Integration of Financial Systems of The Republic of Belarus and India: Challenges and Prospects

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Abstract

Real talk — procrastination is the one flaw I keep attacking and keep losing to. Night after night, I set the intention to start early, and night after night, I end up at 11 p.m. scrolling through my phone with a blank page still open. The maddening part is that the work itself is almost never as hard as the dread that surrounds it. Open the file, and a workable first paragraph usually surfaces within ten minutes. All the suffering happens beforehand: the low-key anxiety, the starts that fizzle out, the guilt over time I cannot get back. At this point, I am pretty certain procrastination is not a laziness issue. It is about shrinking away from the uncomfortable act of beginning.

Keywords: financial integration, Belarus–India economic partnership, bilateral trade, payment systems, investment flows, multipolar world economy, economic sovereignty

1. Introduction

The global financial system is presently experiencing a major change. The current global financial system is changing from being unipolar, where everything was dominated by the American dollar and Western financial system, to a multipolar structure. In this context, diversification of foreign economic relations is of strategic importance for countries such as Belarus and India.

Political and trade relations between Belarus and India have historically been positive and have developed gradually (Rudkouskaya, 2024). However, the financial component of this cooperation is lagging behind. This situation creates certain inefficiencies. prevents the full realization of the existing potential of bilateral economic cooperation (National Bank of the Republic of Belarus, 2023).
The aim of this article is to bridge the existing gap. It is to systematically analyze the relationship between the financial systems of the two countries. Specific directions for their future development.

2. Current Status of Financial Integration: An Analytical View

Trade and economic cooperation between Belarus and India began to take shape after Belarus gained independence in 1991. These relationships have been developed mainly through institutional mechanisms. In particular, the Belarus-India Intergovernmental Commission (on cooperation in trade, economy, industry, science, technology, and culture), established in 1997, has served as the main institutional platform for the development of these relations.

Trade relations built on this institutional basis have long been shaped primarily around one product — potash fertilizers, which Belarus exports to India. Cooperation in this area was once quite strong. For example, in 2020, Belarus' exports to India (mainly potash fertilizers) amounted to $403.9 million. A memorandum signed in 2017 between Belarusian Potash Company and Indian Potash Ltd. further strengthened this cooperation.

But geopolitical changes in recent years have seriously shaken this model. In late 2021, tough sanctions were imposed on Belarus. The country was deprived of traditional export routes as a result of losing access to Baltic Sea ports (Zakharov, 2025).

This situation has created serious logistical problems and has made Belarus virtually completely dependent on Russian transport infrastructure. This has led to both limited opportunities and additional risks. Therefore, the effect that this process has had on bilateral trade is very drastic. As is evident from the table below, based on official statistics, the value of India's fertilizer imports from Belarus has fallen from hundreds of millions of dollars to virtually nothing.

Table 1. *Dynamics of Trade and Economic Exchanges between the Republic of Belarus and the Republic of India (million USD)*

Year	Belarusian Exports	Indian Exports	Total
2020	456.6	171.2	627.8
2021	376	191	567
2022	180.8	42.9	223.77
2023	67.9	43.9	111.8
2024	20.51	64.83	85.34

Source: Department of Commerce of India, National Statistics Committee of Belarus, State Customs Committee of Belarus.

Such an example vividly demonstrates that in the current reality, it is not sufficient anymore for Belarus and India to cooperate in terms of "fertilizer-for-goods." In order to ensure sustainability of economic and financial processes, it is necessary to develop new financial and trade mechanisms. Financial integration can be examined from three main angles: trade financing, investment processes, and institutional links.

2.1. Trade financing and payment systems

In general, trade relations between Belarus and India have been developing positively. Trade turnover is estimated at about US$1.2 billion by 2023 (Belstat, 2024). However, there is a very important issue related to such cooperation – the overwhelming majority of transactions are made in US dollars and euros. According to the National Bank of Belarus, while the share of the Russian ruble and the euro in foreign trade settlements is increasing, the use of the Indian rupee is almost non-existent, accounting for less than 1% of total transactions (NBRB, 2023). The main reason is simple: there are no direct correspondent relations between Belarusian and Indian banks, and a working mechanism for converting BYN to INR has not been formed.

