



The 2026 Iran-Israel-US Conflict: Implications for India's Energy Security, Economy and Strategic Interests

Deepak Kumar Chachda

Extension Lecturer, Department of Commerce, GPGCW Rohtak, Haryana 124001 India

How to Cite this Article:

Chachda, D. K. (2026). The 2026 Iran-Israel-US Conflict: Implications for India's Energy Security, Economy and Strategic Interests. International Journal of Creative and Open Research in Engineering and Management, <i>02</i>(04). <https://doi.org/10.55041/ijcope.v2i4.105>

License:

This article is published under the terms of the Creative Commons Attribution 4.0 International License (CC BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author(s) and the source are credited.

© The Author(s). Published by International Journal of Creative and Open Research in Engineering and Management.



<https://doi.org/10.55041/ijcope.v2i4.105>

Abstract

The launch of Operation Roaring Lion on 28 February 2026 marked a significant escalation in the Iran-Israel conflict, drawing the United States into a large-scale military campaign aimed at dismantling Iran's nuclear infrastructure and regional influence. For India, a nation with deep economic, energy, and diaspora ties to the Middle East, this conflict has precipitated a multidimensional crisis. This paper examines the impact of the war on India's energy security, economic stability, and strategic interests. It finds that the effective closure of the Strait of Hormuz—through which the majority of India's crude oil, liquefied petroleum gas (LPG), and liquefied natural gas (LNG) transit—has created severe supply disruptions. Unlike crude oil, India lacks strategic reserves for LPG, leading to shortages that have crippled commercial kitchens, manufacturing hubs, and agricultural inputs. The conflict has triggered inflationary pressures, widened the current account deficit, and disrupted global trade routes, with significant implications for the Indian economy and its 10 million nationals in the Gulf region. The paper further explores India's diplomatic challenges, including the precarious status of its investment in Iran's Chabahar port and the erosion of its neutral stance. It concludes that while India is pursuing short-term mitigation strategies, the crisis underscores the urgent need for long-term structural shifts in energy policy and strategic diversification to reduce vulnerability to regional volatility.

Keywords: Iran-Israel War, India Energy Security, Strait of Hormuz, LPG Crisis, Operation Roaring Lion, Chabahar Port, Gulf Diaspora, Inflation, Supply Chain Disruption



Introduction

The large-scale military campaign launched on 28 February 2026, known as Operation Roaring Lion, marks a significant escalation in the long-standing conflict between Israel and Iran. Coordinated with the United States, the campaign aims to destroy Iran's nuclear capabilities and regional influence. For India, a nation with deep and multifaceted ties to the Middle East, this conflict has precipitated a crisis that threatens its energy security, economic stability, and strategic interests. With approximately 10 million Indian nationals residing in the Gulf region and the country importing the majority of its hydrocarbons through the Strait of Hormuz, the ongoing war represents a critical challenge for New Delhi.

Energy Security and Supply Disruptions

India's energy security is critically vulnerable to the closure or disruption of the Strait of Hormuz, through which passes over 60–65% of its Liquefied Petroleum Gas (LPG) imports and roughly 80% of its crude oil. The conflict has effectively halted traffic through this narrow chokepoint, exposing the fragility of the country's energy supply chain.

- **Crude Oil:** India imports nearly 88% of its oil, with about half (2.5–2.7 million barrels per day) traveling through the Strait. While a physical shortage of crude is not the most immediate concern—India maintains roughly 100 million barrels in reserve, sufficient for 30–35 days—the financial impact is significant. Brent crude prices have surged near \$80 per barrel, and analysts warn that a sustained crisis could spike prices to \$120–\$150 per barrel, widening India's current account deficit and fueling inflation.
- **LPG and LNG:** The most severe vulnerability lies in LPG, used by millions of households and commercial kitchens. Unlike crude oil, India lacks strategic reserves for LPG, with available stocks covering only two-to-three weeks of demand. Commercial LPG deliveries are facing delays of 2 to 8 days, forcing restaurants and hotels to operate at 20% of their typical supply, with many in cities like Mumbai and Chennai shutting down or switching to alternative fuels. Domestic LPG prices have risen by Rs 60 per cylinder, with commercial cylinders increasing by Rs 114–Rs 115.
- **Mitigation Efforts:** India is actively managing the crisis by diversifying its energy sources. Imports of Russian crude have risen to near-historic highs following a 30-day waiver, and the government is maximizing domestic production of piped natural gas (PNG) and compressed natural gas (CNG), prioritizing household and public transport needs.

