

# **Stablecoins and the Future of Remittances: A Comparative Analysis of Costs, Efficiency, and Economic Impacts across Emerging Markets**

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## Abstract

The potential of stablecoins to transform the global remittance market lies in their ability to address inefficiencies in traditional systems, such as high transaction fees, slow processing times, and limited accessibility. A comparative analysis of stablecoin-based remittance systems versus traditional methods highlights critical metrics like cost, speed, and accessibility, showcasing the advantages of blockchain-based solutions. Reduced transaction fees can have significant economic impacts on recipient countries, particularly in key geographical areas like the U.S.-Mexico and Europe-Nigeria corridors. Geopolitical dynamics, particularly within BRICS nations, reveal how blockchain-based solutions are transforming financial systems, reducing reliance on traditional financial networks, and enabling global economic equity. Stablecoins emerge as a vital tool for advancing the sustainable development goals, ensuring that remittances drive equitable growth and resilience, especially in underserved regions. Broader regional trends in Latin America and Sub-Saharan Africa further illustrate the transformative role of stablecoins in fostering financial inclusion and sustainable economic development. This study evaluates the benefits of stablecoins for remittance flows, emphasizing their ability to integrate blockchain technology into global financial systems. Blockchain's transparency, security, and efficiency enhance trust and minimize costs, making it a vital tool for empowering unbanked populations, mitigating economic vulnerabilities, and advancing financial inclusion. Stablecoins emerge as a cornerstone for a more equitable, resilient, and efficient global financial ecosystem, addressing the challenges of traditional remittance systems while driving inclusive economic progress.

## Overview of Traditional Remittance Systems: Costs, Accessibility, and Efficiency

The traditional remittance market includes the conventional methods of sending money across borders, typically involving financial intermediaries such as banks, money transfer operators, or informal channels. A remittance is the process of transferring money as a payment or gift from one party to another on a global scale (Ratha, 2019). They can be a vital source of income during emergencies, and play a crucial role in sustaining families and strengthening the economies of emerging markets. Approximately, one billion people are involved in remittance payment transfers by sending them, and 800 million are recipients of these payments (United Nations, 2019).

The World Bank estimates that the remittance market is worth roughly \$685 billion and is projected to reach \$1,334.69 billion by 2032. According to the World Migration Report, the

Top countries receiving remittances							
2010		2015		2020		2022	
India	53.48	India	68.91	India	83.15	India	111.22
China	52.46	China	63.94	China	59.51	Mexico	61.10
Mexico	22.08	Philippines (the)	29.80	Mexico	42.88	China	51.00
Philippines (the)	21.56	Mexico	26.23	Philippines (the)	34.88	Philippines (the)	38.05
France	19.90	France	24.07	Egypt	29.60	France	30.04
Nigeria	19.75	Nigeria	20.63	France	28.82	Pakistan	29.87
Germany	12.79	Pakistan	19.31	Pakistan	26.09	Egypt	28.33
Egypt	12.45	Egypt	18.33	Bangladesh	21.75	Bangladesh	21.50
Belgium	10.99	Germany	15.57	Germany	19.32	Nigeria	20.13
Bangladesh	10.85	Bangladesh	15.30	Nigeria	17.21	Germany	19.29

Top countries sending remittances							
2010		2015		2020		2022	
United States	50.53	United States	60.72	United States	66.54	United States	79.15
Saudi Arabia	27.07	United Arab Emirates	40.70	United Arab Emirates	43.35	Saudi Arabia	39.35
Russian Federation	21.45	Saudi Arabia	38.79	Saudi Arabia	34.60	Switzerland	31.91
Switzerland	18.51	Switzerland	26.03	Switzerland	29.64	Germany	25.60
Germany	14.68	Russian Federation	19.69	Germany	22.45	China	18.26
Italy	12.88	Germany	18.25	China	18.30	Kuwait	17.74
France	12.03	Kuwait	15.20	Kuwait	17.36	Luxembourg	15.51
Kuwait	11.86	France	12.79	Russian Federation	16.87	Kingdom of the Netherlands (the)	15.41
Luxembourg	10.66	Qatar	12.19	France	14.78	France	14.44
United Arab Emirates	10.57	Luxembourg	11.23	Kingdom of the Netherlands (the)	14.31	Qatar	12.29

United States of America has consistently been the top remittance-sending country in the world, with a total outflow of 79.15 billion USD, followed by Saudi Arabia (39.35 billion USD), Switzerland (31.91 billion USD) and Germany (25.60 billion

USD). The top five

remittance-receiving

countries by share of

GDP in 2022 were

Tajikistan (51%), Tonga

(44%), Lebanon (36%),

Samoa (34%) and

Kyrgyzstan (31%). The

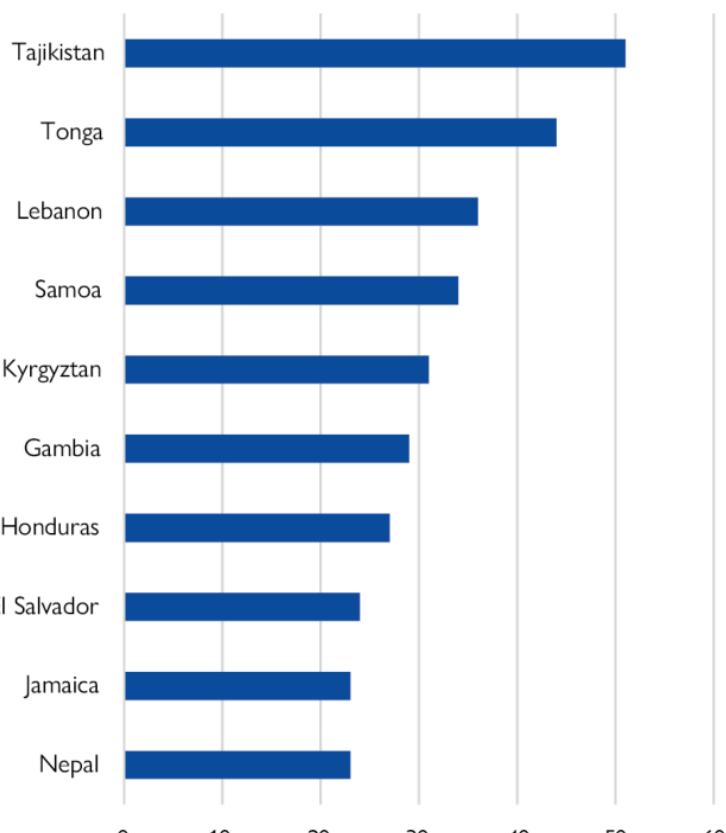
'dependency on

international remittances'

metric is primarily

measured as the ratio of

remittances to gross



domestic product (GDP). A predominant reliance on remittances can foster dependency in the

receiving country, ultimately reducing labor force participation and impeding on economic

growth. Too much dependence on remittances also makes an economy more vulnerable to

sudden changes in remittance receipts, and exchange rate fluctuations which can leave many

vulnerable demographics, families and communities at risk. Remittance inflows are often tied to

the economic stability of the sending country; any downturns, job losses, or policy changes there

can drastically reduce the funds sent abroad. In addition, volatile exchange rates can diminish the

purchasing power of remittance payments, leaving recipients with less financial support to meet

their basic needs.

