United Nations
Network on Migration
Working Better Together

Promoting digital remittances and financial inclusion to achieve the SDGs

To mark this year's International Day of Family Remittances, the United Nations Network on Migration calls on Member States, the international community, the financial industry and all relevant stakeholders to step up efforts towards increasing the socio-economic impacts of remittances by reducing the transfer costs and fostering the access to and use of digital solutions for faster, safer and cheaper remittances to insure the financial and digital inclusion of all migrants and their families back home.

In 2022, remittances to low- and middle-income countries surpassed USD 647 billion and are forecast to reach USD 656 billion in 2023, exceeding by over three times official development assistance and exceeding foreign direct investment to those countries. The steady increase in remittances demonstrates migrants' resilience and the significant contribution they make to their families, communities and countries of origin.

Globally, 800 million people – about 1 in every 9 people worldwide – live in households receiving international remittances. In some countries, more than 30 percent of all children have at least one parent who works and lives away from home.

By providing a source of income to support basic needs and by supporting economic growth, job creation and social development, remittances play an important role in achieving the SDGs.

Remittances help alleviate poverty (SDG 1) by providing a steady source of income to recipient households, pay for basic expenses such as food (SDG 2), shelter, health and education (SDGs 3 and 4), all contributing to human capital development. They can help build resilience to economic shocks and crises, as evidenced during the COVID-19 pandemic, and to the impacts of climate change. This is particularly true in rural areas, where remittances support communities in adapting to shocks like illness or crop failure that affect the financial health of the most vulnerable. By supporting sustainable agricultural practices, such as investing in drought-resistant crops or water-efficient irrigation systems, remittances can, too, enable communities to adapt to changing climate conditions (SDG 13).

Remittances also importantly contribute to reducing inequalities (SDG 10) by providing a critical source of income to households that may be excluded from formal financial systems, and by empowering female heads of recipient households (SDG 5). Remittances also play a critical role for families in places where social safety nets are absent or out of reach, and are often a key support for children's development, including physical health, mental health, and education.

While also supporting investment in infrastructure and in other productive sectors, it is estimated that around a quarter of remittance flows is saved and invested in the local community, supporting small businesses and contributing to decent job creation and economic growth (SDG 8).

Despite the multiple benefits of remittances, significant challenges remain to fully enable the access to and use of formal remittance channels. The cost of sending remittances, estimated at 6.3 percent in 2022 is a major one: this percentage is still far from the 3 percent SDG 10.c target. This high cost is a significant barrier for low-income households, who cannot maximize their income and may not be able to afford the fees associated with sending and receiving remittances.

Too many migrant workers are still forced to use remittances to repay debts incurred to migrate, while wage discrimination and other decent work deficits, in addition to being rights abuses, reduce the amount of money migrant workers can send back home.

Ahead of the 2023 SDG Summit, the Network calls on the international community to take concrete actions to optimize the transformative impact of remittances on the well-being of migrant workers and their families and contribute to the sustainable development of all countries.

One of those concrete actions is to support the digital transfer of remittances – or sending money electronically. They have proven to be an effective method to significantly reduce the cost of sending money globally. Digital methods have provided access to financial services to millions of migrants and their families who were previously excluded from traditional banking systems. With the continued growth of digital remittances, it is expected that these benefits will only increase, requiring enabling regulatory frameworks to facilitate innovation.

Recalling the commitments from the Global Compact for Safe, Orderly and Regular Migration reiterated in the Progress Declaration from the first International Migration Review Forum, the Network calls on Member States and UN system entities to:

- Establish conducive policy and regulatory frameworks that promote a competitive, innovative and affordable remittance market;
- Reduce transfer costs to 3 percent, which would imply an additional US$20 billion per year in the hands of the receiving households;
- Promote the use of digital solutions for international remittance transfer, such as mobile payments, digital tools or e-banking, to reduce costs, improve speed, enhance security, increase transfer through regular channels;
- Ensure fair and ethical recruitment and safeguard conditions that ensure decent work for migrant workers in the host countries; and
- Disaggregate existing surveys on financial inclusion by migratory status, in line with SDG 17.18.

To take full advantage of this critical lifeline for millions globally, the Network joins the IDFR 2023-2024 campaign "Digital remittances towards financial inclusion and cost reduction" and calls on the international community to accelerate the financial inclusion through the use of digital remittances. By promoting digital and financial inclusion, governments and organizations can empower low-income households build financial resilience so that they can participate, too, in the achievement of the Sustainable Development Goals. Only then can we ensure that no one is left behind.

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