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A Study on the Impact of Brexit on Indian Economy

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ABSTRACT

Brexit, the withdrawal of the United Kingdom from the European Union, created major changes in international trade, investment, financial markets and economic relationships. India, having close commercial and investment links with both the UK and the European Union, experienced uncertainty through trade conditions, exchange-rate movements, foreign investment and market sentiment. This study examines the perceived impact of Brexit on the Indian economy, with particular attention to exports, foreign direct investment and exchange-rate changes. Primary responses from 100 respondents are analyzed using percentage analysis and tabular presentation. The study also identifies opportunities for stronger India–UK trade and investment cooperation and policy resilience.

Keywords: Brexit, Indian Economy, International Trade, Foreign Direct Investment, Exchange Rates

1. INTRODUCTION

Globalization has increased economic interdependence among countries through international trade, foreign direct investment, financial markets, technology, services and movement of people. Consequently, major political and economic events in one country can generate effects beyond national borders. Brexit was one such event. The United Kingdom voted to leave the European Union on 23 June 2016 and formally left the EU on 31 January 2020, followed by a transition period until 31 December 2020. The change altered the UK's trade, regulatory, investment and economic relationships with the European Union and other trading partners. India has long maintained close economic, commercial, educational and diplomatic relations with the United Kingdom. The relationship covers exports, imports, investment, information technology, pharmaceuticals, financial services, education and professional mobility. The uploaded study notes that Indian exports to the UK include pharmaceuticals, textiles, engineering goods, IT services, automobiles, chemicals, gems and jewellery, agricultural products and business services, while India imports machinery, technology, financial services, educational services and industrial products from the UK. Brexit therefore created uncertainty concerning market access, customs procedures, regulations, investment decisions and exchange-rate movements. The referendum was followed by substantial volatility in global financial markets and a sharp decline in the value of the British pound. For Indian businesses engaged in UK-related trade, currency movements could influence export revenues, import costs and foreign-exchange risk. Indian IT companies operating in Britain also faced concerns relating to immigration rules, work permits, regulatory compliance and business continuity. Pharmaceutical exporters encountered additional regulatory and documentation requirements. At the same time, Brexit created an opportunity for India and the UK to negotiate bilateral trade arrangements independently of the European Union. The present study examines Brexit's impact on the Indian economy, focusing on trade, exports, foreign direct investment and exchange-rate changes. It uses responses from 100 respondents and applies percentage analysis to understand their perceptions. The study also considers opportunities arising from closer India–UK economic cooperation and the need for appropriate government and business strategies in the post-Brexit environment. The analysis is intended to support policymakers, businesses, investors, researchers and students in understanding challenges and opportunities associated with changing international economic relationships.

2. REVIEW OF LITERATURE

The literature reviewed in the uploaded study indicates that Brexit initially generated uncertainty in international financial markets, trade and investment flows. Sharma and Verma (2018) reported short-term disruption in economies closely connected with the UK. Kumar (2019) associated the depreciation of the British pound with pressure on Indian export revenues in textiles, pharmaceuticals, engineering and IT services. Patel and Reddy (2020) found that uncertainty temporarily slowed India–UK investment decisions, while also creating opportunities for stronger bilateral investment cooperation. Singh (2020) observed short-term volatility in Indian financial markets following the referendum. Nair and Joseph (2021) identified regulatory, immigration and business uncertainties for Indian IT companies, alongside opportunities from digital transformation. Agarwal and Mehta (2022) noted customs and regulatory challenges for pharmaceutical exporters. Rao and Desai (2023) emphasized the potential of a bilateral trade agreement, while Joshi and Kapoor (2023) highlighted exchange-rate risk for international businesses. Prakash and Iyer (2024) stressed export diversification, investment reforms and government support. Mishra and Gupta (2025) identified digital trade, fintech, renewable energy, defence, education and innovation as future areas of cooperation. Studies support policy responses.

3. OBJECTIVES OF THE STUDY

1. **To analyze** the impact of Brexit on the Indian economy.
2. **To study** the influence of Brexit on India's international trade, exports and imports.
3. **To examine** the effect of Brexit on foreign direct investment, financial markets and currency-rate changes.
4. **To analyze** the opportunities and difficulties posed by Brexit for Indian firms and investors.
5. **To make** appropriate recommendations for improving India's commercial ties with the UK in the wake of Brexit.

4. RESEARCH METHODOLOGY

The study adopts a descriptive research design and uses both primary and secondary data. Primary data were collected through a structured questionnaire from 100 respondents selected by convenience sampling. Secondary information was obtained from published reports, journals, RBI and government sources. Percentage analysis and tabular presentation are used for interpretation.

4.1 STATISTICAL TOOL

Percentage Analysis

Percentage Analysis is selected as the principal statistical tool because the study is based on questionnaire responses from **100 respondents** and focuses on measuring perceptions regarding Brexit's effects on exports, FDI and exchange-rate changes.