Given their scale and impact, remittances are more than just financial transactions - they

are a lifeline that supports education, healthcare, housing, and small business development in many low- and middle-income countries (LMICs). Low- and middle-income countries are nations classified based on their gross national income (GNI) per capita, according to the World Bank's income classification system. Updated annually, this system categorizes economies into four groups: low, lower-middle, upper-middle, and high income. Together, LMICs include both low-income and lower-middle-income nations. These countries often face challenges such as limited infrastructure, economic instability, and lower levels of industrialization. LMICs often depend on foreign aid, international loans, and development assistance to support their economic development and address social and infrastructure needs, and they rely on agriculture, manufacturing, and remittances as key drivers of economic growth

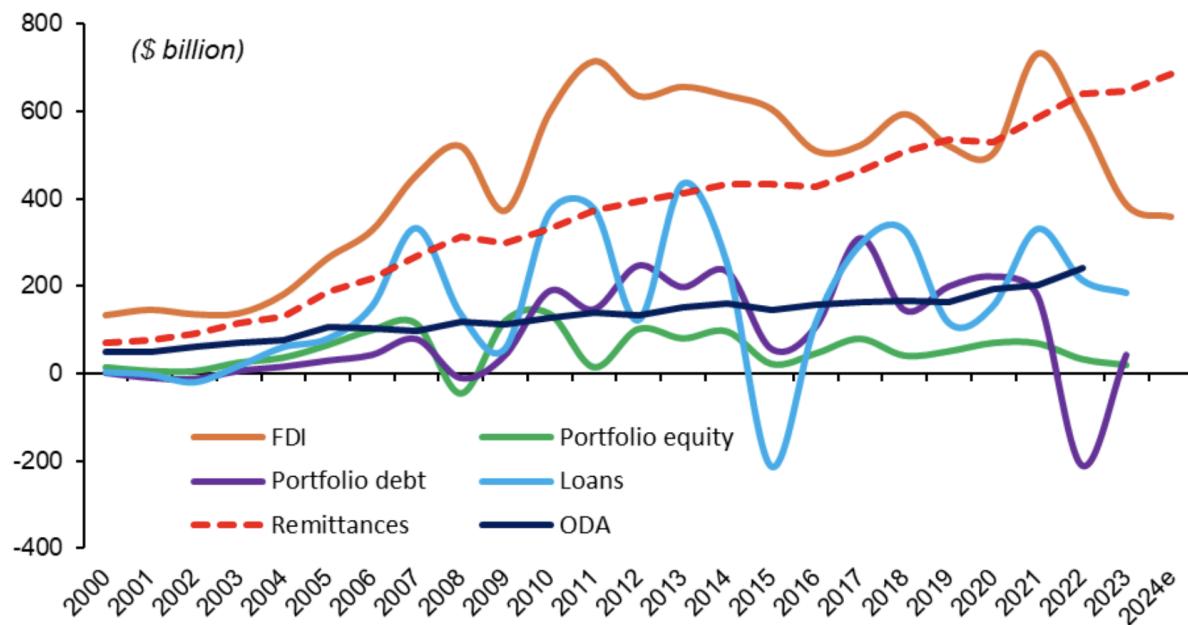
As global migration patterns evolve and the demand for cross-border financial support increases, it is essential to explore ways to maximize the positive impact of remittances on economic growth and poverty reduction. Strengthening the role of remittances in fostering sustainable development will be key to empowering communities and driving inclusive economic progress in the future. This includes implementing policies that encourage productive use of remittance funds, reduce costs for recipients, and create financial products tailored to their needs. By leveraging remittances as a tool for economic empowerment, countries can reduce poverty and build more resilient economies that are less vulnerable to external shocks.

### ***Remittances and Their Role in Economic Development***

Remittance payments serve as a vital source of income for families and communities, and contribute to economic growth, poverty reduction and international development mechanisms. Since the mid-1990s, international remittances have consistently grown, surpassing official development assistance (ODA) as a primary source of external financing for developing

countries. ODA, which includes government aid for promoting economic development and welfare, has traditionally been a major financial resource for low- and middle-income nations. However, remittances have outpaced this form of assistance due to the increasing number of migrant workers sending money back to their families. As of 2024, ODA from member countries of the Development Assistance Committee totaled \$223.7 billion. This marked a continued commitment to global development, driven by contributions to humanitarian aid, support for Ukraine, and funding for international organizations. However, remittance flows to low- and middle-income countries far surpassed this figure, reaching an estimated \$685 billion in 2024. Unlike ODA, remittances are direct financial lifelines sent by migrant workers to their families, often used to meet immediate needs like food, healthcare, and education. The scale and direct impact of remittances underscore their growing importance in global development financing,

**Figure 5. Remittances continued to outpace FDI and ODA combined**



complementing and, in many cases, outpacing traditional forms of aid such as ODA.

In recent years, remittances have even overtaken foreign direct investment (FDI) in many developing economies. FDI, which involves long-term investments by foreign companies in business operations like factories, infrastructure, or joint ventures, has been more volatile, often fluctuating due to global economic instability, political risks, and market uncertainty. In 2024, FDI flows to low- and middle-income countries totaled approximately \$486 billion, reflecting a decline in FDI's share of overall financial inflows to these nations. In contrast, remittances to low- and middle-income countries reached an estimated \$685 billion, significantly surpassing FDI. Unlike FDI, remittances provide a steady and reliable source of financial support. These funds go directly to households, fostering grassroots economic activity.

Remittances have proven to be a more stable and resilient source of income, even during global financial crises or economic downturns. For instance, during the COVID-19 pandemic, while global FDI flows plummeted by over 30%, remittances to low- and middle-income countries declined by only 1.6% in 2020, demonstrating remarkable resilience. This consistency makes remittances a critical financial lifeline for millions of households, providing essential support for daily living expenses, healthcare, education, and small business investments. Their steady inflow contributes to national economic stability by supporting consumption, improving balance of payments, and bolstering foreign exchange reserves, all of which are crucial for economic growth and development.

Remittances to low- and middle-income countries help families in developing countries meet basic needs and improve their living standards. Studies show that a 10% increase in remittance inflows can lead to a 3.5% decline in poverty rates. By increasing household income, remittances stimulate economic activity, drive consumption, and facilitate investments in businesses and infrastructure, ultimately accelerating local and national economic growth.

Families frequently allocate remittance funds toward education and healthcare expenses, improving human capital and overall well-being. Investments in education can break cycles of poverty, while access to healthcare enhances productivity and quality of life.

Remittances also promote financial inclusion by providing migrant families and communities access to formal financial services, such as savings accounts, credit, and insurance products. This financial engagement fosters economic empowerment and encourages long-term financial planning. Moreover, remittances contribute directly to achieving the Sustainable Development Goals (SDGs), particularly SDG 10.C, which calls for reducing remittance transaction costs to less than 3% by 2030. Despite efforts to lower these costs, the global average remained at 6.65% in the second quarter of 2024, an increase from 6.35% in the first quarter. Regional disparities persisted, with Sub-Saharan Africa experiencing the highest average costs at 7.4%, more than double the SDG target. These elevated transaction fees continue to pose challenges for migrants sending money home, underscoring the need for ongoing efforts to enhance financial infrastructure and promote competitive, transparent remittance services globally.

