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## From Tariff Preferences to Payment Interoperability:

What the EU-India FTA Means for  
Cooperative Banks in Germany and India

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## Executive Summary

The EU and India announced the conclusion of Free Trade Agreement negotiations on 27 January 2026. While tariff preferences are headline features, the implications for cooperative banking are driven by second-order effects: higher corridor trade, changing client demand for transaction banking and risk services as well as the treaty disciplines that shape payments, authorization transparency and digital trust.

This article maps the published draft treaty texts that are most relevant for cooperative banks in Germany and India. The EU emphasizes tariff reductions or elimination on 96.6% of EU goods exports to India, while the Indian factsheet highlights preferential access for more than 99% of India's exports by value.

The draft Financial Services Annex (Annex 8-C) contains a prudential carve-out, commitments on access to payment and clearing systems, disciplines on authorization procedures and dedicated articles on electronic payments (interoperability and efforts toward real-time cross-border remittances and transfers) and FinTech cooperation (including SupTech, RegTech and CBDC-related areas). The Digital Trade chapter recognizes each Party's right to set personal data protection rules, including cross-border transfer safeguards and provides for a review within five years after entry into force, including on additional provisions such as free flow of data.

The article derives a playbook for cooperative banks, highlights reverse-direction opportunities and flags implementation risks until entry into force.

## Key Insights

- The EU-India Free Trade Agreement (FTA) matters for cooperative banks mainly through indirect channels, not tariffs alone. Its relevance lies in changing client trade patterns, cross-border payment flows, documentation practices, and the regulatory conditions under which corridor business is conducted.
- For German cooperative banks, the main effects are client-led. As SMEs diversify supply chains and expand selectively into India, demand is likely to increase for trade finance, guarantees, foreign exchange services, and payment solutions.
- The communicated “privileged access” does not mean deregulated entry. Even where market access and national treatment improve, cooperative banks still face prudential supervision, compliance obligations, and the need for robust local governance and operational resilience.
- Payment interoperability and digital documentation are central operational levers. Treaty provisions on electronic payments, paperless trade, and digital cooperation could improve the economics of serving SMEs and more frequent transactions, but only if they are implemented through actual infrastructure, standards, and partnerships.
- For cooperative banking systems, the FTA is an infrastructure and capability story as much as a market-access story. Its practical significance lies in clearer guardrails and processes, stronger compliance architectures, and partnership models that allow cooperative institutions to support member businesses on the EU-India corridor.

## From Trade Agreement to Banking Implications

**The EU and India announced the conclusion of negotiations for a Free Trade Agreement (FTA) on 27 January 2026. Although the agreement is still awaiting ratification and the publication of the final schedules, it already represents a significant turning point in EU-India economic relations.**

Beyond its legal form, the agreement must be understood against a broader macroeconomic backdrop. India is among the fastest-growing major economies and is expected to play an increasingly central role in global value chains.<sup>1</sup> For the European Union and Germany, diversifying trade partnerships has become a structural priority in response to geopolitical fragmentation and supply chain risks.<sup>2</sup>

Public summaries on both sides emphasize tariff liberalization, yet for cooperative banking the economic and operational consequences run through more indirect channels: changes in client trade patterns, the evolution of cross-border payments and documentation and treaty disciplines that shape licensing transparency, financial market infrastructure access and digital trust.<sup>4,5</sup> German cooperative banks, closely tied to small and medium-sized enterprises (SMEs), are particularly exposed to these shifts.<sup>6</sup> Survey evidence from the cooperative financial sector indicates that SMEs are simultaneously pursuing more regionally anchored supply chains and selectively expanding into new markets, including India.<sup>6</sup>

Sector-specific examples illustrate these dynamics. Agricultural cooperatives, for instance, already identify export opportunities linked to the agreement and seek improved access to the Indian market.<sup>7</sup> Such developments translate directly into operational requirements for cooperative banks (e.g., managing currency risk or facilitating payment flows).<sup>2,4</sup>

A comparable pattern has been observed in other recent trade agreements. Past FTAs have shown that reductions in trade barriers tend to be followed by gradual adjustments in financial infrastructure usage such as higher volumes in cross-border payments, and growing importance of compliance with international standards.<sup>1</sup> These effects are often more pronounced for smaller firms, which rely disproportionately on relationship banking and thus on cooperative institutions.<sup>6</sup>

This paper takes a cooperative perspective in both directions. First, it asks what the FTA means for German cooperative banking networks that serve export-oriented SMEs and that operate group-level capabilities via central institutions. Second, it examines what the same treaty disciplines can imply for Indian cooperative banking, including the upgrading of payment connectivity and compliance practices. Against this backdrop, this article follows a practical objective: to translate the emerging FTA framework into an operational agenda for cooperative banking.

