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BRICS De-dollarisation and local-currency trade: A limited shift or a structural alternative?

Anchal Gautam, Akash Kumar Singh
[1] Department of East Asian Studies, University of Delhi, New Delhi, India
[2] Faculty of Law, University of Delhi, New Delhi, India
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Abstract
The U.S. dollar is the customary reserve currency and trade currency, influencing global finance, international trade, and cross-border investment since the time of Bretton Woods. Nevertheless, amid geopolitical tensions and the risk of over-reliance on the dollar, BRICS nations have been pushing for de-dollarisation by initiating the trading of currencies and bilateral currency swap deals in their local currencies, alongside new payment systems. This research aims to explore whether these efforts are a restricted adaptation of the current monetary system or are points of structural change in the monetary system. It answers the queries of why the BRICS countries want to de-dollarize and how different agreements on local currency can be effective in spite of these limitations to decrease the dependence on the United States dollar. This study follows a qualitative approach through secondary data provided by the academic literature, policy reports, declarations from the summit of BRICS nations and from international financial institutions. The results show that there has been growth in financial cooperation among the BRICS countries, as well as in the use of local currencies for trade, but many institutional, financial and political obstacles hinder the process of drawn-out monetisation and institutionalisation from the dollar, which keeps pointing to the need for more financial and institutional integration within the four nations.

Keywords: BRICS, de-dollarisation, U.S. Dollar dominance, reserve currency, local currency trade, bilateral currency swaps, international monetary system

Introduction
The United States dollar has remained the cornerstone of the international monetary system since the establishment of the Bretton Woods system in 1944, when it was pegged to gold and adopted as the principal reserve currency for global trade and finance. In 1971, the Bretton Woods fixed exchange rate system began to fail, but this Treasury policy allowed the dollar to maintain its dominant position because of the strength of the U.S. economy, the liquidity and depth of financial markets, people's trust in U.S. institutions, and its pivotal role in international trade, investment, and commodity market pricing, especially for global oil. The dollar today forms the bulk of the international foreign exchange reserves, international trade and foreign debt, which demonstrates its world-leading position as the currency of international reserves as well as the settlement (Zein *et al*., 2025) [4]. As the increased reliance on financial sanctions, geopolitical rivalry, and exposure of emerging economies to exchange-rate movements have widened concerns about undue reliance on the U.S. dollar, there is growing worry about the dollar's dominance. The BRICS grouping which now includes Brazil, Russia, India, China, South Africa and its newest members is becoming a key voice for a more multipolar and diversified international financial system. BRICS aims to lessen the dollar's dominance and bolster financial sovereignty among its member nations by implementing various measures, including local-currency trade settlements, bilateral currency swap agreements, and exploring new forms of payment systems and the New Development Bank (Deng & Xie, 2026, Kokenyne *et al*., 2010) [1, 11]. In spite of these directions of effort, the dollar-dollar replacement transition is beset with institutional and structural barriers, which include limited currency convertibility, lack of financial integration, low liquidity and embedded network impact. Therefore, one has to ask if the initiative to “dedollarise” the BRICS is merely a step in the evolution of existing rules and arrangements, or was it a structural change just in time for the redesign of the international monetary system? In a changing geopolitical context and with the rising economic power of emerging countries, answering this question is becoming increasingly important.

The USD continues to be the most critical medium of exchange in international trade, investment, as well as for foreign exchange reserves and cross-border financial transactions. Money considered based on the dollar has helped to strengthen the world financial system, and has given many emerging countries much room for vulnerability. If a country is highly dependent on and heavily exposed to the dollar, it is vulnerable to exchange-rate fluctuations, transaction costs increase, financial risks from foreign changes in monetary policy, and so on. Furthermore, the growing reliance on dollar-based payment systems and financial sanctions has underscored the strategic risks of relying too much on just one reserve currency. BRICS countries have responded by pushing forward a new drive for regional currency settlement, setting up bilateral currency swaps, improving the New Development Bank (NDB), and creating alternatives to the dollar-based payment system. Nevertheless, these efforts have yet to produce tangible results, and the sustainability of the BRICS de-dollarisation is still unknown. There are significant barriers involved in replacing the fiat money system, including limited monetary convertibility, weak integration of money systems, conflicting national economic priorities, and the existing global trust in the U.S. dollar. It is therefore important to determine whether BRICS de-dollarisation is just a step-by-step shift away from the dollar in international transactions or it is a structural alternative that could change global financial architecture. This study looks at this issue, critically assessing the scope, effectiveness and implications of local currency trade initiatives led by BRICS nations.