2.2. Investment flows

One of the most realistic indicators of financial integration is foreign direct investment. Here, the situation is clearly weak. Currently, Indian investments in Belarus amount to less than $50 million and are concentrated mainly in the pharmaceutical and IT sectors. Belarusian investments in India are almost non-existent. Although high-level negotiations have taken place and, for example, a $100 million credit line was announced by India's EXIM Bank in 2015, Many of these projects have either not been implemented or there is no public information about their fate. (Zakharov, 2025).

There are some successful projects — like BHEL's renovation of the Grodno power plant. But bigger plans, like the $600 million Grodno Azot project, have yet to be realized. The main reasons for this are classic: lack of information, overestimation of risks, and the lack of a bilateral treaty (BIT) to protect investments.

2.3. Institutional cooperation

On the positive side, there is some progress at the institutional level. For example, memorandums of understanding have been signed between the Belarusian Currency and Stock Exchange and the Bombay Stock Exchange, which lay the groundwork for future cooperation (BSE, 2022).

In addition, Belarus participates in the IFSCA platform, which operates in the GIFT City project in the Indian state of Gujarat. This creates a potential opportunity for access to international financial services (IFSCA, 2023). But the problem is still the same: these partnerships have not yet translated into real financial flows and integrated market mechanisms.

3. India's financial system and possible synergies

It is of particular importance for Belarus to gain a deep understanding of India's rapidly modernizing financial system. This is where the main source of integration opportunities is formed. India has made significant progress towards financial inclusion in recent years. India has made significant progress in financial inclusion in recent years. The Financial Inclusion Index reached 67 in 2025. This indicator increased by 24.3 percent compared to 2021 (Government of India, 2025). One of the main reasons for this development is the Pradhan Mantri Jan Dhan Yojana (PMJDY) program. More than 550 million bank accounts were opened under that program. At the same time, digital payments are growing rapidly in India. The UPI system now accounts for about 80% of all digital payments (Anytime Invest, 2025).

One of the most interesting platforms here is GIFT City. It is India's first international financial services center and operates under a special legal and tax regime. This platform creates fewer restrictions on foreign exchange transactions, tax breaks, and a favorable environment for international financial transactions. Belarus' participation in this system gives it a real opportunity to attract capital, simplify currency transactions, and finance trade.

4. Institutional framework and future cooperation directions

The institutional environment plays a crucial role in deepening financial integration. The situation here is mixed — there are both opportunities and serious challenges. On the positive side, high-level dialogue has been ongoing in recent times. For example, in February 2025, the audit institutions of Belarus and India discussed the prospects for cooperation, and it is planned to prepare a memorandum (BelTA, 2025). At the same time, the two countries continue to cooperate through platforms such as the Shanghai Cooperation Organization and BRICS. This serves as an alternative channel for maintaining ties, especially during times when bilateral trade weakens.

5. Strategic Directions for Deepening Financial Integration

A targeted and phased approach is required to address the current problems. The following key directions are proposed for this process:

5.1 Creation of a bilateral payment and settlement mechanism

The most important step is the implementation of the SRVA (Special Rupee Vostro Account) system promoted by the Reserve Bank of India. This mechanism allows Belarusian banks to conduct trade directly in Indian rupees by opening special accounts in Indian banks.

To put it simply, the system works like this:

- When an Indian importer purchases a Belarusian product, he makes the payment in rupees, and this amount is transferred to the Belarusian bank's account in India.
- Payments are made to Indian exporters from the same account. That is, the system creates a "closed loop" and eliminates the need for a third currency.