1 - Kiel Institute for the World Economy. (2026). Trade policy analysis related to EU-India economic relations (Working paper).

2 - DZ Bank Research. (2026). <https://dzresearchblog.dzbank.de/content/dzresearch/de/2026/01/30/indien-und-die-eu-setzen-auf-wachsenden-handel.html>.

3 - Handelsblatt. (2026). <https://www.handelsblatt.com/politik/konjunktur/handelsabkommen-indien-deal-steigert-eu-bip-um-22-milliarden-euro-pro-jahr/100194905.html>.

4 - European Commission. (2026a). Factsheet – EU-India Free Trade Agreement: Main benefits.

5 - Government of India, Ministry of Commerce and Industry. (2026a). Factsheet on India and European Union Trade Agreement.

6 - DZ Bank. (2026). <https://www.dzbank.de/content/dzbank/de/home/die-dz-bank/presse/pressemitteilungen/2026/sonderumfrage--mehr-heimatmarkt--andere-lieferketten---der-mitte.html>

7 - Deutscher Raiffeisenverband. (2026). <https://www.raiffeisen.de/drv-sieht-exportchancen-fuer-deutschen-genossenschaftswein>.

## What was concluded, what is published and what remains uncertain?

On market access in goods, the EU factsheet states that tariffs on 96.6% of EU goods exports to India will be eliminated or reduced and estimates duty savings of up to €4 billion per year for European products. On the Indian side, the Commission factsheet frames the agreement as delivering preferential access for more than 99% of India's exports by value and specifies preferential access across 97% of EU tariff lines covering 99.5% of trade value.<sup>4,5</sup> Consequently, empirical projections suggest that an EU-India FTA could increase EU GDP by approx. €22 billion annually, driven primarily by trade expansion and efficiency gains in goods and services markets.<sup>1,3</sup> At the same time, trade between the two partners has already shown strong momentum in recent years (see Table 1).

For this article, the most relevant documents are the published draft treaty texts for Chapter 8 (Trade in Services), Annex 8-C (Financial Services) and Chapter 9 (Digital Trade). The European Commission notes explicitly that the published texts are for information only and may undergo legal revision and that the agreement becomes binding only after completion of internal legal procedures and entry into force.<sup>8</sup>

Until entry into force, the treaty is best treated as a strong political signal plus a draft rulebook, not as an immediate change in licensing conditions. In particular, “privileged access” in financial services is not a single permission. In trade law practice, it typically combines (i) scheduled commitments on market access and national treatment and (ii) horizontal and sector-specific disciplines that reduce discretion and improve transparency in authorization and ongoing operation. The schedules and licensing practice determine the first component, the annexes and digital provisions help with the second.