Evolution of BRICS De-dollarisation

The development of BRICS de-dollarisation is also indicative of the increasing eagerness of BRICS to move away from U.S. dollars and towards a more balanced international monetary system. As the BRICS were established in 2009, the emphasis from member countries has increasingly been placed on the importance of financial cooperation due to the vast number of global financial crises the world has experienced over the years, geopolitical disputes, and the growing danger of dollar dominance. One major step in this process has come with the inclusion of new members of the bloc, including Egypt, Ethiopia, Iran, the United Arab Emirates, Indonesia, and Saudi Arabia, ushering BRICS into the 'BRICS+' expansion and thus boosting the bloc's economic strength, its energy dynamics, and its role in international markets. Institutional innovation has also been a key enabler of this de-dollarisation. Established in 2014, the New Development Bank (NDB) focuses on sustainable development and infrastructure-related financing, as well as on immunising financing against exchange-rate fluctuations by lending in local currencies (Verma, 2024) [3]. Likewise, the Contingent Reserve Arrangement (CRA) offers a monetary protection system to the member states at risk of short-term balance of payment pressures and ensures closer cooperation between the member states, while minimising the pressure on Western financial institutions. Concurrently, bilateral local-currency trade via new payment systems has come under increasing expansion between the BRICS countries, with some countries promoting alternatives such as increased interoperability between national digital payment platforms, Russia's System for Transfer of Financial Messages (SPFS) and China's Cross-Border Interbank Payment System (CIPS). The measures aim at streamlining cross-border transactions and reducing the reliance on the SWIFT network with a dollar pricing structure. More recently, there has been speculation about a common currency in the BRICS, or a common settlement system for international trade. These discussions reflect the bloc's long-term goal of improving the sovereignty of its monetary systems and its desire to create a multipolar financial system, without any formal agreement, so far, having been reached. However, issues like currency convertibility, institutional coordination, differences in economic interests and lack of trust in the market are some of the factors that are still holding back the rate of de-dollarisation. Thus, in its current development, BRICS's new monetary framework is a response to a step-by-step attempt to reform and change the world's current monetary system, not its full replacement of the existing dollar-centred system.

Local-Currency Trade among BRICS Members

Local-currency trade has been an essential element in the de-dollarisation agenda of BRICS, geared towards changing the economic order and the reliance on the U.S. dollar, and to deepen national financial sovereignty. Bilateral currency deals have grown much bigger over the past few years, especially between China and Russia, with Russia settling more and more trade with China in the Chinese RMB, and the international community's sanctions against Russia casting doubt on the receipt of the Western rouble. Likewise, India and Russia have considered systems for the settlement of transactions based on their own currencies—rupees and rubles, respectively, particularly with regard to the import of energy resources—but so far they have not agreed on anything. China and Brazil, on the other hand, have agreed to settle their bilateral trade in their home currencies without involving the dollar. Local-currency trade arrangements have also been strengthened between the United Arab Emirates (UAE) and the BRICS countries, highlighting the increased importance of the financial cooperation between the Gulf economies (Mahanand & Naik, 2025) [4]. Apart from bilateral arrangements, treaties concerning currency swap facilities have been signed among the BRICS countries, which offer liquidity support but also enable easier financing of trade and diminish foreign exchange risks in such adventurous times as these. All this supports the development of cross-border payment systems. China has launched the Cross-Border Interbank Payment System (CIPS) to facilitate foreigners in settling their yuan-denominated transactions, whereas Russia's System for Transfer of Financial Messages (SPFS) was created to diminish reliance on SWIFT after international sanctions were imposed against Russia. India has also bolstered the international adoption of its UPI payments system by establishing connections with multiple countries, fostering greater financial connectivity and digitalisation. Additionally, the members of the BRICS countries are engaged in conducting research on Central Bank Digital Currencies (CBDCs) as a means to ensure efficient payment processing, reduce transaction fees, and enable safe global settlements. The following are recent case studies of such developments. Diversifying trade away from the dollar has been something that Russia has been doing more and more recently, as a consequence of Western restrictions, showing financial diversification; India's precedent of buying Russian crude oil in the local currency (in different payment methods) has demonstrated the effectiveness of local currency mechanisms and how national currencies are becoming more and more accepted in international commerce, as shown by Chinese settlements in Russia's trade in the national currency with Brazil. These measures are part of a wider trend towards BRICS' shifting international trade and financial relations.

