



## Sri Lanka's economic crisis – Impact on India

### Description

#### Theme:

- Sri Lanka is facing the worst economic crisis since its independence in 1948. The overall inflation reached an all-time high of 29.80% in April 2022.

#### Sri Lanka's economic crisis – Impact on India:

- The covid pandemic has pushed many people into poverty in Sri Lanka and the present economic crisis made their situation even worse. As India is the immediate neighbour of Sri Lanka, many people are migrating to India seeking refuge to escape from hunger. India has to provide food, shelter and employment opportunities to the refugees from Sri Lanka. It can become an additional burden to India's economy, which is already struggling to tackle rising inflation.
- India's exports to Sri Lanka are shrinking because the traders in Sri Lanka are unable to pay for imports. Moreover, many Indian exporters are worried about the stalled payments. But at the same time, it gave an opportunity to the tea and textile industries in India to replace Sri Lankan exporters and to export their products to European and American countries. Due to fuel shortage transportation became costly, moreover, there is uncertainty. So, importers of Sri Lankan products may prefer India over Sri Lanka.
- Many Indian companies invested in Sri Lanka in several sectors such as manufacturing, tourism, hotel, banking etc. The economic crisis can affect the companies negatively.
- India depends on the Colombo port, a transshipment hub for global trade. That means the goods from India to a few countries go through this port. At present, 60% of India's transshipment cargo is handled by the Colombo port. Due to the labour shortage and disruption in transport facilities, many Indian shipments are stuck in Colombo port. This could impact India's exports and can increase costs when choosing alternative routes.
- India is sending relief materials and assistance to Sri Lanka. This is improving the relations between India and Sri Lanka.

## **Conclusion:**

Sri Lanka is facing the worst economic crisis since its independence. Common people of Sri Lanka are suffering due to the rising inflation. As a spillover effect, there is an impact on India's economy too.

## **Your Turn...**

What are your thoughts on this topic? Express your point of view through the comment section below. And subscribe to our blog to read answers to the trending GD topics.

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## **References:**

- [How is Sri Lanka's economic crisis affecting India?](#)
  - [Sri Lankan Economic Crisis: Five Reasons How It Can Affect India](#)
  - [Sri Lankan crisis has implications for India](#)
  - [Sri Lanka's Economic Crisis: An Opportunity for India to Reclaim Influence](#)
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