*Indian Trade Development since 2014, in %*

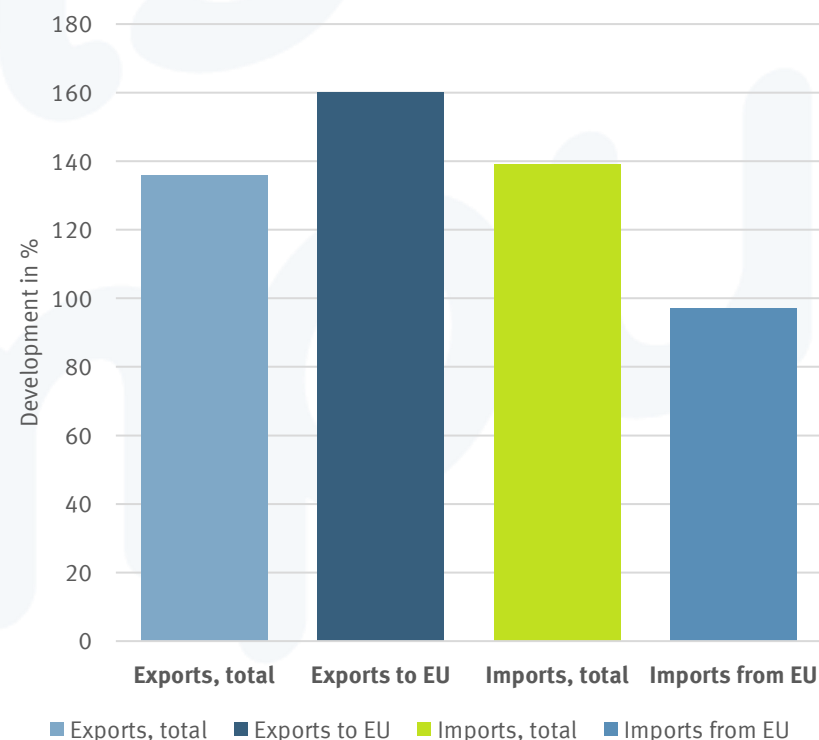


Table 1: Development of EU-India exports<sup>2</sup>

1 - Kiel Institute for the World Economy. (2026). Trade policy analysis related to EU-India economic relations (Working paper).

2 - DZ Bank Research. (2026). <https://dzresearchblog.dzbank.de/content/dzresearch/de/2026/01/30/indien-und-die-eu-setzen-auf-wachsenden-handel.html>

3 - Handelsblatt. (2026). <https://www.handelsblatt.com/politik/konjunktur/handelsabkommen-indien-deal-steigert-eu-bip-um-22-milliarden-euro-pro-jahr/100194905.html>

4 - European Commission. (2026a). Factsheet – EU-India Free Trade Agreement: Main benefits.

5 - Government of India, Ministry of Commerce and Industry. (2026a). Factsheet on India and European Union Trade Agreement.

8 - European Commission. (2026b). EU-India: Text of the agreements (draft texts published following conclusion of negotiations on 27 January 2026).

## How an FTA transmits into cooperative banking

For cooperative banks, the transmission from an FTA is usually client-led and possibly non-linear, as payment or compliance costs can rise faster than revenues for smaller banks (see Figure 1). The core channels are:

- **Trade growth and supply-chain reconfiguration:** more corridor trade raises demand for documentary trade, working-capital finance and foreign exchange risk management.
- **Transaction banking and payments:** lower frictions make smaller, more frequent cross-border transactions economically viable for SMEs.
- **Risk, compliance and governance uplift:** corridor volumes increase demands on cybersecurity and data governance.
- **Digital documentation:** paperless trading and e-document recognition reduce operational cost and error rates but require systems integration.<sup>9</sup>
- **Partnership formation:** treaty language on cooperation (payments, fintech) creates a policy basis for bank and fintech partnerships across the corridor.<sup>10</sup>

EU communications frame the agreement as granting “privileged access” to India’s services market, but for cooperative banks this translates into more specific elements: defined market access commitments, national treatment within scheduled sectors, and operational disciplines that improve transparency and reduce friction in cross-border activity. These provisions enhance predictability but do not imply unrestricted entry or regulatory exemptions, leaving prudential oversight and compliance requirements fully intact.<sup>4</sup>