Drivers of BRICS De-dollarisation

De-dollarisation has become a trend due to several reasons among BRICS and has changed the global financial landscape from a geopolitical, economic, and strategic perspective. Geopolitical competition is one of the bigger motivators, and with the new competition among major powers, a push for emerging economies to lessen their reliance on the U.S.-led financial system. Adoption of the economic sanctions, particularly targeted at Russia, Iran and other countries, has highlighted the vulnerability of non-dollar networks of payments and finance schemes, prompting the BRIC countries to find other ways to settle accounts. A second is the vulnerability of member states to exchange rate risks, which is the effect of monetary value movements: transaction costs in international trade are higher, uncertainty due to currency changes in the value of goods and services, and the macroeconomic impact of currency changes. Encouraging trading of national currencies can mitigate these risks and decrease reliance on foreign exchange reserves whose denominations are in the US dollar. Local currency settlements, development of alternative payment mechanisms, and improved cooperation between central banks have also been at the heart of the international community's desire for financial sovereignty (Kirtipal & Ganguly, 2025) [5]. Moreover, the rising relevance of South–South cooperation has strengthened initiatives to enhance economic and financial connections between the developing countries in a mutually beneficial and more policy autonomous perspective, with a diversified range of trade relationships. These roles are fulfilled by institutions like the New Development Bank and the Contingent Reserve Arrangement, which can offer development finance and financial stability in an alternative framework to the traditional ones of the West. Lastly, the emergence of emerging economies has contributed to shifting economic power around the world. BRICS now form a significant proportion of world GDP, world trade, energy production and population and are growing in their ability to shape financial governance in the world. These, in concert, have helped to accelerate the process of expanding local-currency trading, less dependence on the U.S. dollar and a more multipolar and resilient international monetary system. It is evident that these drivers are further reinforcing BRICS' resolve towards financial diversity and monetary cooperation, despite the difficulties that lie ahead.

Challenges to De-dollarisation

Although substantial efforts have been undertaken to support local currency trading and cooperation in financial matters, BRICS has some structural/institutional hurdles that can slow down and impede the process of de-dollarisation. The network effect of the U.S. dollar is one major challenge that would be apparent in multi-currencyism, its ubiquity in international trade, finance, reserve holdings, and commodity pricing giving governments, businesses and financial institutions strong incentives to continue using the dollar. U.S. financial markets are very liquid, and world markets are accepting dollar-denominated assets, supporting this entrenched position. Liquidity problems also limit the use of the currencies of BRICS, as many national currencies have shallow and less efficient international financial markets that can efficiently facilitate the volume of cross-border transactions. Moreover, the BRICS ban on currency conversion has proved to be a hindrance in the process, as the different banking systems, financial infrastructures and capital markets systems of the members make it tough to run the business efficiently (Tabassum, 2026) [6]. It also campaigns for the adoption of several BRICS currencies, like several other emerging market currencies, due to their limited international adoption and capital controls, which make them less attractive for businesses and investors in using these currencies for international trade. In addition, the separation of countries into the group of BRICS in monetary cooperation presents itself further as inter-party political differences that often make it difficult to maintain a consensus, because countries act on other decisions with different foreign policy goals, priorities and interests. Furthermore, all these institutional problems, such as the absence of a single money authority, poor coordination between institutions, and the immaturity of the alternative financial institutions, hinder the bloc's capacity to offer an adequate alternative to the current dollar system. Last but not least, confidence in markets and trust remain important obstacles. The attraction of the U.S. dollar for international investors and for multinational corporations stems from its liquidity, legal protections and the well-developed financial system. De-dollarisation will likely continue in a gradual manner until the BRICS countries' currencies become more stable, transparent and accepted worldwide (Borensztein & Berg, 2000) [10]. These challenges will necessitate the further financial integration of the BRICS, increased institutional cooperation, greater opportunities and markets for local currencies, and ongoing political support and motivation for the creation of a viable mechanism for international monetary relations.