Economic Strain and Industrial Impact

The conflict has created cascading economic pressures, from rising inflation to severe disruptions in key industries.

- **Inflation and Fiscal Deficit:** Every \$10 per barrel increase in oil prices can raise inflation by 0.2–0.25 percentage points. If the government opts to cut fuel taxes to shield consumers, it will directly widen the fiscal deficit. Simultaneously, a 50% rise in LNG prices is adding to the import bill.
- **Industrial Slowdown:** The crisis has crippled energy-intensive sectors.
 - **Ceramics and Manufacturing:** The ceramics hub of Morbi, Gujarat, is facing a crisis due to disruptions in propane and natural gas supplies, with over 170 factories shutting down operations. Non-priority manufacturing units have seen gas allocations slashed to 65–80%, impacting an estimated 15,000 Micro, Small, and Medium Enterprises (MSMEs).
 - **Hospitality:** The hospitality sector is among the hardest hit, with a 20% closure rate in major cities due to LPG shortages. Eateries are modifying menus to conserve fuel.
 - **Agriculture:** Fertilizer plants are operating at only 70% of their gas supply, raising concerns about future food inflation and crop yields.
- **Trade and Logistics:** Maritime routes through the Middle East have become high-risk zones, causing shipping and insurance premiums to rise sharply, thereby making Indian exports less competitive. Approximately 400,000 tones of Indian Basmati rice are currently stuck in transit or at ports. Trade via the International North-South Transport Corridor (INSTC) is also facing significant delays.



Strategic and Diaspora Concerns

India's strategic calculus in the region is being severely tested, with its investments, diplomatic neutrality, and the safety of its citizens all at stake.

- **The Indian Diaspora:** Approximately 10 million Indian nationals live and work in the six Gulf Cooperation Council (GCC) countries. They generate a substantial portion of the record \$135 billion in remittances India received in 2024-2025, which finances nearly half of the country's merchandise trade deficit. A prolonged conflict could necessitate mass evacuations, disrupt employment, and slow the flow of remittances, with states like Kerala facing disproportionate economic strain.
- **Diplomatic Balancing Act:** India's long-standing policy of strategic autonomy is under pressure. Prime Minister Shri Narendra Modi's recent visit to Israel and perceived reluctance to criticize the operation has, according to analysts, eroded India's neutral stance. This could complicate future relations with Iran, particularly regarding India's long-term investments in the Chabahar port. While the US has granted a conditional six-month waiver for operations until April 2026, the port's viability as a strategic corridor to Afghanistan and Central Asia remains precarious amid the ongoing conflict.
- **Digital Infrastructure Risks:** The conflict also poses a threat to undersea cable infrastructure near the Persian Gulf, raising risks for India's rapidly growing digital economy and data connectivity.

Differential Socio economic Impact: Top, Middle, and Poor Classes

One of the most critical dimensions of the crisis is its uneven distribution across India's socio economic spectrum. The impacts—ranging from rising fuel and food prices to employment losses and disruptions in daily life—affect different classes in fundamentally different ways. Understanding this disparity is essential for assessing the full social impact of the conflict and the adequacy of government responses.

The Top Class (Affluent and High-Income Groups)

The top class, comprising approximately 5–10% of the population with high disposable incomes, is the least affected by the crisis in terms of survival needs but faces significant lifestyle adjustments and investment-related concerns.