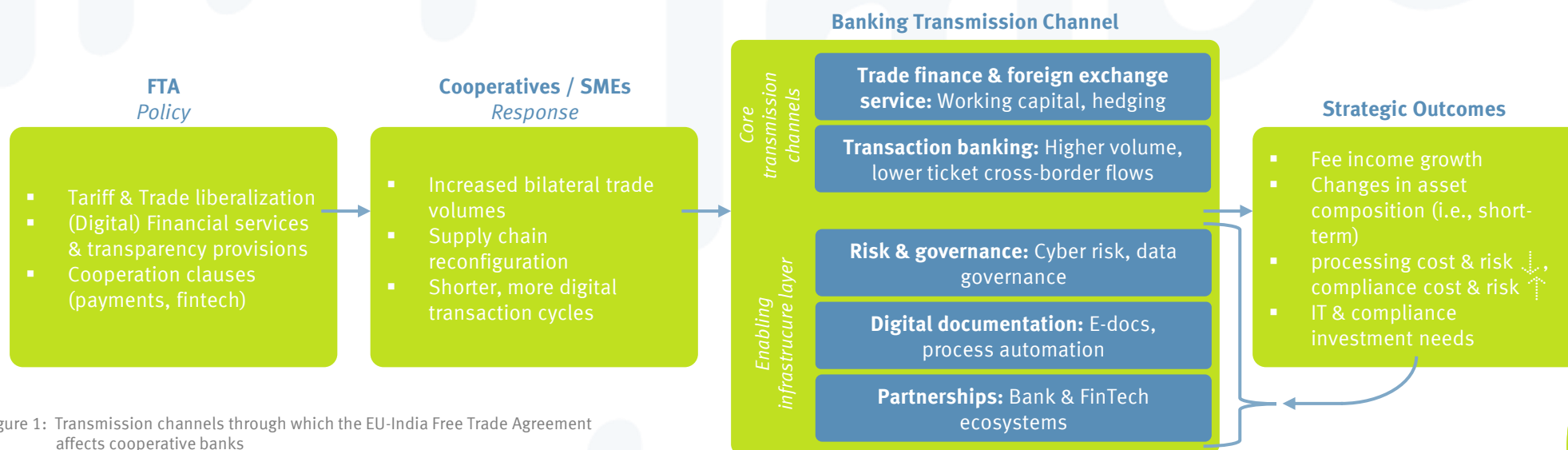


Figure 1: Transmission channels through which the EU-India Free Trade Agreement affects cooperative banks

4 - European Commission. (2026a). Factsheet – EU-India Free Trade Agreement: Main benefits.

9 - Government of India, Ministry of Commerce and Industry. (2026b). Chapter 9: Digital Trade (draft).

10 - Government of India, Ministry of Commerce and Industry. (2026c). Annex 8-C: Financial Services (draft).

## Treaty provisions with direct relevance for cooperative banks

Within the published draft, two clusters matter most for cooperative banking: (i) the Financial Services Annex and (ii) the Digital Trade chapter. While the final schedules will decide sector-by-sector entry conditions, the disciplines in these chapters shape how predictable, transparent and interoperable cross-border finance can become.

Not all provisions carry equal operational weight. While some clauses primarily preserve regulatory autonomy (e.g. prudential carve-outs), others directly affect infrastructure and transactions. For cooperative banks, the most consequential provisions relate to payment interoperability, access to financial market infrastructures and the alignment of compliance and digital documentation frameworks.

### Annex 8-C (Financial Services): the operational clauses

Annex 8-C defines financial services broadly (including deposits, lending, payment and money transmission, asset management, settlement and clearing and financial information processing). Several articles are salient for cooperative banking operations:<sup>10</sup>

- **Article 8-C.3 (Prudential carve-out):** each Party retains the ability to adopt prudential measures for depositor and system protection and warns against using such measures to avoid commitments.
- **Article 8-C.5 (International standards):** recognizes the need to implement internationally agreed standards for regulation and supervision, and tax integrity.

- **Article 8-C.6 (New financial services):** an established supplier may be permitted to supply a new financial service that the host would allow for its own suppliers, subject to authorization and decisions within a reasonable timeframe.
- **Article 8-C.8 (Clearing and payment systems):** access, on national-treatment terms, to payment and clearing systems operated by public entities, while excluding lender-of-last-resort facilities.
- **Article 8-C.9 (Domestic regulation):** authorization measures should be objective and transparent and not more burdensome than necessary; procedures should not in themselves restrict supply.



**Operational reading:** these provisions do not remove prudential oversight. Instead, they narrow the range of “non-transparent” surprises. For example, the payment and clearing access clause is meaningful only for suppliers that are established and authorized in the host market.

**For cooperative banks,** the most realistic path is therefore an indirect model: using correspondent relationships, partner rails and group-level utilities to reach interoperable outcomes without building large onshore footprints.