Is BRICS De-dollarisation a Limited Shift or a Structural Alternative?

The debate on de-dollarisation by BRICS is on whether the current efforts are steps towards a new world order or a long-term alternative to it. De-dollarisation seems only a partial trend, as evidenced by several factors. The USD remains the most liquid, stable and accepted currency worldwide for international settlements, foreign exchange reserves, and international debt markets. In addition, a large volume of cross-border financial communications is still being carried out using the SWIFT messaging system, though many other payment platforms have been introduced. Local-currency settlements have gone up among the BRICS members, though the percentage of the total global volume of trade is relatively low, and implementation varies between the member economies, dependent on economic size, the financial ability and policy preferences of the member economies (Melissa & Yi-Xuan, 2026) [7]. Nevertheless, the increasing symptoms reflect structural change, pointing toward a process of gradual evolution of the current financial architecture of the world. Every one of the BRICS countries has introduced bilateral changes in settlement of trade on national currencies, established and banned new financial bodies like the New Development Bank and Contingent Reserve Arrangement, and invested in new payment systems such as China's CIPS and Russia's SPFS. The growing use of digital payment technologies and the study of Central Bank Digital Currencies (CBDCs) further reflect the work towards developing more efficient and independent cross-border settlement technologies. Moreover, the BRICS plus have expanded their economies and increased their economic influence and opportunities for trade with local currencies among the emerging economies. The comparative evaluation reveals that, in terms of national currency in size, trade settlements are steadily growing, but the U.S. dollar is still popular as a reserve currency. Likewise, the number of alternative payment systems is growing, but they are still not as large or effective as the global networks. The momentum of political de-dollarisation has gained, but different national interests remain to impede implementation in different countries; BRICS' financial infrastructure is still under development. In general, de-dollarisation of BRICS is not to be seen as a short-term alternative to the dollar-based system, but as a process that takes a structural course. Its vital success relies on the progress of financial integration, institutional partnership strengthening and increased trust of the international community in BRICS financial mechanisms.

Implications for the Global Economy

The trend of BRICS' de-dollarisation has many consequences on the international monetary system, foreign policy and financial governance, particularly in a world economy. The use of local currencies at the international monetary system level can help create a more multipolar finance that minimises reliance on the one dominating reserve currency and boosts the ability to face external financial events (Levy Yeyati & Ize, 2005) [9]. If the use of national currencies is extended to develop cross-border trade, exchange-rate risks will be minimised, and transaction costs will decrease, as well as payment diversity for trading partners, in global trade. These developments are especially advantageous to emerging markets, where currency fluctuations and capital flow issues can arise due to whether or not the U.S. Federal Reserve is moving into a tighter or looser monetary policy stance. BRICS' measures to facilitate access to alternative financial institutions, including the New Development Bank, and local currency settlements could help bolster financial stability and economic cooperation in the developing world. De-dollarisation also means that important aspects of energy trade are being factored in, as it is being increasingly explored by major credit and debits parties to settle in national currency. These could, in part, influence the pricing element of global energy markets, especially between BRICS partners and their counterparts (Coquidé et al., 2023) [8]. But the effect is likely to be gradual, not immediate, on the U.S. dollar. The liquidity, institutional credibility and acceptance of the dollar continue to be its strength in the world of international reserves, international lending, and international financial markets. So, in the coming years, it is unlikely that BRICS are going to replace the dollar. BRICS is better than encouraging currency diversification. De-dollarisation brings opportunities and challenges to India. The adoption of the Indian Rupee (INR) in international trade would help to cut down on foreign exchange requirements, increase monetary sovereignty, and provide a better Indian influence in regional trade. Meanwhile, India has to carefully weigh its interactions with the BRICS schemes and India's larger economic and strategic ties with the Western economies. While BRICS de-dollarisation broadens the global financial map to an ever more varied and resilient design, it also reinforces the emerging influence of the BRICS on the global financial system with respect to economic governance.

