



EFFECT OF RUSSIA UKRAINE CRISIS ON INDIA'S SMALL BUSINESSES

Raveen Purohit

(UGC NET, Management Dec 2018, HRM July 2019, HRM Dec 2019)

Faculty, Commerce and Management Studies, JNV University Jodhpur, Rajasthan.

ABSTRACT

DOI No: 10.36713/epra12232

Article DOI: <https://doi.org/10.36713/epra12232>

In India, where the signs of Covid-19 are finally on the verge of decline after a deadly combat with the pandemic continuously from last two years, A new evil has emerged in the form of Russia Ukraine conflict which has once again barred the growth of the country by increasing inflation at a phenomenal high rate and by adversely effecting the supply chain management. In this article, we will discuss about how the war has disturbed India's small profit organizations, MSME sector and the economy as whole.

INTRODUCTION

The direct effect on India is minimal to the scope of trade between the two countries. Russia's share of India's total commerce is only about 1%, which is not very crucial. In fact, the bulk imports are defense-related, and governments can find ways to keep their trade and commerce going. However, the main concern is the indirect effect through the market, which we will discuss now.

THE FACTORS OF CONCERN

The **First** area of concern is *Inflation*, in economics; inflation refers to a general progressive increase in prices of goods and services in an economy. When the general price level rises, each unit of currency buys fewer goods and services; consequently, inflation corresponds to a reduction in the purchasing power of money.

(Courtesy;

<https://en.wikipedia.org/wiki/Inflation>)

The prices of goods and services have started catching heights ever since the war has started. The most devastating blow is Crude oil prices. However, Indian government has decided not to increase price of fuel because of elections, But who knows what will be the scene after elections in various states.

The **Second** effected area are *Exports*. The EXIM between India and Russia is mainly, chemicals, pharmaceuticals, etc. Mainly India exports lots of Medicines to both Russia and Ukraine too, so the more this war will continue between these nations the more is chance these nations will be facing shortage of pharmacy items.

The **Third** effected area is *Coke fuel* (a coal product used in industries for manufacturing purpose). India imports coking coal from Russia which is later on used in manufacturing units or industrial furnaces. Due to war it is highly possible that the price of coal will rise

at a high speed in near future which will make situations difficult for MSME sector of India.

The **Fourth** area of concern is *Oil sector* as Russia is one of the largest supplier of crude oil all over the world, because of war the prices of crude oil has reached all time high as compared to past five to six years, many sectors of our nation is dependent on crude oil like colour factories, printing and dyeing factories, fertilizers plants, etc. India imports more than 70% of crude oil to fulfill its requirement.

The **Fifth** area which is severally affected is *Semiconductor* market. Semiconductor chips are used in Cars for several functions such as safety features, airbags, abs, etc. Although Taiwan is the world's largest manufacturer of semiconductor chip but it is a well known fact that both Russia and Ukraine are suppliers of raw materials which are used to make semiconductors for automobile industry now according to media reports, the whole world was already facing shortage of semiconductor chip from past few months and now because of war between the two countries the prices of raw materials like rare metals and gases which are used to manufacture semiconductor have caught a great height which will badly affect the automobile sector of India.

THE AFTERMATH

The occurring Russia-Ukraine war will affect the business areas of the Indian economy. Resulting which the Indian currency will also face devaluation against US Dollar, India probably will observe a swell in prices of some of its products and services in upcoming months.

Plus, the small manufacturers will face shortage of raw materials or they can fall in trap of increased prices of materials which are used to make products resulting which either the MSME sector of India will face a decline in growth rate or the consumer will face the wrath of extreme inflation.

At present, Ukraine and Russia are one of the major exporters of potash all over the globe. Besides, India is one of the main international merchant of potash, which is useful in making of compost which is further used as fertilizers. At a comprehensive level, Ukraine and Russia provides more than ten percent of our countries total fertilizer. With as of now upraised prices, the Indian government will have to crosswise to preserve a reasonable retail price for agricultural sector; it will also observe a cutting edge escalation.

In case both the countries do not agrees soon on the ceasefire, there is a likelihood of the quarrel spreading

further the boundaries. And that would result as unwelcomed news for trade and commerce. If the conflict doesn't stops very soon, it might expedite speedy inflation which will impact the whole world.

Experts believe, the problem is not only with India's consensual business with Russia. Many more concerns can also strike forward which entails our countries association with both Russia and Ukraine.

One just cannot assume about this condition in segregation. If India is seen taking a particular side then it might displease the other party. Our country will have to tactfully maneuver the crisis.

According to the report of ICRA, Some sectors like oil and gas and both ferrous and non-ferrous metals can also earn profit in this scenario, while the ones which totally rely on oil as the main ingredient, like chemicals, fertilizers, gaseous materials, refining market, will have an adverse effect.

CONCLUSION

After maintaining silence for over and above two weeks - India made several statements on the ongoing Russia - Ukraine crisis- which was a peaceful and humble request for a cordial and mature fixity of the problem.

At the United Nations, our country refused to participate in the legislative voting on whether to talk about the crisis and take some crucial further steps or not. India's vote was observed as a neutral to both sides, but afterwards it was understood as a result of Russia and India's telephonic conversation at New Delhi, and was observed as a lean towards the Kremlin.

WEB REFERENCES

1. <https://www.ndtv.com/business/russia-ukraine-conflict-to-impact-indian-growth-economists-2797035>
2. <https://qz.com/2141310/how-will-the-russia-ukraine-war-impact-the-indian-economy/>
3. <https://www.firstpost.com/india/from-fuel-to-edible-oil-and-even-the-pharma-sector-how-russia-ukraine-war-will-affect-india-10445011>.
4. <https://en.wikipedia.org/wiki/Inflation>
5. <https://www.un.org/africarenewal/magazine/december-2016-march-2017/commodity-prices-crash-hits-africa>