<sup>10</sup> - Government of India, Ministry of Commerce and Industry. (2026c). Annex 8-C: Financial Services (draft).

## Electronic payments and corridor economics

Article 8-C.12 (Electronic Payments) is unusually explicit. It recognizes the benefits of safe and interoperable cross-border electronic payments and refers to interoperability and, where feasible, interlinkages of payment infrastructures. It also states that the Parties shall endeavor to enable real-time cross-border remittances, merchant payments and other transfers by promoting interoperability of existing infrastructures and potential development of new infrastructures, subject to operator discretion.<sup>9</sup>

For cooperative banks, the economic importance is that interoperability can change the unit economics of serving smaller firms and more frequent transactions. If settlement becomes faster and cheaper, cooperative banks can support corridor commerce for members that previously found cross-border payments too slow or costly.

## FinTech cooperation and compliance modernization

Article 8-C.13 establishes cooperation on financial services including FinTech, listing areas such as SupTech, RegTech and Central Bank Digital Currency (CBDC)-related cooperation. The treaty does not mandate a specific technology stack, but it creates a governance umbrella for regulator dialogue and industry collaboration.

For cooperative systems, this is relevant because corridor expansion tends to expose the weakest operational controls first (fraud, sanctions screening, data leakage, vendor risk). The annex signals that integrity, resilience and consumer protection are core expectations alongside innovation.

## Chapter 9 (Digital Trade): data protection, paperless trade and review

The Digital Trade chapter includes a dedicated section on personal data protection. Article 9.5 recognizes privacy as a fundamental right and preserves each Party's right to set its own level of protection, including by adopting safeguards for cross-border transfers of personal data.<sup>9</sup>

For cooperative banks, this language has two implications. First, cross-border operations and shared-service models should be designed for compliance with domestic data protection law as the primary constraint; the treaty does not override that baseline. Second, because the chapter also supports paperless trading (Article 9.6) and encourages electronic invoicing with cross-border interoperability (Article 9.16), a realistic architecture is often hybrid: some data and processes remain onshore, while standardized analytics, tooling and non-sensitive processing can be centralized.

Article 9.17 provides for a review within five years after entry into force on the need for additional provisions, including free flow of data. This suggests a staged approach: corridor digitalization accelerates through document interoperability and trust services first, while broader data-flow provisions may be revisited later.

<sup>9</sup> - Government of India, Ministry of Commerce and Industry. (2026b). Chapter 9: Digital Trade (draft).

## Implications for German cooperative banking networks

German cooperative banking combines local relationship banking with group-level scale. BVR reports consolidated total assets of €1.64 trillion for the Cooperative Financial Network in 2024. This matters because the most plausible response to the EU-India corridor is not that many local banks open India branches; rather, central institutions and shared utilities develop corridor-ready capabilities that local banks can use for member clients.<sup>11</sup>

### Opportunity Set

Corridor trade growth typically shows up first as increased demand for trade finance instruments, guarantees, receivables finance and foreign exchange solutions. The less obvious opportunity is in payments: if interoperable guardrails reduce settlement friction, cooperative banks can profitably serve smaller exporters and importers with more frequent payments.<sup>4,10</sup>

### Operating Model Implication

Cooperative systems can treat the corridor as a shared capability. A practical pattern is a corridor desk or utility at group level that packages compliant payment solutions, partner access, standard documentation flows and pricing guidance so that local banks can serve their members without reinventing infrastructure in each institution.

### Risk Set

Corridor growth amplifies operational and regulatory obligations. Annex 8-C links prudential considerations to the integrity of payment, settlement and clearing systems and emphasizes internationally agreed standards and supervision. In practice this pushes cooperative groups toward common control frameworks, shared screening and monitoring utilities and stronger outsourcing governance.

4 - European Commission. (2026a). Factsheet – EU-India Free Trade Agreement: Main benefits.

10 - Government of India, Ministry of Commerce and Industry. (2026c). Annex 8-C: Financial Services (draft).

