlights how geopolitical events can quickly influence market performance in India.

Thirupathi, (2023), examined the Russian-Ukraine war economic impact on India, and found that the India's crude oil imported was rapidly increased in the first half of FY 2023-23, also the fertilizers subsidy costs more than doubled, it was also noted that the rupee fell to a historic low of rupee 76.98 dollar. Even though after all these happenings, India's neutral stance allowed it to purchase discounted Russian crude oil and at the same time, it places India as becoming a substitute for China when it comes to global trade partnership in pharmaceuticals and specialty chemicals.

Saini and Sharama, (2023), examined the impact of Russia-Ukraine war on Indian crude oil spot and future market. The study used traditional market model as well as market model (GARCH) (1,1) model. The study shows that the war did not impact the Indian crude oil market instantly, as prices adjusted with a slight delay, indicating some inefficiency. It also notes uneven investor reactions, leading to mixed returns and short-term volatility. Overall, it suggests that geopolitical shocks can cause uncertainty and slower responses in India's financial markets.

Yousef, Patel and Yarovaya, (2022), investigated the impact o breakout of Russia-Ukraine conflict on G20 and other stock markets. The study revelated that classical "black swan" event triggering stock market negatively of countries like Hungary, Russia, Poland and Slovakia in both pre and post events, whereas some countries only get adversely affected in post event days, these countries are India, Australia, France, Germany, Italy, Japan, Romania, South Africa and Turkey. For India, specifically, the study confirm that war's financial shock was real and measurable, driven by investor uncertainty about energy supplies, commodity prices and broader geopolitical instability, as it was major concern for an import dependent economy like India.

Sidhu and Suri, (2022), analysed that Russia-Ukraine war has impacted the Indian stock market by analysing the top 20-NSE-listed companies by market capitalisation. Their findings show that major companies like Reliance Industries, TCS, HDFC Bank, Infosys, experienced sharps prices decline in first two weeks immediately after war but mostly recovered quickly from third week onwards. But the was also secondary market downturn approx. Two months later, like rising prices of crude oil and the global economic sanctions on Russia. India market faced both an immediate shock and a delayed economic consequence from the war.

Warren and Ganguly, (2022), explains that the Russia–Ukraine war may gradually weaken the traditionally strong ties between India and Russia and create uncertainty in India’s economic and strategic environment. Due to Western sanctions, Russia has faced difficulties in supplying defense equipment, which has been a major concern for India as it has long depended on Russian imports. This situation is likely to push India towards alternative partners. Although India has benefited in the short run by purchasing cheaper Russian oil, also it warns that Russia’s growing closeness with China could create long-term challenges for India’s economic stability and strategic independence.

Nazeeruddin, (2022), analysed that the Russia-Ukraine has inversely affected the whole world economy and as a result to which slower growth and faster inflation can be seen. Both countries are the big suppliers of wheat, edible oil and other commodities. Also, a jump in food and cooking oil costs was seen as both the countries are one-fourth of major suppliers together. And it more effect to petroleum importers that are ASEAN economies India, frontier economies including some of the pacific island. Due to this crisis prices of diesel, petrol and vegetable oil have become more expensive. Therefore, tis conflict between Russia-Ukraine has huge impact on Indian economy.

Kaur and Singh, (2022), analysed the positive and negative impact of Ukraine and Russia war on Indian Economy. The study found that there is a void that India’s own UPI (Unified Payment Interface) can fill. It also found that the reasons which affect the trade are eliminate the credit guarantees protection over the commodities, prohibited the seven Russian banks from SWIFT system, it created the large gap between the supply and demand. The study found that the negative impact on economy of India is rising inflation, adverse effect on import and price of crude oil & goods, whereas the positive impact was that India is exporter of different commodities like steel & aluminum, cereals, etc. which gain significant boost during war. And the study also suggests that to have a positive end, India must carefully monitor, analyses, respond to the existing situation.

Shairgojri, (2022), explored India's political stance on the Russia-Ukraine conflict and its implications, arguing that India's strategic autonomy provided economic flexibility but also exposed it to reputational risks and trade complications in Western markets. The study also found that it reflects how global conflicts can influence India’s policy decisions and indirectly affect its economic and market environment.

Objectives of the Study

- To analyse Russia-Ukraine war's effect on India’s stock market volatility.
- To examine war effect on payment system and rupee disruptions.
- To Assess how the war impact food and agriculture commodity supply shocks.
- To explore geopolitical/trade relationship shifts due to the war.
- To investigate India’s foreign exchange market situation.
- To suggest and recommend the policies for India’s market to prevent it from any further geopolitical shocks.

Research Methodology

This study is descriptive in nature, and it is mainly based on secondary sources, including research papers, academic journals, and various reliable online platforms. The collected information and data have been carefully, organised, and presented in a systematic manner so that a meaningful conclusion can be drawn from it.