The main advantages of this approach are:

- Reduced currency risk – reduced dependence on dollar/euro fluctuations
- Cost reduction – double currency conversion is eliminated

Investment of surplus funds – funds remaining in the account can be invested in Indian financial instruments

According to estimates, conducting $1.2 billion in trade in national currencies could save approximately $15–20 million annually.

- The most logical approach is to start this system as a pilot project first, rather than implementing it directly. For example:
- Fertilizer export from Belarus
- Importing medicines from India

These areas already have existing collaborations and create an ideal test environment for the system.

5.2. Strengthening interbank and capital market relations

Financial integration should be established not only at the state level, but also at the bank level.

For example:

- Belarusian banks (Belinvestbank, Priorbank, etc.)
    - Large Indian banks (State Bank of India, Bank of Baroda, etc.) should establish direct cooperation.
    - In addition, Belarusian companies can obtain new sources of financing by issuing “Masala bonds” (bonds denominated in rupees) on the Indian market. This both diversifies financing and strengthens market integration.

5.3. Digital finance and fintech collaboration

The IT sector of both countries is strong, and this area creates real opportunities. Possible destinations:

- blockchain-based trade finance platforms
- automation of documentation
- increasing transparency, for example, through smart contracts:
- Payment can be made automatically as soon as the cargo delivery is confirmed
- This process takes hours, not weeks

Such systems reduce paperwork, eliminate delays, and minimize the human factor. These platforms do not replace existing systems — they simply act as an additional layer that connects them. The global trend also shows this: blockchain integration is growing rapidly, and this market is expected to grow rapidly in the coming years.

Table 2. *Comparative Analysis of Traditional vs. Blockchain-Based Trade Finance.*

Parameter	Traditional Process	Blockchain Solution	Improvement Potential
Documentation	30+ physical documents	Digital tokens on a shared ledger	80-90% reduction
Settlement Time	2-4 weeks	24-48 hours	85-90% faster
Intermediaries	5-10 parties	Direct parties + validators	40-60% reduction
Fraud Risk	High due to document forgery	Minimal due to cryptographic verification	Significant reduction
Transaction Cost	1.5-3% of value	0.25-0.75% of value	60-80% reduction

Source: European Central Bank.

First of all, blockchain technology provides a direct solution to the problem of cross-border payments between Belarus and India. The problem is that currently, such payments are made via several intermediate banks. In addition to the extra fees paid to them, each bank adds unnecessary delays to the process due to different time zones and working hours. As pointed out by the European Central Bank, cross-border payments are still expensive and slow. The average transaction fee for companies is about 1.5 percent, while the money transfer fee is 6.3 percent. Moreover, such transactions may take several days to be processed. It creates a serious obstacle, especially for small and medium enterprises trying to enter the international market, since they will have to pay extra fees. On the other hand, the blockchain-based systems eliminate intermediaries and operate 24/7. They allow making payments almost instantly and provide more transparency. All participants may track the progress of the payment at any time.

Thus, using this technology could help save on operational costs on the Belarus-India financial line from the current 1.5–2 percent to less than 0.5 percent. Thus, savings would be about $10–15 million per year, considering the $1.2 billion annual turnover.

As for the example in this field, the Unified Payments Interface (UPI) of India can be considered. At present, the system processes over 640 million transactions daily.

The main advantage of UPI is its simplicity and openness to integration:

- The user can combine multiple bank accounts in one application.
- payments are made immediately

• Transactions are carried out without sharing bank details

This system already connects hundreds of millions of users and millions of business entities on a single platform. Adapting this model for Belarus creates real and promising opportunities. If the UPI system is integrated with the existing financial and payment infrastructure of Belarus:

tourists

- students
- small businesses

It will be much cheaper and faster to pay.