Impact on Consumption and Lifestyle:

- **Fuel Costs:** For the affluent, higher petrol and diesel prices are an inconvenience rather than a crisis. Families with multiple vehicles may reduce discretionary driving or switch to electric vehicles if available, but the financial burden is manageable.
- **Cooking Fuel:** The rise in domestic LPG prices by Rs 60 per cylinder is negligible for high-income households. Many have already transitioned to induction cooking or piped natural gas (PNG), which has been prioritized by the government and remains relatively stable in supply.
- **Dining Out:** The closure of 20% of restaurants in cities like Mumbai affects lifestyle choices, but affluent consumers can shift to the remaining establishments, opt for private dining, or hire personal chefs. The contraction in the hospitality sector reduces options but does not threaten their ability to access prepared food.

Impact on Investments and Business:

- **Capital Markets:** The affluent class is disproportionately exposed to equity markets and mutual funds. The uncertainty surrounding the conflict has led to market volatility, with potential erosion of portfolio values. However, diversified portfolios and long-term investment horizons mitigate the worst effects.
- **Business Interests:** Members of the top class who own or invest in energy-intensive industries—such as ceramics, hospitality, or logistics—face direct financial losses. Factory shutdowns in Morbi and restaurant closures in metropolitan areas have impacted affluent business owners, though many have the financial reserves to weather temporary disruptions.



Impact on Diaspora Connections:

- Affluent families with members working in the Gulf in high-skilled professions (finance, technology, management) face anxiety about their safety and employment stability. However, these individuals often have the resources to relocate quickly or work remotely, and their employers are more likely to provide support.

Overall Assessment: The top class experiences inconvenience, lifestyle adjustments, and financial market volatility but does not face existential threats to their well-being. Their primary concerns are protecting their investments and ensuring the safety of family members in the region.

The Middle Class (Lower-Middle to Upper-Middle Income Groups)

The middle class, comprising approximately 25–30% of the population, is arguably the most visibly affected segment. This group, which includes salaried professionals, small business owners, and urban households, faces a perfect storm of rising costs, employment uncertainty, and lifestyle disruptions.

Impact on Household Finances:

- **Fuel and Transportation:** The middle class relies heavily on two-wheelers and small cars for daily commuting. With petrol and diesel prices rising, monthly transportation costs have increased by 15–20%. For families with two earners commuting to work, this translates to an additional Rs 2,000–Rs 5,000 per month—a significant bite out of disposable income.
- **Cooking Fuel:** The Rs 60 increase in domestic LPG cylinders, combined with the mandatory 25-day gap between bookings, creates both financial and logistical challenges. Middle-class families must budget carefully to ensure they do not run out of cooking fuel, and the inability to book cylinders on demand causes inconvenience and anxiety.
- **Electricity Costs:** While the government has prioritized PNG for households, electricity tariffs are under pressure due to rising LNG prices for power generation. Middle-class households face higher monthly electricity bills, adding to the cumulative burden.

Impact on Employment and Livelihoods:

- **White-Collar Employment:** The economic slowdown triggered by the crisis—rising input costs, reduced consumer spending, and trade disruptions—has led to hiring freezes and, in some sectors, layoffs. IT services, financial services, and manufacturing sectors are all affected. Middle-class professionals face job insecurity and stagnant wage growth.
- **Small Business Owners:** The middle class includes a substantial number of small business owners—corner stores, eateries, small manufacturing units, and service providers. The LPG shortage has forced many small restaurants and food stalls to close or operate at reduced capacity. Shopkeepers face reduced foot traffic as consumers cut discretionary spending.