At the household level, remittances improve income, consumption, and living conditions, and at the community level, they support local businesses, infrastructure projects, and social services. Nationally, remittances contribute to economic growth, improve balance of payments, and reduce reliance on foreign aid. Globally, they support trade and investment flows between countries, strengthening economic ties. Macroeconomically, remittances help balance trade deficits and stabilize national currencies by increasing foreign exchange reserves, providing countries with more financial resources to pay for imports and manage external debt. This influx of foreign currency can strengthen a country's fiscal position, reduce reliance on external

borrowing, and improve credit ratings, making it easier to attract investment.

However, large and sustained remittance inflows can also lead to inflation and currency appreciation, making domestically produced goods more expensive and less competitive in global markets - a phenomenon known as Dutch Disease. This can hinder export-driven industries and manufacturing sectors, slowing broader economic diversification. Without appropriate monetary and fiscal management, economies heavily reliant on remittances risk becoming overly dependent on consumer-driven growth while neglecting productive sectors. Because remittances are often used for consumption rather than productive investments, their long-term developmental impact can be limited. To address this, governments and financial institutions are exploring ways to channel remittances into savings, infrastructure, and entrepreneurial ventures to foster growth. Reducing high transaction costs remains a key challenge, especially in regions like Sub-Saharan Africa.

### ***Demographics, Trends, and Policy Implications***

Traditional remittance systems are used by various demographic groups, primarily driven by economic necessity, migration patterns, and access to financial services. Most commonly, migrant workers from developing countries send money home to support their families' basic needs, education, healthcare, and housing. These systems also serve low-income and unbanked populations in rural and underserved areas, women as primary recipients managing household expenses, and elderly dependents relying on financial support from relatives abroad. Refugees and displaced populations depend on remittances for survival as well, while international students use them to cover tuition and living costs.

Gender dynamics play a significant role in how remittances are sent and received. Women are involved in remittance flows, both as senders and recipients. However, they often face

gender-specific barriers, such as limited access to formal financial services and social constraints that restrict their economic participation. Addressing these challenges by improving financial access and literacy for women can significantly enhance the economic empowerment of women and the overall effectiveness of remittance transfers in supporting household welfare.

Regional disparities in remittance costs and infrastructure show the need for tailored policy approaches. Sub-Saharan Africa, for example, faces some of the highest remittance fees globally at an average of 7.73% which disproportionately burden low-income recipients. Regions like Southeast Asia benefit from lower costs at an average of 5.16% due to more developed financial systems and competitive remittance markets. Recognizing and addressing these regional differences is essential for creating effective and equitable financial policies. According to the UN, “remittance flows to Africa doubled, reaching \$100 billion in 2022, surpassing the funds received through Official Development Assistance and Foreign Direct Investment. In some African countries, remittances represent over 20 percent of Gross Domestic product.” Overall, remittance payments are expected to grow 3% every year, according to the World Bank. As numbers rise, there is growing concern about rates and feasibility. This is crucial for two reasons: first, remittances represent a growing source of external finance for low- and middle-income countries, and second, the number of migrants is likely to increase due to “income gaps, demographic changes, and climate change.”

To maximize the potential of remittances for sustainable growth, policymakers must implement supportive measures that make remittance systems safer, cheaper, and more efficient. This includes fostering partnerships between governments, fintech innovators, and international organizations to modernize payment systems, reforming cross-border payment regulations to reduce costs, and investing in digital literacy initiatives to expand access to financial

technologies. Encouraging the adoption of emerging solutions like blockchain can further improve transparency and reliability, ultimately empowering millions of families worldwide to achieve greater financial security and economic opportunity.

### ***Limitations of Traditional Remittance Systems***

The traditional remittance system faces several critical limitations that hinder its efficiency and accessibility for users across the globe. High transaction fees, often ranging from 6-7% or more, significantly reduce the amount recipients receive, placing a disproportionate burden on low-income senders. Transfers can take several days to process, causing delays in delivering urgently needed funds. The average monthly transfer ranges from \$200 to \$300. Reducing the fees associated with remittances is important and is one of the UN's global goals. As of June 2023, it cost, on average, 6.20% to send \$200, double the UN's targeted rate for 2030. Sending remittances through banks proves even more costly, standing at 12.09%. While costs have decreased overall since 2009, cutting prices by at least 5 percentage points could save up to \$16 billion annually.

Technological barriers hinder the widespread adoption of modern financial solutions. Digital literacy gaps, limited internet access, and low smartphone penetration remain significant challenges, particularly for older adults, women in rural regions, and marginalized communities. Additionally, many rural and underserved communities lack access to banks or money transfer agents, forcing reliance on informal and often insecure channels. Poor and non-transparent currency exchange rates further diminish the value of remittances, while hidden fees and unclear processes make it difficult for users to track transactions and understand the full cost. Cash-based systems and informal networks also expose users to security risks such as theft, fraud, and misuse for illegal activities.

Regulatory and compliance frameworks also pose considerable obstacles to efficient remittance flows. Anti-money laundering (AML) and know-your-customer (KYC) regulations, while essential for preventing illicit activities, often lead to higher transaction costs, processing delays, and restricted access for low-income migrants. The complexity and administrative burden of complying with these regulations can deter smaller financial service providers from entering the market, reducing competition and innovation.

Inconsistent regulatory standards across borders exacerbate inefficiencies in cross-border transactions, creating fragmented markets and complicating compliance efforts for global payment providers. International regulatory bodies such as the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision (BCBS), and the G20 have established frameworks aimed at ensuring the security and integrity of financial transactions. However, these global standards are often implemented unevenly across jurisdictions, leading to regulatory fragmentation and compliance challenges. For instance, while the European Union enforces comprehensive regulations like the Payment Services Directive (PSD2) to enhance transparency and consumer protection, other regions may lack comparable oversight, complicating cross-border remittance operations. These disparities hinder seamless international transfers, limit the scalability of innovative financial solutions, and discourage competition among service providers. Addressing these regulatory challenges through harmonized policies and risk-based approaches could unlock greater efficiency, foster innovation, and enhance financial inclusion in the global remittance sector.

These challenges showcase the need for more efficient, affordable, and accessible remittance solutions. Emerging technologies, particularly blockchain and digital assets, can reduce transaction fees, accelerate transfer times, and increase transparency, ensuring that a

greater share of funds reaches recipients. Blockchain-based platforms can facilitate near-instant, low-cost cross-border payments, bypassing traditional banking intermediaries and reducing reliance on cash-based systems. These technologies not only enhance efficiency but also contribute to building trust and accountability in remittance systems.

## **Blockchain Integration in Global Financial Systems**

Stablecoins have emerged as a cornerstone in the evolution of digital finance, bridging the gap between traditional financial systems and the dynamic world of cryptocurrencies. By offering price stability and leveraging blockchain technology, stablecoins provide a practical solution to the volatility commonly associated with digital assets like Bitcoin and Ethereum. This stability has paved the way for their integration into various financial applications, notably in remittances and global financial inclusion. As the stablecoin market continues to grow and diversify, understanding their unique characteristics, advantages, and potential impact on financial innovation and development is essential.