5. DATA ANALYSIS AND INTERPRETATION

Table 5.1: Impact of Brexit on Indian Exports

Category	Respondents	Percentage
Very High	24	24%
High	42	42%
Moderate	18	18%
Low	10	10%
Very Low	6	6%
Total	**100**	**100%**

Analysis: The highest response was recorded under the **High** category, with 42 respondents representing 42% of the sample.

Interpretation: The findings indicate that a substantial proportion of respondents perceived Brexit as having a significant impact on Indian exports. This supports the study's objective of examining the influence of Brexit on India's international trade.

Table 5.2: Impact of Brexit on Foreign Direct Investment

Category	Respondents	Percentage
High	20	20%
Moderate	40	40%
Low	24	24%
No Impact	16	16%
Total	**100**	**100%**

Analysis: The largest group consisted of 40 respondents, representing 40%, who assessed Brexit's impact on FDI as moderate.

Interpretation: The results suggest that respondents generally perceived Brexit as having a **moderate effect on foreign direct investment in India**. This indicates that investment decisions were influenced by Brexit-related uncertainty, but the impact was not considered uniformly severe.

Table 5.3: Impact of Brexit on Changes in Exchange Rates

Category	Respondents	Percentage
Very High	22	22%
High	38	38%
Moderate	20	20%
Low	12	12%
Very Low	8	8%
Total	**100**	**100%**

Analysis: The highest response was recorded in the **High** category, with 38 respondents representing 38%.

Interpretation: The findings indicate that exchange-rate changes were considered a significant consequence of Brexit by the respondents. This is particularly relevant for Indian exporters, importers and businesses involved in UK-related international transactions.

6. RESULTS

1. **42%** of respondents perceived the impact of Brexit on Indian exports as **high**.
2. **24%** considered the impact on exports very high, showing that Brexit created considerable concern for export-oriented businesses.
3. **40%** of respondents assessed the impact of Brexit on FDI as **moderate**.
4. The findings indicate that Brexit influenced investment decisions through uncertainty concerning future trade and economic relationships.
5. **38%** of respondents perceived Brexit's impact on exchange-rate changes as **high**.
6. International trade was identified as the sector most affected by Brexit, with **36%** of respondents selecting it.
7. The study indicates that Brexit generated challenges for Indian exporters, investors and internationally oriented businesses.
8. Respondents also recognized opportunities for strengthening bilateral economic relations between India and the UK.
9. **42%** of respondents agreed that Brexit created opportunities for improved India–UK trade relations.
10. Overall, Brexit created both **economic challenges and opportunities** for India.

7. SUGGESTIONS

1. India should continue strengthening bilateral trade relations with the United Kingdom through stable and mutually beneficial trade arrangements.
2. Indian exporters should diversify their international markets to reduce excessive dependence on any single trading partner.
3. Export-oriented companies should strengthen foreign-exchange risk-management and hedging practices to manage currency volatility.
4. The government should encourage investment facilitation measures to maintain attractive conditions for foreign investors.
5. Indian businesses should continuously monitor changes in UK customs, regulatory and trade requirements.
6. Greater regulatory cooperation should be encouraged in sectors such as pharmaceuticals, IT services, financial services and manufacturing.
7. Indian companies should invest in digital technologies to improve international competitiveness and resilience.
8. Government agencies should provide timely information and support to exporters and importers affected by international policy changes.
9. India should strengthen cooperation with the UK in emerging areas such as digital trade, fintech, renewable energy, healthcare, defence and innovation.
10. Continued diversification of India's export destinations and economic partnerships should be pursued to strengthen resilience against future global shocks.

8. CONCLUSION

The study concludes that Brexit had a noticeable impact on the Indian economy, particularly through international trade, exports, foreign direct investment and exchange-rate movements. The findings from 100 respondents show that 42% perceived the impact on Indian exports as high, while 40% considered the effect on FDI to be moderate. Similarly, 38% regarded the influence on exchange-rate changes as high. These findings demonstrate that changes in the UK's relationship with the European Union generated uncertainty for Indian businesses and investors connected with international markets. The study also confirms that Brexit was not exclusively a source of economic difficulties. It created opportunities for India and the UK to develop an independent bilateral economic relationship and strengthen cooperation in trade, investment, technology, financial services and other emerging sectors. The respondents' views regarding future trade cooperation further indicate the potential for closer economic relations. India's ability to diversify exports, strengthen foreign-exchange risk management, improve investment conditions and develop resilient international partnerships can reduce exposure to future external shocks. The study therefore concludes that India should adopt a balanced approach that manages Brexit-related risks while actively utilizing opportunities arising from stronger India–UK economic cooperation. The post-Brexit environment highlights the importance of flexible trade policies, investment promotion, technological development, regulatory cooperation and diversified international economic relationships.

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