Theoretical Analysis

Impact on Stock Market

When Russia attacked Ukraine on 24 February 2022 Indian investors got really scared. The BSE Sensex went down by a lot of points 2,700 points to be exact. The Nifty-50 fell by 815 points in all-in-one day. This was something India had not seen in a time not since the COVID problem started in 2020 as said by (Narula, Chopra & Goyal, 2024). Every part of the market was losing money with energy stocks falling pharma stocks falling IT stocks falling. Commodities stocks are also falling. Russia attack, on Ukraine really affected Indias market with the BSE Sensex and Nifty50 taking a hit. Smaller companies made a harder hit than bigger ones. That said, the big names like Reliance, TCS, and HDFC Bank bounced back within two to three weeks, showing that India's market was not as fragile as it first appeared (Sidhu & Suri, 2022). But just when things seemed to be settling down, a second wave of pressure hit around two months later — this time from rising oil prices and global interest rate hikes (Sidhu & Suri, 2022). India’s market did well compared to other BRICS countries like Russia and Brazil. India’s market held up the best, and the market recovered the fastest (Gopal et al., 2025), but still India’s GDP growth was still reduced to 7.9 percent (Thirupathi, 2023).

Impact on Food and Agricultural Commodities

The war hit Indian kitchen budgets hard. Russia and Ukraine supply a quarter of the world’s wheat i.e. around 25-30%. They are also the producers of sunflower oil. When they stopped exporting, wheat and sunflower oil prices shot everywhere even in India (Thirupathi, 2023). India imports most of its edible oil from other countries which is around 60%. As a result, common households, in India felt the impact quickly. Cooking oil became more expensive. Fertilizer costs also shot up because Russia and Belarus supply a large chunk of the world's potash — forcing the Indian government to more than double its fertilizer subsidies from Rs.1.1 lakh crore to Rs.2.3-2.4 lakh crore (Thirupathi, 2023). The Nifty Commodities index fell as investors worried about disrupted supply chains pushing production costs higher (Narula, Chopra & Goyal, 2024). But there was a silver lining — with Ukraine and Russia unable to export wheat, the world came looking to India. Indian farmers and traders from Gujarat, Rajasthan and Uttar Pradesh quickly jumped in and the prices of wheat shot up from Rs.2,100 to Rs.2,400-2,450 per quintal in one night. This turned a crisis into a local business opportunity for them. (Thirupathi, 2023).

Impact on Financial and Payments System

One of the less talked-about but very real consequences of the war for India was what happened to payments. When Western countries cut five major Russian banks off from SWIFT — the global system that banks use to send money across borders — Indian businesses suddenly could not collect money for goods they had already sent to Russia (Thirupathi, 2023). Around $400 million worth of Indian exports were stuck in payment limbo. Indian pharma companies like Sun Pharma and Dr. Reddy's, which had offices and production units in Russia and Ukraine, were especially worried — not about losing the business, but simply about getting paid for what they had already shipped (Thirupathi, 2023). Back home, Indian bank stocks fell as investors worried that unpaid Russian accounts could turn into bad loans (Narula, Chopra & Goyal, 2024). Research also confirmed that financial shockwaves from Russia's market directly rippled into India's financial system — the two markets became more financially connected after the war, not less, mainly because India was buying so much Russian oil (Gopal et al., 2025). All of this pushed India to seriously think about trading in rupees with Russia instead of relying on Western-controlled payment networks.

Impact on Foreign Exchange Market

The war put the Indian rupee under real pressure. India’s oil import bill went up a lot, more dollars were flowing out of the country than coming in and the Indian rupee fell to a very low point of Rs.76.98 against the dollar (Thirupathi, 2023). This happened because India was spending a lot of dollars on oil imports. The difference between what India was earning from exports and what it was spending on imports, which is called the trade deficit became very big. The current account deficit was expected to increase from 1.7%, to 2.6% of India’s economy GDP. Some people estimated that it could go up to 3.2% if oil prices stayed high (Thirupathi, 2023). Indias oil imports increased by 87% between April and December 2022. This shows how much pressure India’s foreign exchange position was facing because of the oil imports. (Narula, Chopra & Goyal, 2024). To stop inflation from spiraling, the RBI had to raise interest rates, which made home loans, business loans, and credit more expensive for ordinary people and companies. Compared to Russia, whose currency collapsed under sanctions, and Brazil, India's rupee held up relatively better — partly because buying cheaper Russian oil reduced how many dollars India needed to spend (Gopal et al., 2025).

Impact on Geopolitical and Trade Relationships

India decided to stay out of the war. It did not criticize Russia along with Western countries at the United Nations and it continued to trade with Moscow. This was not just because India was being diplomatic stubborn; it was because Russia had been providing half of India’s defense needs for years and India could not just walk out from that relationship suddenly. Russia had been supplying 46% of Indias defence needs for years (Thirupathi, 2023). India saw an opportunity when other Western countries stopped buying oil from Russia and grab it. They bought a lot of discounted oil. By January 2023, Russia had become India’s oil supplier with imports reaching a high of 1.4 million barrels per day Narula, Chopra & Goyal, 2024). India and China together were now buying more than half of all Russian oil exports. A change that would have been impossible to imagine before the war (Gopal et al., 2025). Meanwhile, Western countries began seeing India differently — as a reliable manufacturing alternative to China.