### ***Financial Inclusion and Blockchain Adoption in Emerging Markets***

Financial inclusion remains a critical challenge in emerging markets, where large segments of the population lack access to traditional banking services. According to the World Bank's Global Findex Database (2021), approximately 1.4 billion adults worldwide remain unbanked, with a significant concentration in developing economies across Africa, Asia, and Latin America. Barriers such as high banking fees, limited physical infrastructure, and lack of documentation prevent millions from participating in formal financial systems.

Blockchain technology offers promising solutions to bridge this gap by providing decentralized financial services that are accessible, secure, and cost-effective. Unlike traditional

banking systems that rely on intermediaries, blockchain operates on a decentralized network where transactions are verified by a distributed ledger. This structure eliminates the need for central authorities, thereby reducing transaction costs and increasing transparency. For unbanked populations, all that is required is a mobile device with internet access and a digital wallet to engage in financial transactions.

Mobile technology penetration has surged in emerging markets, enabling broader adoption of blockchain-based solutions. The GSMA's Mobile Economy Report (2023) estimates that smartphone adoption in Sub-Saharan Africa will reach 64% by 2025, up from 49% in 2021. Similarly, mobile internet users in Southeast Asia are projected to grow to 450 million by 2025. This growing digital connectivity creates fertile ground for the expansion of blockchain technology and digital financial services.

Cryptocurrencies have emerged as effective tools for cross-border payments and remittances. Traditional remittance services are often costly, with average fees around 6.3% of the transfer amount, disproportionately impacting low-income families. Blockchain-based remittances can significantly reduce these costs, with transaction fees often falling below 1%, making it a more affordable option for sending money across borders.

Countries such as Nigeria, the Philippines, and El Salvador are leading in crypto adoption, driven by remittance needs and economic instability. In Nigeria, for instance, Chainalysis' 2024 Global Crypto Adoption Index ranked the country among the top adopters of cryptocurrency, with many citizens turning to stablecoins to hedge against currency devaluation. In the Philippines, blockchain-based remittance services have gained popularity due to the high number of overseas Filipino workers sending money back home. Similarly, El Salvador's adoption of Bitcoin as legal tender in 2021 highlighted the potential for cryptocurrency to

enhance financial inclusion.

Blockchain's transparency and security also address trust issues in financial transactions. Smart contracts enable automated, tamper-proof agreements, reducing the risk of fraud and ensuring that funds are transferred as intended. This feature is particularly valuable in regions with weak financial governance or high corruption levels. The combination of rising mobile internet access and blockchain innovation presents a transformative opportunity to advance financial inclusion in emerging markets. By offering low-cost, transparent, and accessible financial services, blockchain technology can empower unbanked populations and make global remittance systems more equitable and efficient. This technological evolution transforms remittances from simple financial transfers into strategic tools for inclusive economic prosperity, laying the foundation for a more equitable global financial system. As blockchain adoption continues to rise, its potential to reshape economic landscapes and improve livelihoods worldwide becomes increasingly apparent.

### ***Characteristics of Stablecoins***

Stablecoins are cryptocurrencies with a market value pegged to another external reference, usually a fiat currency, or another financial instrument such as a commodity. For example, a stablecoin may be pegged to a currency like the U.S. dollar or the price of a commodity such as gold. Stablecoins provide an alternative to the high volatility of most cryptocurrencies.

Bitcoin (BTC) is the world's first and most widely held cryptocurrency, but its high price volatility makes it impractical for everyday transactions. This volatility turns routine purchases into risky speculation for both buyers and sellers. For a currency that isn't legal tender to function effectively as a medium of exchange, it must maintain relative stability to ensure it retains

purchasing power in the short term. Stablecoins are specifically designed to address this issue by maintaining a stable value over time. They achieve this stability through various mechanisms, ensuring that holders can trust in their consistent value. Some are backed by reserves of fiat currency, like the U.S. dollar, providing a fixed value through direct 1:1 asset backing. Others are supported by cryptocurrencies or commodities, such as gold, which anchor their value to tangible or digital assets. Algorithmic stablecoins use smart contracts to automatically adjust their supply based on market demand, keeping their price consistent without physical reserves. These mechanisms make stablecoins reliable and versatile, allowing them to function as a stable medium of exchange and store of value in the often volatile cryptocurrency ecosystem.

Stablecoins offer several advantages over traditional cryptocurrencies, and they are designed to have a fixed value providing price stability. They can serve as a reliable store of value, making them suitable for long-term contracts and preserving wealth over time. As a means of payment, stablecoins are practical for everyday transactions, offering a consistent and trustworthy medium of exchange. Many stablecoins are pegged to real-world currencies, such as the U.S. dollar, and can be redeemed for that currency, enhancing their usability and trustworthiness. They are often backed by reserves, including fiat currency, commodities, or other physical assets, which further supports their value. Additionally, stablecoin transactions typically offer faster processing times and lower fees compared to traditional banking systems, making them more efficient, and their global accessibility allows anyone with an internet connection to use them. Stablecoins can comply with regulatory requirements, providing transparency in collateral management and building trust among users and regulators.

Ultimately, stablecoins can be categorized into four main types based on how they maintain their value: fiat-backed, crypto-backed, commodity-backed, and algorithmic.

Fiat-backed stablecoins are pegged to traditional currencies like the U.S. dollar and backed by cash or equivalent reserves, with examples including Tether (USDT) and USD Coin (USDC). Crypto-backed stablecoins are collateralized by other cryptocurrencies, often over-collateralized to account for market volatility, with DAI being a notable example. Commodity-backed stablecoins are tied to physical assets such as gold, silver, or real estate, exemplified by PAX Gold (PAXG). Algorithmic stablecoins maintain their value through algorithms and smart contracts that automatically regulate supply and demand, as seen with Ampleforth (AMPL). By combining the innovation of digital currencies with the stability of traditional assets, stablecoins offer a versatile solution for payments, savings, and global financial access.

### ***The Role of Stablecoins in Enhancing Remittance Flows***

The integration of blockchain technology and cryptocurrencies into global financial systems represents a paradigm shift in remittance efficiency and economic development. Blockchain's decentralized and transparent nature ensures secure, traceable transactions that minimize fraud and corruption. In the second quarter of 2024, the global average cost of sending \$200 in remittances was 6.65%, a notable increase from 6.35% in the first quarter. By leveraging blockchain, transaction costs can be significantly reduced, moving closer to the United Nations Sustainable Development Goal of reducing remittance costs to less than 3% by 2030.

The stablecoin market has evolved from a simple solution for cryptocurrency volatility into a sophisticated financial tool with significant global implications. As transaction volumes grow and regulatory frameworks mature, stablecoins are becoming increasingly vital in shaping the future of global finance and economic development. The market has also witnessed remarkable growth over recent years, driven by increasing demand for price-stable digital assets in decentralized finance and cross-border payments. The total market capitalization of stablecoins

surpassed \$200 billion in 2024 and has since fluctuated in response to broader market trends.

This growth has been fueled by institutional adoption, integration into payment systems, and widespread use in decentralized finance protocols.