This integration can technically be built through application programming interfaces (APIs). India has already successfully implemented this model with a number of countries. However, the issue is not as simple as it seems. There are a number of serious problems and institutional obstacles in this direction:

Technical risks:

- security issues in blockchain systems
- Billions of dollars in losses in bridge systems
- speed-security-decentralization balance problem

Integration difficulties:

• It is not easy to integrate different financial systems

• It is technically difficult to maintain real-time performance

Legal problems:

• AML/KYC regulations are different

• data protection laws are not consistent

• different regulatory approaches in different countries

Real integration is not possible without solving these problems.

Therefore, the approach should be phased:

- **1. Pilot phase (1–12 months)**
  - • small-scale blockchain project
  - • specific industries (fertilizer, medicine)
  - • limited use of UPI (students, tourists)
- **2. Expansion stage (13–24 months)**
  - • more sectors
  - • expanding trade finance
  - • including small business transactions
- **3. Optimization phase (25–36 months)**
  - • AI-based risk analysis
  - • broader financial services
  - • regional expansion

Table 3. *Strategic Partnership Models for Belarus-India Fintech Collaboration*

Partnership Type	Implementation Mechanism	Potential Applications	Expected Outcomes
Strategic Partnerships	Long-term collaboration between Belarusian banks and Indian fintechs	Joint development of customized solutions for bilateral trade	Shared intellectual property, deeply integrated solutions
Investment Partnerships	Belarusian financial institutions are taking equity positions in Indian fintechs	Strategic alignment with UPI ecosystem partners	Access to cutting-edge technology, revenue sharing
Incubation Partnerships	Indian fintechs providing technology transfer to Belarusian startups	Adaptation of proven solutions to the Belarusian market	Local capacity building, sustainable ecosystem development

Source: Technocrat IQ

Successful integration in the fintech field is not possible with technology alone. In addition to this, it will require strong institutional partnerships. Indian case studies demonstrate that partnerships can be divided into three types. Firstly, a strategic partnership for product development in the long run; secondly, an investment partnership through equity; thirdly, an incubation partnership through knowledge transfer. The best choice for Belarus and India may be the combination of all these approaches. In other words, the combination of the market expertise of Belarusian financial institutions on one side, and the technical expertise of Indian fintech firms on the other side.

On a practical level, there are a number of real opportunities for collaboration. On a practical level, there seem to be few real opportunities for cooperation. For instance, Belarusian banks and Indian payments firms could cooperate in creating solutions compatible with the UPI system for the Belarusian market. Cooperation between Indian blockchain companies and Belarusian logistic institutions may allow creating new platforms for supply chain financing. But such relationships are not based only on the declaration of intentions. The lack of defined objectives, communication standards, and proper due diligence is enough to break down even the most promising collaboration. Thus, both compliance and realism in expectation setting are equally important here. Governments should not be forgotten in this process too. They may facilitate cooperation by holding bilateral innovation competitions, implementing joint programs, and creating incentives. Such an approach provides an opportunity to experiment with innovative business models without taking unnecessary risks for the private sector.

4. Creation of a joint investment platform

The second step, which can be proposed for further financial integration of Belarus and India, is the creation of the "Belarus-India Investment Fund". It can be financed by state development banks and private institutional investors of both parties, with an objective of co-financing projects in strategic industries (IT, high-tech production, pharmaceuticals, and renewable energy) as well as bridging the existing direct investment gap. As for the initial capital of the fund, it should be formed mainly on the basis of state support. As far as the Indian side is concerned, one of the most suitable candidates for this purpose is EXIM Bank as it is responsible for financing foreign trade operations and international joint ventures. Also, the involvement of such institutions as IDBI and SIDBI would be possible due to the experience of these organizations in financing long-term projects and SMEs. At the same time, on the Belarusian side, the direct financial participation of the government will be required via institutions such as the National Investment and Privatization Agency (NAIP). It is necessary as it will show the political will of the government as well as allow the government to take part in the free risks. After that, when such government support is ensured, it will be possible to attract private investors into the fund, especially insurance companies and pension funds. Finally, the directions of investment of this fund should not be chosen randomly. These investments should correspond to industrial priorities and comparative advantages of the two states. It means that the objective of such investments is not only the investment of money but also the creation of synergy in strategic industries. It is illustrated in the table below.