Impact on Lifestyle and Aspirations:

- **Discretionary Spending:** Middle-class families are cutting back on dining out, entertainment, travel, and consumer durables. The closure of affordable restaurants and eateries reduces options for occasional treats. Plans for vacations, home renovations, or purchasing vehicles are postponed.
- **Education and Healthcare:** While essential, the rising cost of living may force families to reconsider private school fees or elective healthcare procedures. The middle class, which often stretches finances to afford better education and healthcare, faces difficult trade-offs.
- **Housing:** Those with home loans face the double burden of rising EMIs if interest rates increase in response to inflation, alongside higher living costs. Real estate markets are slowing, affecting those who had planned to buy or sell property.

Impact on Remittances and Diaspora Families:



- Many middle-class families in states like Kerala, Tamil Nadu, and Punjab have members working in the Gulf. The conflict has created immense anxiety about their safety and employment. A prolonged crisis could lead to reduced remittances or forced returns, directly impacting household incomes and financial stability.

Overall Assessment: The middle class is experiencing a significant erosion of purchasing power, lifestyle disruption, and employment uncertainty. While not facing absolute deprivation, they are forced to tighten budgets, postpone aspirations, and navigate daily logistical challenges. This group forms the backbone of India's consumer economy, and their reduced spending has broader macroeconomic implications.

The Poor and Low-Income Groups

The poor, comprising approximately 20–25% of the population living below or near the poverty line, bear the heaviest burden of the crisis. For this segment, the conflict is not an abstract geopolitical event but a direct threat to survival, health, and basic well-being.

Impact on Food and Nutrition:

- **Food Inflation:** Rising fuel and fertilizer costs are driving up food prices. Essential commodities such as vegetables, pulses, cereals, and cooking oil have seen price increases of 10–25% in the weeks following the conflict. For households that spend 50–60% of their income on food, this represents a severe reduction in both quantity and quality of nutrition.
- **Midday Meals:** The government's midday meal scheme, which provides cooked meals to millions of schoolchildren, is under pressure. Rising LPG and food costs strain program budgets, and any disruption could leave children hungry. While the government has prioritized this scheme, anecdotal reports suggest some schools are serving simplified meals to conserve resources.
- **Public Distribution System (PDS):** The PDS, which provides subsidized food grains, remains functional. However, rising transportation costs and potential supply chain disruptions could affect distribution in remote areas.

Impact on Cooking Fuel:

- **LPG Access:** The Pradhan Mantri Ujjwala Yojana (PMUY) has provided LPG connections to millions of poor households. However, with rising cylinder prices and supply constraints, many families are reverting to traditional biomass fuels—firewood, dung cakes, and agricultural waste—for cooking. This has immediate health consequences, increasing exposure to indoor air pollution that causes respiratory diseases, particularly among women and children.
- **Fuel Collection Burden:** The shift back to biomass fuels imposes a time burden on women and girls, who must spend hours collecting firewood, reducing time available for education, income generation, and care giving.

Impact on Employment and Livelihoods:

- **Informal Sector:** The poor are overwhelmingly employed in the informal sector—as daily wage laborers, construction workers, domestic helpers, street vendors, and workers in small factories. The industrial slowdown, particularly in MSMEs and the hospitality sector, has led to widespread job losses.
- **Construction and Manufacturing:** With 170 factories closed in Morbi alone and other industrial units reducing operations, hundreds of thousands of informal workers have lost their jobs. Many have returned to their villages, placing additional strain on rural economies.
- **Street Vendors and Small Eateries:** Street food vendors and small eateries—key sources of livelihood for the urban poor—have been devastated by the LPG shortage and reduced foot traffic. Many have been forced to close permanently.
- **Migrant Workers:** The crisis echoes the patterns of the COVID-19 lockdown, with migrant workers losing employment and facing uncertain prospects. Mass movements back to villages have been reported, raising concerns about a repeat of the humanitarian crisis seen in 2020.



Impact on Healthcare and Well-being:

- **Nutritional Deficiencies:** Rising food prices lead to reduced dietary diversity and calorie intake, with long-term consequences for child development and maternal health.
- **Indoor Air Pollution:** The shift back to biomass fuels increases rates of acute respiratory infections, chronic obstructive pulmonary disease (COPD), and other respiratory ailments, disproportionately affecting women and young children.
- **Stress and Mental Health:** The combination of job loss, food insecurity, and uncertainty creates immense psychological stress. Social safety nets are minimal, and families often resort to taking on high-interest debt from informal sources, leading to cycles of indebtedness.