Future Prospects

De-dollarisation within BRICS will rely on the bloc's capacity to enhance financial dialogue, expand institutional interactions, and foster trust in the new monetary system. One of the most common suggestions is that there be a shared currency or settlement system for inter-BRICS trading. While it seems too early to talk about a common currency for BRICS countries, it may be possible to gradually replace their reliance on the U.S. dollar in trade within the bloc with a common currency or any digital currency system. A further potential area for progress is digital currency collaboration, in which the Central Bank Digital Currencies (CBDCs) and the interoperability between payment systems can enhance the efficiency of payments, shed the burden of settlement on economic and financial infrastructure, and give rise to low-friction cross-border payments through non-dollar financial networks. These prospects are further enhanced by the ongoing growth of the BRICS+ group, which now has a higher share in the world's population, energy resources, trade, and economic output in general. New membership stretches the possibilities of local-currency settlements and empowers the Global South to engage in economic governance on the international stage. These advances help to foster the transition towards a multipolar financial system where a number of reserve currencies, regional development banks and different payment mechanisms supplement the USD. For this vision to be realised, however, a deeper level of institutional coordination, harmonisation of financial regulations, currency convertibility and capital market integration within the borders of member countries is needed. Policy-wise, the need reached out to more bilateral and multilateral agreements for conducting trade in local currencies through the BRICS platform, bolstering the function and asset base of the New Development Bank in these currencies, expanding local currency-related collaboration on digital payment systems, and adding transparency and regulatory coordination to foster greater investor confidence. Member states should also facilitate the use of domestic currency in domestic transactions and ensure that they have macroeconomic stability and sound monetary policies in place. Despite this, the direction of BRICS de-dollarisation is expected to be pragmatic and gradual, offering likely building blocks to a broader, stronger, and more inclusive international monetary system while not confronting the dollar immediately.

Conclusion

The de-dollarisation is studied based on its development, causes, problems and prospects, focusing on the trade in the currency of the non-dollar international currency system, which is gaining momentum. The results of the analysis indicate that there have been measurable advances by the BRICS countries in adopting bilateral currency agreements, enhancing financial and monetary institutions like the New Development Bank and Contingent Reserve Arrangement, creating alternative means of payment and fostering digital financial innovations. These are a collection of steps that are indicative of a common goal – to improve financial sovereignty, decrease the impact of exchange-rate volatility, and make itself more resilient to geopolitical and economic shocks. The report also concludes that there are still structural factors to be considered, however, such as continuing dominance of the U.S. dollar in global trade and money, low level of currency convertibility, differences in financial integration in the BRICS countries, institutional weakness, and differences in political objectives of BRICS members, which continue to hinder de-dollarisation. The Central Research question, therefore, can only be answered by stating that the movement towards de-dollarisation among the BRICS is a nascent but evolving intra-structural change and a structural alternative at this point. It does not replace the international dominant position of the U.S. dollar, but it has opened the way for a slight shift in the monetary systems toward multipolar, diversified systems. The study helps close the gap in the existing international political economy literature by offering a thorough analysis of BRICS financial cooperation and its significance for international monetary governance. It stresses that de-dollarisation should be seen as a strategic process – a long march that is being driven by geopolitical, institutional, and technological change – instead of a quick fix or a complete shift of the current system. However, future research can utilise quantitative measurements of the volumes of local currency usage in transactions in the same currency, in reserve currency diversification, and in intra-border payments, as well as analyse the long-term impact of Central Bank Digital Currencies (CBDCs), BRICS+ expansion, and the effectiveness of new financial institutions in building a more inclusive and resilient international monetary architecture.

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