11 - BVR – National Association of German Cooperative Banks. (2024). <https://berichte.bvr.de/consolidated-financial-statements-2024/>

## Implications for Indian cooperative banking

Indian cooperative banking is heterogeneous, ranging from urban cooperative banks to rural cooperative credit structures. Public reporting on the RBI's discussion work on UCB licensing notes that as of end-March 2025 India had 1,457 UCBs, with aggregate assets of ₹7.38 lakh crore and deposits of ₹5.84 lakh crore.<sup>12,13</sup>

Two structural points are relevant for the corridor agenda. First, the sector is large but uneven in capability, which makes "corridor readiness" a function of consolidation and governance quality. Second, cooperative banks often play a prominent role in financial inclusion and SME-credit, which makes faster and cheaper cross-border settlement potentially meaningful for a wider set of clients than in purely corporate banking.

For Indian cooperative banks, the FTA's most actionable elements are those that reduce friction in cross-border payments and documentation rather than immediate establishment in the EU. Annex 8-C's focus on electronic payments interoperability and timely approvals supports a partnership-led approach with EU correspondent banks and payment providers. The Digital Trade chapter's emphasis on privacy safeguards and cybersecurity reinforces that any corridor scaling will be assessed through resilience and trust, not only through cost and speed.<sup>9,10</sup>

## Reverse-direction effects: India to the EU

EU summaries focus on EU firms' access to India's services markets, yet the treaty architecture is reciprocal. Reverse direction effects for Indian financial institutions are most credible in three areas:

- **Corridor product partnerships:** remittance, merchant payments and SME settlement products and services that leverage interoperable rails and shared standards.
- **Capability transfer:** cooperation on SupTech and RegTech can accelerate reporting quality and operational resilience.
- **Selective EU presence:** for a limited subset of larger Indian institutions, services disciplines can reduce uncertainty in establishment, subject to EU licensing and prudential rules.

For cooperative banks in both Germany and India, the strategic question is therefore less "Will we enter the other market?" and more

*"How do we build corridor utilities that allow member clients to trade, pay and comply with less friction?"*

9 - Government of India, Ministry of Commerce and Industry. (2026b). Chapter 9: Digital Trade (draft).

10 - Government of India, Ministry of Commerce and Industry. (2026c). Annex 8-C: Financial Services (draft).

12 - Business Standard. (2025). [https://www.business-standard.com/industry/banking/ucbs-decline-to-1457-in-fy25-125122901022\\_1.html](https://www.business-standard.com/industry/banking/ucbs-decline-to-1457-in-fy25-125122901022_1.html)

13 - Reuters. (2026). <https://www.reuters.com/world/india/india-cenbank-floats-discussion-paper-resuming-licensing-urban-cooperative-banks-2026-01-13/>

## A playbook for cooperative banks

This article translates treaty clauses into implementable actions and corridor use cases. Our practical playbook has nine steps, structured across three phases: strategic framing, capability building and execution. Figure 2 organizes these steps into a sequenced workflow and links key actions to relevant treaty provisions. It also emphasizes the central role of enabling capabilities and incorporates a feedback loop through which pilot results and regulatory developments inform iterative adjustments.