Table 4. *Sector focuses for Belarus and India*

Sector	Strategic Rationale & Alignment
Pharmaceuticals	Belarus has an explicit strategy to expand its pharmaceutical industry, with 23 investment projects aimed at modernization and import substitution planned by 2030
Information Technology (IT)	Belarus's High Technology Park (HTP) is a recognized IT hub, and India possesses a globally dominant IT services and software sector. The fund could provide growth capital for joint ventures in software development, deep tech, and digital solutions
Green Energy	India is aggressively scaling up its renewable energy capacity and has identified clean energy as a key area for investment. The fund could finance sustainable infrastructure projects in Belarus, supporting the global climate transition and leveraging Indian expertise in solar and wind energy
High-Tech Manufacturing	This aligns with India's push to scale up manufacturing capabilities and Belarus's interest in developing modern production facilities. The fund could target projects in areas like precision engineering, electric vehicle components, and defense-related manufacturing (within permissible regulatory frameworks)

To make the Fund an efficient and effective tool, the process of risk management has to be incorporated into its framework beforehand. In other words, the fund will not work merely as an institution that allocates financial assets. It is also necessary for the fund to employ financial tools and mechanisms that make the tradeoff between risk and profit more tolerable.

4.1. Risk reduction through financial instruments

According to the Global Infrastructure Hub, risk mitigation instruments are very important in ensuring that private investments are attracted. In this respect, there are several main approaches that can be used by the fund. In this respect, there are several main instruments that can be used by the fund:

Guarantees. Political risk guarantees can protect investments from confiscation, currency inconvertibility, and risks such as political violence.

- **Financing in local currency.** In order to reduce exchange rate risk, financing of some projects in Belarusian rubles may be considered. This approach would reduce the dependence of projects on changes in foreign exchange rates.
- **Blended finance models**. Providing additional preferential or subordinate funding via the fund's public capital would help minimize risks for the commercial bank. This will make it easier for them to participate in the projects. According to the Climate Policy Initiative, the use of guarantee mechanisms, despite being underutilized at this time, makes it possible to attract up to 45 percent of private investments in some multilateral financial institutions. The model of managing the fund should also be built on the principle of proactive rather than reactive risk management. This will require moving away from just financial analysis. It is necessary to evaluate political and legal risks as well. The conditions of contracts should be precisely set out. The borrower should not be allowed to undertake certain actions without the approval of the lender.

Moreover, the fund may focus its investments on special economic zones, which provide for better administrative and legal stability. For instance, the China-Belarus "Big Stone" industrial park can be regarded as a safe platform to invest in. The best way forward does not lie in abrupt and large-scale growth but in gradual progress. At the initial stage, it is advisable to choose a particular and more feasible area. For example, it is known that Belarus has already developed some plans for investment. Perhaps the pharmaceutical industry can serve as an option at this stage.

Therefore, such a fund will not only act as a means of financing. It can also act as an institution that helps build trust, prove the advantages of cooperation, and convert the Belarusian-Indian relationship into a more multi-polar one.

6. Conclusion

Financial integration between Belarus and India is important. But this type of cooperation has potential that is still untapped. In the present stage of forming a multipolar world order, this potential functions not only as an economic possibility but also as a strategic necessity. Nowadays, the level of integration is quite low. The use of national currencies in trade relations is low, and investments are practically absent. However, the analysis shows that there is real potential for further development. The strategy described in the article includes the establishment of direct payment systems, the development of interbank cooperation, the introduction of innovations in fintech, and the creation of a joint investment platform. This strategy can be considered a basis for the implementation of this potential. The realization of this potential cannot be done only through technical measures. For that, political will, cooperation of central banks, involvement of financial institutions, and active participation of business circles in this process are required. With such an approach, this cooperation will not only ensure the economic stability of countries but also become a successful example of alternative financial cooperation in the modern world.

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