

India-Bangladesh trade and financial flows

Limited impact of Bangladesh crisis anticipated

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Trade with Bangladesh is significant for India for the textile sector; however, no major impact is expected from the ongoing crisis in Bangladesh.

ICRA has analysed the trade, financial flows and bilateral tie-ups between India and Bangladesh. Trade with Bangladesh is not significant for India except for the textile sector. India exports a substantial portion of its textile raw material to Bangladesh and imports textile finished goods from Bangladesh. Despite this, ICRA does not estimate any major impact on the Indian textile sector because of the ongoing crisis in Bangladesh.

In terms of financial flows, Bangladesh's share is insignificant compared to the overall pie of Foreign Direct Investment (FDI) equity inflows and country remittances. Even the migrant population from India to Bangladesh is marginal.

Indian companies have a significant presence in Bangladesh, spanning various sectors like FMCG, textile, healthcare, energy etc. However, there is no significant impact foreseen from the Bangladesh crisis as the proportion of Bangladesh's revenues to the total revenues of these entities is limited.

On the other hand, for Bangladesh, Indian trade and financial flows are very important. India is the 2nd largest import source and the 7th largest export destination for Bangladesh with dependency in textile, agricultural, chemicals and metals sectors. India has significant FDI investment in Bangladesh, which also benefits from the bilateral agreements with India for Indian education, funding for infrastructure, support towards power and energy etc.



Merchandise trade

- Bangladesh's share in India's total merchandise exports was low at 3% in FY2024. However, export of some agricultural and textile commodities to Bangladesh are significant for India. Cotton yarn, which is one of the major products exported to Bangladesh can be consumed domestically, being a commoditised product.
- Bangladesh's share in the total Indian merchandise imports stood at less than 1% in the past decade. Imports from Bangladesh are significant for India in sectors like textiles where readymade garments (RMG) and fabrics are imported. However, India's total apparel imports were limited to ~10% of its apparel exports in FY2024 and hence no major impact is expected.
- On the other hand, India's share stood at 14% of Bangladesh's total imports and ~4% of exports. Indian trade is significant for Bangladesh with regard to agri products, textiles, chemicals and metals.

Bangladesh contributes insignificantly to the overall pie of FDI equity inflows and country remittances.

India's corporate presence in Bangladesh is prominent in FMCG, textile, healthcare, energy sectors; however, there is no significant impact of the Bangladesh crisis as the proportion of Bangladesh's revenues to the total revenues of these entities is limited.



Services trade

- Bangladesh's share is not significant for Indian services trade. However, for Bangladesh, India is the 5th largest exporting country and 3rd largest importing country for services trade.
- Transport comprises ~60% share in total services imports from India - which includes transportation of passengers to or from its territory – this primarily includes passengers travelling for medical purpose to India. With a weaker currency and economic challenges, Bangladeshi citizens might find it harder to afford medical treatment abroad, leading to a potential decline in revenue for Indian healthcare providers that rely on foreign patients. ICRA estimates the impact will be limited to a maximum of 4-6% of medical tourism revenues for hospitals.



FDI, FPI and remittances

- Bangladesh's share in FDI equity inflows is insignificant. Further, the country does not contribute towards Foreign Portfolio Investors – asset under custody (FPI AUC) for India. It also accounts for less than 1% of India's migrant stock and remittances to India
- However, for Bangladesh, India was the ninth largest country contributing for FDI gross inflows – textile, banking, power being the major sectors for investment.



Bilateral agreements

- Bilateral agreements between India and Bangladesh have been executed to improve connectivity, trade and cooperation.
- Bangladesh benefits from Indian education, funding for infrastructure, support towards power and energy.



Corporate presence

- Indian companies have a significant presence in Bangladesh, spanning various sectors including FMCG, textile, healthcare, energy etc. However, there is no significant impact of the Bangladesh crisis as the proportion of Bangladesh's revenues to the total revenues is limited.



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