Several major stablecoins dominate the market. Tether (USDT) remains the largest by market capitalization and is widely used for trading and remittances, being pegged to the U.S. dollar and backed by a mix of cash and commercial paper reserves. USD Coin (USDC), issued by Circle and Coinbase, is fully backed by U.S. dollar reserves and undergoes regular audits, making it a preferred choice for compliance and transparency. Dai (DAI), a decentralized and overcollateralized stablecoin issued by MakerDAO, is backed by crypto assets like Ethereum (ETH) and maintains its U.S. dollar peg through algorithmic governance. A notable new entrant is PayPal USD (PYUSD), issued by Paxos Trust and fully backed by U.S. dollar deposits and short-term U.S. Treasuries, bridges the gap between crypto payments and traditional finance.

Stablecoins can be broadly categorized into two types: fiat-pegged and algorithmic. Fiat-pegged stablecoins, such as USDT, USDC, PYUSD, and BUSD, are typically backed by fiat currency reserves, offering lower volatility. This category also includes euro-pegged stablecoins like EURO. On the other hand, algorithmic stablecoins, like DAI (which is partially algorithmic through its governance and collateral model) use smart contracts and market incentives to maintain their pegs without direct fiat backing. As the stablecoin market continues to mature, it is shaped by evolving regulatory landscapes and ongoing innovation aimed at enhancing security, transparency, and scalability.

A promising solution for remittances, stablecoins offer a faster, more cost-effective, and secure alternative to traditional money transfer services. Their peg to fiat currencies helps reduce value fluctuations, providing greater security for users. Blockchain technology further enhances

this process by streamlining remittance transactions and supporting compliance with Anti-Money Laundering (AML) and Know Your Customer (KYC) regulations. KYC regulations are compliance standards that require financial institutions and other regulated entities to verify the identities of their customers. The primary goal of KYC is to prevent illegal activities such as money laundering, fraud, and financing of terrorism by ensuring that businesses know who they are transacting with. Through transparent and immutable blockchain records, these systems can increase trust and security in remittance transactions.

The decentralized nature of blockchain eliminates single points of failure, while advanced cryptographic techniques ensure the integrity and confidentiality of transactions. All transfers are transparently recorded on a public ledger, providing both security and accountability. Stablecoins compatibility with decentralized finance platforms - such as decentralized applications, decentralized autonomous organizations, and decentralized exchanges - also allows for seamless integration with savings, lending, and systems. At its core, blockchain operates as a decentralized and distributed ledger, maintained by a network of nodes that validate and record transactions in a tamper-proof manner. This decentralized architecture eliminates the need for intermediaries, such as banks and money transfer operators, reducing costs and delays in cross-border payments.

Blockchain's transaction process begins when a sender initiates a payment. This transaction is broadcasted to the network, where nodes verify its authenticity through a consensus mechanism. Popular mechanisms include Proof of Work (PoW) and Proof of Stake (PoS), which ensure the transaction's validity while maintaining the security and integrity of the ledger. Once validated, the transaction is grouped into a block, which is cryptographically linked to previous blocks, forming a chain. This structure ensures the immutability of records, as any alteration would require consensus across the network, making fraud nearly impossible.

Smart contracts further enhance the functionality of blockchain for remittances. These self-executing programs, embedded with predefined rules, automate various processes, such as currency conversion, regulatory compliance, and payment disbursement. For instance, smart contracts can automatically release funds to a recipient once specific conditions are met, streamlining operations and reducing the need for manual intervention.

For cross-border remittances, fiat-collateralized stablecoins are the most effective option due to their stability, liquidity, and regulatory compliance. These stablecoins are pegged 1:1 to major fiat currencies like the U.S. dollar, ensuring minimal volatility and making them reliable for international money transfers. Their widespread acceptance on global exchanges and payment platforms allows for seamless conversion into local currencies, providing greater accessibility for recipients. Among these, USD Coin (USDC) stands out for its transparency and regulatory oversight, making it a trusted choice for secure transactions. Tether (USDT) is another widely used stablecoin known for its global liquidity, especially in emerging markets, although it has faced criticism for limited transparency.

For remittances, key considerations include low transaction fees, fast settlement times, global acceptance, and regulatory compliance to ensure funds are transferred securely and efficiently. Stablecoins are ideal for remittances because their price stability ensures recipients receive the intended value without the risk of market volatility, unlike other cryptocurrencies. Overall, fiat-backed stablecoins offer the most practical and reliable solutions for cross-border remittances, combining the benefits of digital currency with the stability needed for everyday financial transactions. Even during periods of high congestion, crypto transactions take only a few hours to complete. For instance, sending Bitcoin to another wallet costs an average of \$1.50 per transaction, and Ethereum costs an average of \$0.75 per transaction for any amount.

According to the UN, “Sending money to some African countries, such as Angola, Botswana and Namibia, can sometimes cost as high as 20 percent of the amount transferred.” As noted above, in many parts of the world, traditional banking services can be prohibitively expensive or simply inaccessible.

Ultimately, crypto transfers provide more financial inclusion and accessibility for people who do not have access to traditional banking services. Examples of stablecoins used in remittances include JPM Coin, a digital token designed for domestic and cross-border payments. Other crypto-based remittance solutions have also seen significant growth. For instance, Bitso processed \$3.3 billion in remittances from the U.S. to Mexico with transaction fees of less than 1%, up from \$2 billion the previous year. In sub-Saharan Africa, BitPesa integrates traditional and crypto-based remittance services, offering fees between 1% and 3%. With crypto remittances all that is required is a computing device with internet access and a crypto wallet. With a decentralized operating system, crypto transactions are not controlled by any central authority, which ensures that the transaction process is fair, transparent, timely and affordable.

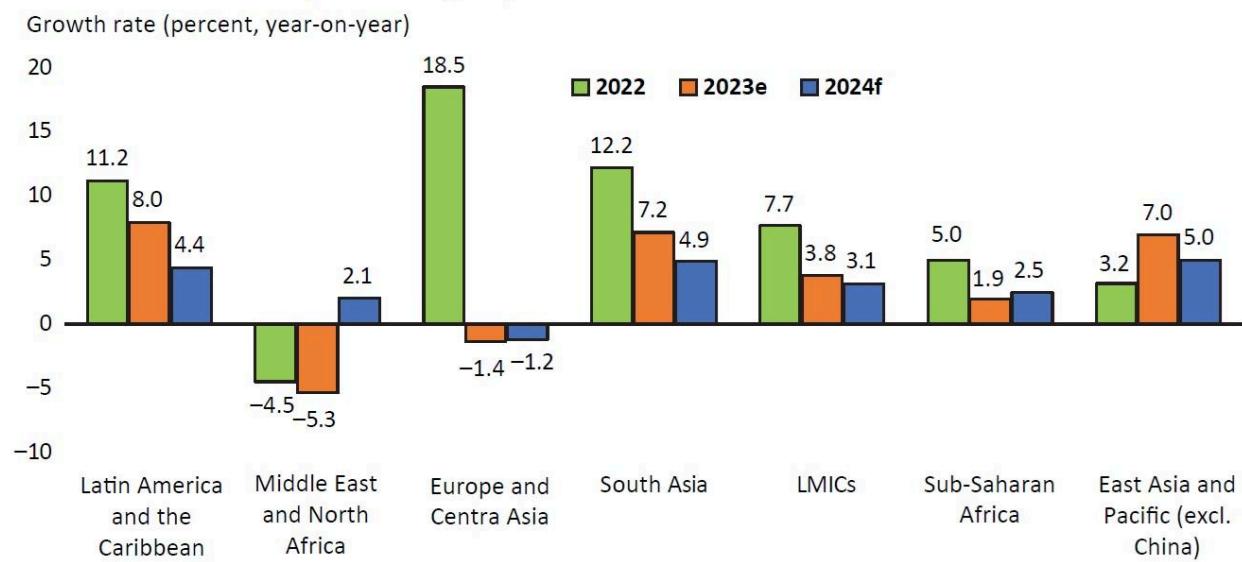
## **Regional Insights and Economic Impacts**

Emerging economies in Latin America, Africa, and Asia showcase distinct yet interconnected trends in remittance inflows and the adoption of blockchain technologies to address longstanding challenges in cross-border payments. These regions exemplify the transformative potential of remittance-driven economies, with a shared focus on reducing costs, enhancing financial inclusion, and fostering economic resilience.