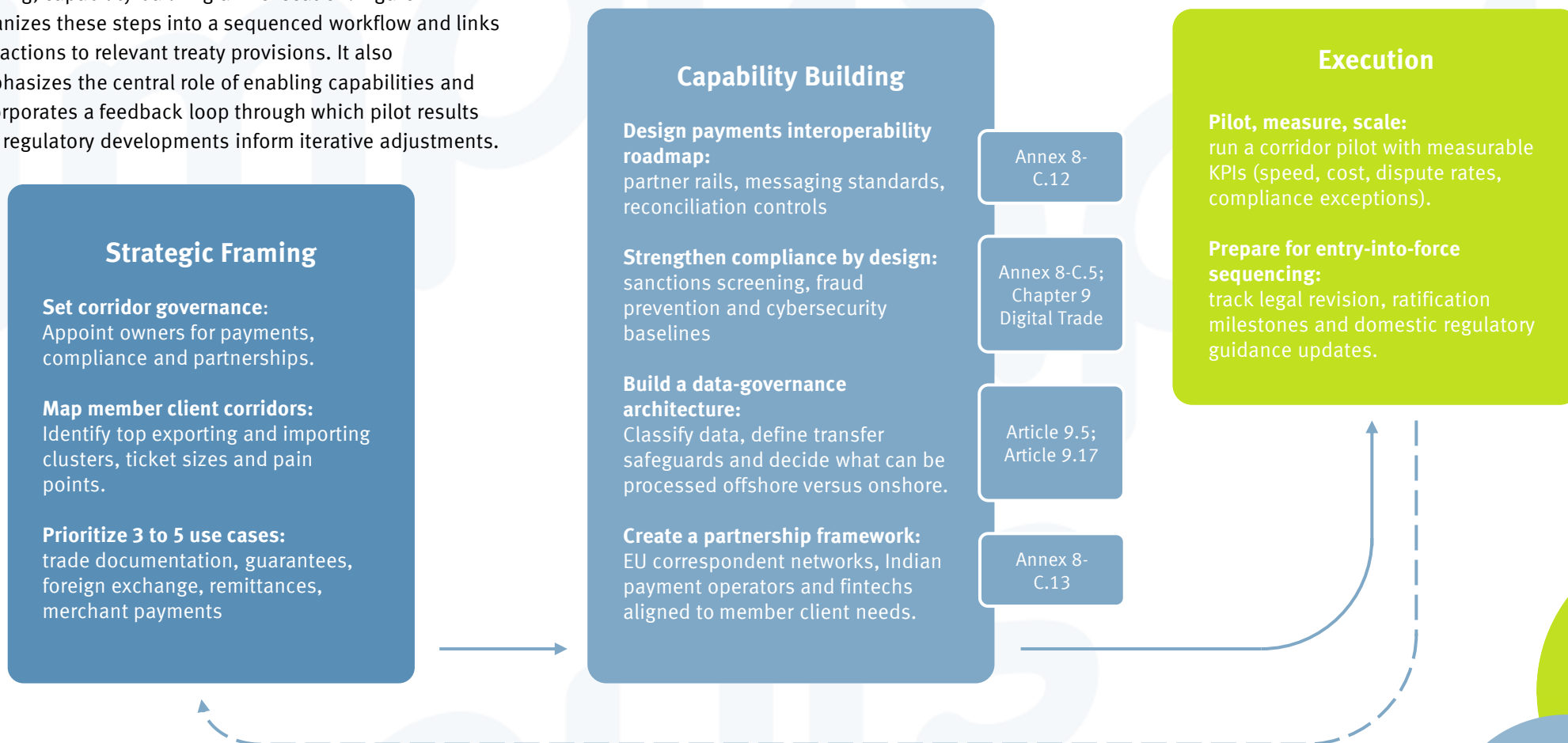


Figure 2: Implementation playbook for cooperative banks

## Conclusion

The EU-India FTA's headline tariff numbers signal the scale of intended corridor deepening, yet for cooperative banks the decisive elements are those that reduce transaction frictions and increase predictability: payments interoperability, transparent authorization processes and a digital trade framework that recognizes privacy and sets a review pathway.

The main strategic opportunity is to convert these treaty hooks into corridor-ready products for SMEs and community clients. The main risk is implementation uncertainty until entry into force and domestic rule-making clarify the practical boundaries. A cooperative advantage, when organized well, is the ability to combine local trust with group-level shared infrastructure.

## Outlook

Annex 8-C and Chapter 9 imply operational demands: interoperability engineering, fraud controls, regulatory reporting and resilient digital operations. A common response in global banking is to concentrate such capabilities in shared service hubs. India's Global Capability Centre (GCC) ecosystem is often positioned as an execution platform for financial services technology and operations, including BFSI-focused GCCs.<sup>14,15</sup>

For cooperative banking networks, the key design tension is to centralize technical and compliance capability without eroding local member proximity. The upcoming article (IfG Impulse No. 3, 2026) will examine GCC patterns that fit cooperative governance, including group-level utilities, partner GCC models and outsourcing governance aligned to data protection and supervisory expectations.

Do you have any questions or comments for us?  
Let's talk!



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14 - NASSCOM. (2022). <https://community.nasscom.in/communities/gcc/bfsi-gccs-road-ahead>

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