Global companies want to reduce their dependence on China. They are now looking at India for production of pharmaceuticals, chemicals and electronics. This is opening up trade opportunities for India. India is becoming a hub for production. (Thirupathi, 2023). Washington is now being more friendly towards India. They know that it is more important to be close to India than to criticise its ties with Russia. India is playing both sides carefully. It is getting oil from Russia and also building stronger trade ties, with Western countries. India is doing all this at the time.

Findings

The Stock Market in India had a drop after the war got worse. Some parts of the market did badly like the energy- sectors but the defense and commodity sectors did well. The Stock Market in India was able to bounce a little because as medium-term resilience was supported by domestic consumption fundamentals and policy interventions (Sidhu & Suri, 2022; Narula & Chopra, 2024; Gopal et al., 2025).

When it comes to Food and Agricultural Commodities there were problems regarding domestic food inflation in India because of the disruptions caused by the global supply of wheat and sunflower oil. The price of edible oil went up by about 25 to 30%. India had a opportunity to export wheat to other countries, but it did not work out because India's domestic harvest was shortfall by heat stress. The cost of fertilizers also went up a lot, which increased input burdens on the farmers (Kaur, 2022; Thirupathi, 2023).

The Financial and Payments System was affected when Russian banks were not allowed to use SWIFT. This made it hard for India and Russia to do business with each other. India found a way to work around this by using the rupee for payments and India and Russia were able to do more trade with each other. In a single year their trade went from about 13 billion US dollars to 50 billion US dollars. The war accelerated de-dollarization discussions at the BRICS level (Debo, 2024; Adhikari, 2022; Reddy, 2026).

The Foreign Exchange Market had some problems too. As the value of rupee depreciated compared to the US dollar as decreases by about 12% between January and October 2022. The current account deficit widened to 3.3% of GDP, and foreign exchange reserves fell by over USD 100 billion. The Reserve Bank of India helped to stabilize the currency, but it drew down reserves significantly (Tiwari et al., 2022; Chanchal Saini & Sharma, 2023).

In terms of Geopolitical and Trade Relationships India was able to do what it wanted and purchase lot of crude and become largest customer of Russia while simultaneously deepened economic partnerships with Western nations. The war made India want to be more self-sufficient i.e. to reinforced Atmanirbhar Bharat policy especially when it comes to defense, fertilizers and energy (Adhikari, 2022; Reddy, 2026; Shairgojri, 2022).

Conclusion

The Russia-Ukraine war which is also known as the "black-swan" event sent economic shockwaves across the global market including India through five interconnected channels: stock markets, food and agricultural commodities, payment systems, foreign exchange, and trade relationships. India stock market faced short-term turbulence while the rupee depreciated at its lowest point and meanwhile the prices of food and fertilizers burdened both households and farmers. Even though these crisis effect adversely, they also opened the opportunities for India like discounted Russian crude oil eased energy costs, rupee-based settlement frameworks expanded financial autonomy, and India's diplomatic neutrality preserved relationships across other countries.

This crisis has shown us that problems with countries do not just affect one area they also affect many other areas, and they have a big impact on how things are connected. For India the war has made it clear that the country has some standing problems, such as relying too much on import- oil from other countries and relying on fertilizers from other countries. At the time the war has made the government think more about how India can be more self-sufficient (Atmanirbhar Bharat) and trade with more countries, which is something that might not have happened if the world was more stable. India's ability to deal with problems with other countries will depend on the real changes the country makes when things are calm not just, on how it handles problems in the short term.

Suggestions and Policy Recommendations

- **Energy Diversification:** India needs to reduce its dependence on the imported fuels and must shift to the renewable energy. This will help India to avoid the problems in oil market caused by geopolitics.

- **Strategic Petroleum Reserves:** India must increase its petroleum reserves so whenever the prices of oil hikes or supply is disrupted due to conflicts it will affect less.
- **Agricultural Market Resilience:** India must build up its stockpiles of key agricultural products and should find the different sources for edible oils and fertilizers. In this way India won't rely much on any one region that might be geopolitically sensitive.
- **Financial Market Circuit Breakers:** India should improve its monitoring for foreign investors flows and should strengthened existing market mechanisms which can helps during the geopolitical shocks.
- **Currency Management:** Foreign exchange reserves must be keep using by the Reserve Bank of India. This way it can prevent the rupee from being depreciated during any crisis and still let the market forces set the exchange rate when the things are in normal condition.
- **Diversification of Trade Partnerships:** India should diversify its trade and investment relationships with the different partners. By doing this India will not rely on any single country or region which can pose a risk during any crisis.

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