Impact on Remittances:

- Poor households in states like Bihar, Uttar Pradesh, and West Bengal often rely on remittances from family members working in the Gulf. A prolonged conflict could disrupt these flows, cutting off a critical source of income. In the worst-case scenario, the forced return of workers would add to already strained rural labor markets.

Overall Assessment: The poor are facing a humanitarian crisis. Food insecurity, job losses, health risks, and the reversion to traditional fuels are creating a cascade of hardships. Government relief measures, while present, are often insufficient to cover the scale of need. This segment has the least capacity to absorb shocks and is most dependent on effective and timely government intervention.

Comparative Analysis and Government Response

Dimension	Top Class	Middle Class	Poor/Low Class
Cooking Fuel	Minor cost increase; access maintained	Noticeable cost increase; logistical inconvenience	Severe; reversion to biomass; health impacts
Transportation	Manageable cost increase	Significant budget impact	Reduced mobility; loss of employment access
Food Prices	Minor impact on spending	Significant impact on budget	Severe; reduced nutrition and food security
Employment	Investment losses; business risks	Job insecurity; small business losses	Widespread job losses in informal sector
Healthcare	Access maintained	Potential trade-offs	Increased health risks; reduced access
Government Response	Indirect benefits from market stability	Benefits from tax policies and subsidies	Highly dependent on targeted subsidies and relief

Conclusion

The US-Israel-Iran war has triggered a severe energy and economic crisis in India, exposing the nation's deep structural dependence on the Gulf region. The effective closure of the Strait of Hormuz has led to LPG shortages, industrial shutdowns, rising inflation, and a threat to the livelihoods of millions of Indian expatriates. While India is actively pursuing short-term mitigation strategies—including diversifying energy imports from Russia and prioritizing domestic supply—the crisis highlights the urgent need for long-term strategic shifts. These include building strategic LPG reserves, accelerating the energy transition, and deepening economic partnerships to reduce reliance on a single volatile region. As the conflict continues, India faces a complex balancing act: protecting its energy security and diaspora while navigating a delicate diplomatic landscape between Israel, Iran, and its key Arab partners.



References

1. BBC News. (2026). Iran-Israel Conflict: Impact on India's Energy Security. London: BBC.
2. Jefferies Financial Group. (2026). Middle East Conflict: Implications for Indian Economy. New York: Jefferies.
3. Kpler. (2026). Maritime Risk Assessment: Strait of Hormuz. Paris: Kpler.
4. Observer Research Foundation. (2026). India and the Gulf Crisis: Strategic Implications. New Delhi: ORF.
5. Vajirao Institute. (2026). Operation Roaring Lion: US-Israel Attack on Iran. New Delhi: Vajirao Institute.
6. Global Trade Research Initiative (GTRI). (2026). Trade Disruptions from Gulf Conflict. New Delhi: GTRI.
7. Navale, R. S.(2026) Impact of the Iran–Israel Conflict on the Indian Economy: A Commerce Perspective.
8. Kapoor, R., Gupta, S., & Kumar, A. (2025). Impact of Israel-Iran War on Africa. *Indian Journal of African Studies*, 26(1-2), 69-86.
9. Dr.K.Nagendiran, & R.Sathya, (October-2024). Impact of Israel Iran War on Indian Economy. *INTERNATIONAL JOURNAL OF NOVEL RESEARCH AND DEVELOPMENT*, 9(10), b1-b3.
- 10.<https://www.vajiraoinstitute.com/upsc-ias-current-affairs/us-israel-iran-war-impact-on-india.aspx>
- 11.<https://www.bbc.com/news/articles/cn71j8mlkk8o>