In Latin America, remittances reached record levels in 2024, with an overall \$160 billion of inflows to the region. These funds surpass foreign direct investment and tourism revenue in

their contribution to household income and national economies, playing a pivotal role in education, healthcare, and small-scale entrepreneurship. Conversely, Sub-Saharan Africa faces significant challenges due to the world's highest remittance costs, averaging over 8% of transaction amounts. In 2024, remittance inflows to Sub-Saharan Africa reached \$55 billion. However, high fees and limited financial infrastructure disproportionately impact low-income recipients, reducing the funds available for basic needs and development projects. Blockchain solutions, which reduce costs to as low as 1%-3%, are beginning to address these inefficiencies, fostering financial inclusion in underserved areas. Asia, led by India and China, is redefining remittance ecosystems through large diaspora populations and technological advancements. Remittance inflows to South Asia reached \$186 billion in 2024, and digital platforms utilizing blockchain and stablecoins played a significant role in lowering fees and offering a hedge against currency volatility, ensuring that recipients retain more value from transfers.

### Remittance Flows by LMIC Region, 2022–2024



Source: World Bank–KNOMAD staff estimates.

Note: f = forecast; LMICs = low- and middle-income countries.

Blockchain technologies and stablecoins are increasingly central to this evolution, offering faster, cheaper, and more transparent transactions. These innovations are not only reducing fees but also addressing critical gaps in financial access, particularly for the unbanked. In high-dependency economies like India, Nigeria, and Mexico, integrating blockchain-based remittance systems could inject billions of dollars into local economies, driving poverty alleviation, supporting entrepreneurship, and empowering marginalized communities. This global shift showcases the potential of blockchain-enabled systems to transcend traditional financial barriers, creating pathways for equitable growth and resilience.

### ***U.S.-Mexico Remittance Corridors***

The U.S.-Mexico and Europe-Nigeria remittance corridors are among the most heavily trafficked financial channels in the world. In 2024, remittances from the United States to Mexico totaled a record-breaking \$68 billion, demonstrating Mexico's position as the second-largest recipient of remittances globally after India. Notably, India received \$129 billion in remittances in 2024, according to World Bank data. Remittances are a crucial source of income for Mexico, and are estimated to be around 3.7% of the country's GDP in 2024, highlighting their importance to the Mexican economy. The significance of these funds cannot be overstated; they outstrip foreign direct investment (FDI) and tourism revenue, making remittances the top source of foreign income for Mexico.

Guatemala is the second-largest recipient of remittances in Latin America and the Caribbean, receiving an estimated \$20 billion in 2024. These flows are fueled not only by a strong job market in the United States but also by transit migrants from countries including Cuba, China, Ecuador, Haiti, India, Nicaragua, and Venezuela, which reflects the increased reliance on remittances among families in transit hubs. U.S. Customs and Border Protection

(CBP) data from late 2024 revealed that Border Patrol apprehensions at the U.S.-Mexico border dropped to its lowest level since July 2020, while the number of migrants at Mexico's southern border increased, showcasing a potential shift in migration dynamics in the region.

Within the U.S.-Mexico corridor, the majority of remittance senders are Mexican immigrants working in the United States. These individuals are employed primarily in industries such as construction, agriculture, hospitality, and domestic services, and the funds are typically sent in small, frequent amounts to support families back home. Key recipients include women, elderly family members, and rural households, who depend on remittances for essential needs such as food, education, healthcare, and housing improvements. In addition to economic lifelines, remittances have spurred financial inclusion. In 2024, digital remittance platforms accounted for 35% of all transfers, a sharp increase from 20% in 2020. These platforms not only lower costs but also provide recipients with access to financial services such as savings accounts, microloans, and insurance. However, challenges remain. The average remittance cost globally stood at 6.5% of the transfer amount, significantly higher than the UN's target of 3% by 2030, with costs in some rural corridors exceeding 10%.

Blockchain-based remittances using stablecoins are already gaining traction in the U.S.-Mexico corridor, with notable examples showcasing their potential to transform cross-border payments. Bitso, a cryptocurrency exchange headquartered in Mexico, has partnered with Ripple to facilitate remittance flows between the U.S. and Mexico using RippleNet's On-Demand Liquidity (ODL), which leverages XRP, a blockchain-based digital asset, as a bridge currency. This partnership has processed billions in remittances, offering users lower fees and near-instant transaction times compared to traditional methods. Another example is Tether (USDT), the most widely used stablecoin in the world, which has become increasingly

popular among Mexican remittance recipients. Platforms such as AirTM, a peer-to-peer exchange, allow users in Mexico to receive USDT directly and convert it into Mexican pesos at competitive rates, eliminating high intermediary fees typically associated with traditional remittance providers.

### ***Europe-Nigeria Remittance Corridor***

Nigeria, the largest remittance recipient in Sub-Saharan Africa, received approximately \$25 billion in remittance flows during 2024, making it one of the top 10 remittance-receiving countries globally. These inflows are vital to the Nigerian economy, contributing an estimated 4.5% to the nation's GDP. However, high transaction fees, which average between 4% and 7%, continue to erode the value of funds reaching recipients, particularly in rural areas where financial access is limited.

The Europe-Nigeria corridor is a key remittance channel, driven by Nigerian migrants working in countries like the United Kingdom, Spain, and Italy. Nigeria has the largest diaspora population in Africa, these remittances serve as a crucial lifeline for families back home. These migrants are predominantly employed in industries such as healthcare, information technology, construction, and the service sector. Remittance recipients in Nigeria typically include low-income households, elderly dependents, and rural communities. The funds are primarily used for essential needs such as food, education, healthcare, and small-scale entrepreneurial ventures. In 2024, approximately 40% of remittances were channeled into productive activities, including agricultural investments, trade, and small businesses, underscoring the role of remittances in fostering economic resilience. Remittances also play a critical role in Nigeria's foreign exchange market. Remittances exceeded the country's earnings from oil exports for the third consecutive year in 2024, highlighting their importance in bolstering foreign reserves and

stabilizing the naira amidst ongoing economic challenges.

Though, like many emerging economies, Nigeria's remittance market faces inefficiencies such as high transaction costs, slow processing times, limited financial inclusion, unfavorable foreign exchange rates, and a lack of transparency. Many recipients, especially in rural areas, remain unbanked and must rely on cash-based transfers, adding time and cost burdens. Additionally, fluctuating exchange rates and security concerns, including fraud, further erode the value of remittances. Emerging blockchain-based solutions, such as RippleNet and stablecoins like USDC, are addressing these challenges by offering faster, cheaper, and more transparent alternatives, promoting financial inclusion and reducing reliance on traditional money transfer systems.

Digital remittance platforms have gained significant traction in Nigeria, accounting for an estimated 30% of remittance transfers in 2024, up from 18% in 2020. These platforms have reduced transfer times and increased accessibility, particularly for unbanked populations. Platforms such as RippleNet, which has partnered with Nigerian financial institutions, allow for near-instant settlement of cross-border payments using blockchain technology. Similarly, local fintech companies like Flutterwave and Chipper Cash have integrated stablecoin options, making it easier for senders to remit funds directly into recipients' digital wallets. These funds can be converted to naira at competitive rates, bypassing costly intermediaries. Stablecoins also provide a hedge against naira depreciation, ensuring recipients retain more value from their transfers. Such blockchain-based remittance solutions highlight how blockchain technology and stablecoins are bridging financial gaps, particularly for Nigeria's underserved communities, and reducing reliance on cash-based systems while offering speed, security, and financial inclusion.

***BRICS Leading the Blockchain Shift***

The BRICS nations - Brazil, Russia, India, China, and South Africa - play a pivotal role in global remittance flows as both major recipients and senders. Their adoption of blockchain and stablecoin technologies highlights their ambitions to address inefficiencies in cross-border payments and reshape global financial systems traditionally dominated by the U.S. dollar. Each country's unique economic landscape and geopolitical stance contribute to this collective effort, reflecting their broader goal of creating a multipolar financial order.

India, the largest recipient of remittances globally, received \$129 billion in 2024, contributing 3.5% to its GDP. These remittance flows are driven primarily by the country's vast diaspora, which spans regions like the Middle East, North America, and Europe, with a significant concentration of workers in the Gulf Cooperation Council (GCC) countries. These workers are predominantly employed in sectors such as construction, healthcare, and domestic services, sending small, frequent payments to support their families back home.

Traditional remittance channels, such as banks and money transfer operators, often impose high fees and involve lengthy processing times, particularly for transactions to rural areas. In response to these challenges, India's diaspora has increasingly turned to stablecoins like USDC and Tether (USDT) via platforms such as WazirX and ZebPay, significantly reducing transaction fees to below 3% in many cases and accelerating transfer times. Stablecoins also provide a hedge against currency volatility, ensuring recipients retain the value of their funds, especially during periods of rupee depreciation. Despite India's strict crypto regulations, the government acknowledges blockchain's potential for remittance efficiency, with regulatory frameworks evolving to encourage innovation while maintaining oversight. As digital adoption grows, blockchain and stablecoin solutions are positioned to play a crucial role in India's remittance ecosystem, expanding financial inclusion and improving economic resilience.

Similarly, Brazil, which received \$8.2 billion in remittances in 2024, relies on these inflows to support its economy, particularly in low-income households and rural areas. A significant portion of remittance flows to Brazil comes from Brazilian expatriates in the United States, Portugal, and Japan, where many work in sectors like construction, agriculture, and service industries. Traditional remittance methods have historically been expensive, with fees often exceeding 5%, and slow processing times further adding to the inefficiencies, especially for recipients in underserved regions.

To address these challenges, Brazil has embraced stablecoins like USDT and USDC through platforms such as Mercado Bitcoin and Bitso, which facilitate faster, cheaper, and more transparent transactions. These stablecoin-based remittance options also mitigate the impact of Brazil's currency volatility, allowing recipients to retain more value from their transfers. Additionally, Brazil's central bank is piloting the digital real (CBDC) as part of its Drex Pilot, aiming to enhance the efficiency of domestic and cross-border transactions. This initiative complements private blockchain projects by fostering interoperability between traditional financial institutions and emerging technologies, reducing costs and expanding access to digital financial services. The combination of stablecoin adoption and CBDC development underscores Brazil's commitment to leveraging blockchain to tackle remittance inefficiencies and drive financial inclusion. By embracing these innovations, Brazil is positioning itself as a leader in integrating digital assets into its financial ecosystem, benefiting both its citizens and its broader economy.

Russia, a major remittance sender with \$13 billion in outflows in 2024, plays a critical role in supporting economies in its neighboring countries, particularly in Central Asia and Eastern Europe. Migrant workers from nations like Uzbekistan, Tajikistan, and Kyrgyzstan

depend on remittances from Russia, which account for significant portions of their home countries' GDPs. Traditionally, these remittances were facilitated through banking systems and money transfer operators reliant on global networks like SWIFT. However, Western sanctions imposed on Russia have significantly disrupted its access to these financial networks, increasing costs and delays in cross-border transactions. In response, stablecoins have emerged as a vital alternative for facilitating remittance flows. Platforms like Binance, which support stablecoins such as Tether (USDT), have become popular among Russian migrants, enabling fast, low-cost, and decentralized transfers that bypass traditional financial systems. These blockchain-based solutions provide a means to mitigate the challenges posed by sanctions while ensuring recipients can access funds more efficiently.

Additionally, Russia is actively developing its own central bank digital currency (CBDC), the digital ruble, as part of a broader strategy to reduce reliance on the U.S. dollar and euro in international transactions. The digital ruble aims to streamline cross-border payments and establish direct settlement mechanisms with allied countries, particularly within the Eurasian Economic Union. By integrating blockchain and CBDC initiatives, Russia seeks to enhance its financial sovereignty, stabilize remittance flows, and strengthen economic ties with its partners. This dual approach highlights how emerging technologies are helping Russia adapt to a rapidly evolving geopolitical and financial landscape.

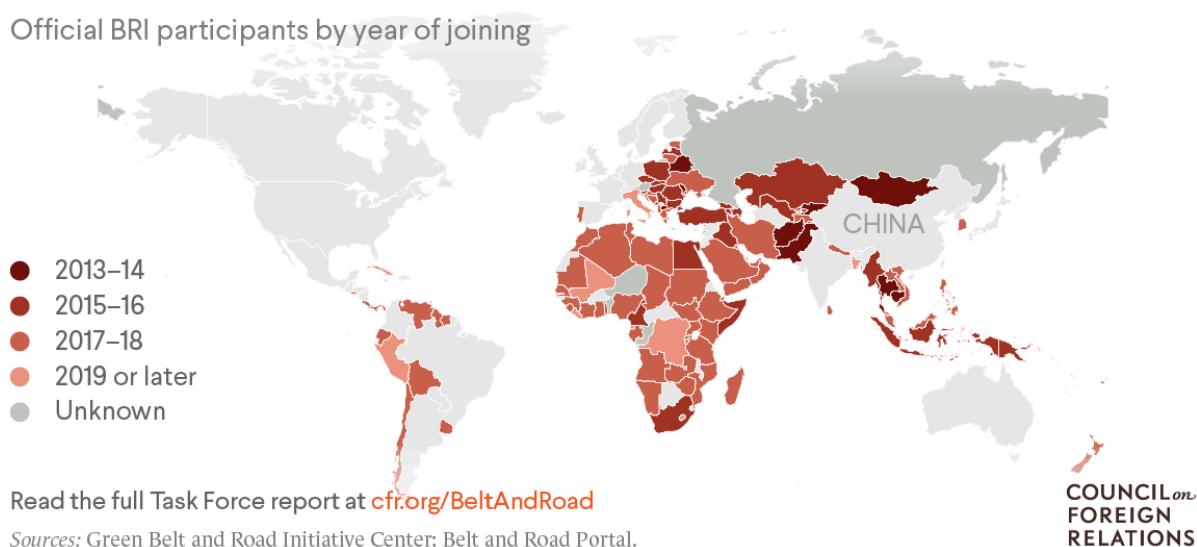
Meanwhile, China, which received \$48 billion in remittances in 2024, has strategically focused on leveraging the Digital Yuan as a cross-border payment solution to enhance efficiency and reduce reliance on traditional financial networks. These remittances primarily come from overseas Chinese workers in regions such as Southeast Asia, North America, and Europe, and they play a crucial role in supporting families and small businesses in China's rural and urban

areas. Traditional remittance methods in China often face high fees and slow processing times, particularly for transfers originating from smaller corridors or underdeveloped financial networks.

China has prioritized the use of its Digital Yuan for cross-border payments, particularly in Belt and Road Initiative (BRI) countries, where its economic and geopolitical influence is expanding. BRI, launched by China in 2013, spans Asia, Europe, Africa, the Middle East, Oceania, and Latin America, aiming to enhance global connectivity through infrastructure, trade, and investment. By building economic corridors with roads, railways, ports, and pipelines, the BRI strengthens China's influence in emerging markets and fosters economic integration across key regions. The Digital Yuan enables faster, more secure, and cost-effective transactions, offering an alternative to dollar-dominated systems like SWIFT. By promoting the adoption of the Digital Yuan in international trade and remittance flows, China strengthens its influence in global financial markets and provides a model for other emerging economies seeking to bypass Western-controlled financial systems.

## The Belt and Road Initiative Has Gone Global

Official BRI participants by year of joining



At the same time, China maintains strict restrictions on private stablecoins citing concerns about financial stability and capital flight. Instead, the country is developing blockchain-based systems tailored to its regulatory environment, ensuring greater control over financial data and monetary flows. This approach not only enhances the affordability and accessibility of remittance services but also aligns with China's broader goal of establishing itself as a global leader in digital currency innovation and infrastructure development.

South Africa, though receiving less than \$1 billion in remittances from migrant laborers in 2024, plays a crucial role as a financial hub for the southern region of Africa. Much of these inflows originate from workers in neighboring countries such as Zimbabwe, Mozambique, and Lesotho, who send money home to support families. However, traditional remittance channels in the region are often costly and inaccessible, with fees reaching as high as 10% in rural corridors, where financial infrastructure is limited.

To address these challenges, South Africa has embraced stablecoin adoption through platforms like Chipper Cash, which enable low-cost, fast, and secure cross-border payments. These blockchain-based solutions cater specifically to unbanked and underbanked populations, allowing recipients to receive funds directly via mobile wallets, bypassing traditional banks and money transfer operators. This has significantly reduced transaction costs and improved financial access for rural communities. South Africa's progressive regulatory approach to cryptocurrencies and blockchain has further supported these innovations, creating an environment conducive to technological adoption while ensuring consumer protection. By integrating stablecoin solutions, South Africa not only enhances its domestic remittance landscape but also strengthens its role as a gateway for financial inclusion in the broader Southern African region.

Across BRICS nations, remittance costs remain high, averaging 4%-7% and exceeding

10% in rural corridors, where financial infrastructure is often sparse and traditional banking systems struggle to reach marginalized communities. These high costs not only erode the value of funds sent to low-income families but also highlight systemic inefficiencies in the global financial system. Blockchain and stablecoin solutions are increasingly addressing these challenges, reducing fees to 1%-3% in many cases while enabling faster and more transparent transactions. This has been particularly impactful for unbanked populations, as digital wallets and blockchain-based platforms bypass the need for traditional banking infrastructure. The rising adoption of digital remittance platforms in countries like Brazil, India, and South Africa underscores a broader shift toward decentralized financial systems, with stablecoins accounting for up to 30% of remittance transactions in some corridors. These platforms not only lower costs but also empower recipients by providing access to additional financial services, such as savings accounts and microloans, thereby promoting long-term financial inclusion.

Beyond cost and efficiency, Russia and China are leveraging blockchain and stablecoins as tools to counter Western financial dominance, reducing reliance on dollar-based systems like SWIFT. SWIFT, the Society for Worldwide Interbank Financial Telecommunication, is a global network connecting financial institutions to facilitate secure cross-border transactions. As a cornerstone of the international financial system, it is often leveraged in sanctions, prompting nations like Russia and China to explore blockchain and stablecoin alternatives to reduce reliance on SWIFT and bypass geopolitical restrictions.

The strategic shift aligns with BRICS' broader geopolitical goals of fostering economic cooperation within the bloc and asserting greater influence in global financial governance. Initiatives such as exploring a potential BRICS currency or fostering interoperability between blockchain platforms signal a collective ambition to create an alternative financial ecosystem that

reduces vulnerabilities to external shocks. The integration of blockchain and stablecoins in BRICS remittances is not merely a response to domestic inefficiencies but also reflects the bloc's larger ambitions to reshape global economic governance. By embracing these technologies, BRICS nations are challenging traditional power structures, enhancing financial resilience, and positioning themselves as leaders in the transition to a more equitable and decentralized global financial system.

### ***Conclusion***

Stablecoins are transforming remittance systems by offering innovative solutions to challenges like high costs, inefficiencies, and slow processing times. Leveraging blockchain technology, they eliminate intermediaries, reduce transaction fees, and enable near-instant cross-border payments. These advantages are particularly impactful for underserved populations in emerging markets, where access to formal financial services is limited, and reliance on remittance inflows is critical for economic stability. By enabling access to digital wallets and decentralized financial services, stablecoins foster financial inclusion, empowering families to invest in education, healthcare, and small businesses. Their transparency and security build trust, ensuring compliance with international regulations while reducing risks of fraud. Regional trends demonstrate the ability of stablecoins to lower remittance costs to as little as 1%-3%, providing a lifeline to unbanked populations and ensuring recipients retain more of their funds.

In addition to addressing local inefficiencies, stablecoins play a role in reshaping global financial systems. Nations within BRICS and other regions are using blockchain-based technologies to reduce dependency on dollar-dominated networks and create financial systems that are more equitable and resilient. These technologies not only address inefficiencies but also promote innovation and sustainable economic growth. To fully realize the potential of

stablecoins, concerted efforts are required to overcome challenges like regulatory fragmentation, digital literacy gaps, and infrastructure limitations. Collaborative approaches involving governments, fintech companies, and international organizations can drive reforms, reduce transaction fees, and expand access to blockchain-based systems. Stablecoins are more than a tool for remittances - they are a catalyst for building equitable and resilient economies, enabling a future where financial systems are inclusive, efficient, and accessible to all.

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