



Beyond Borders:

How Remittances Are Reshaping Asia-Pacific Economies



Beyond Borders: How Remittances Are Reshaping Asia-Pacific Economies

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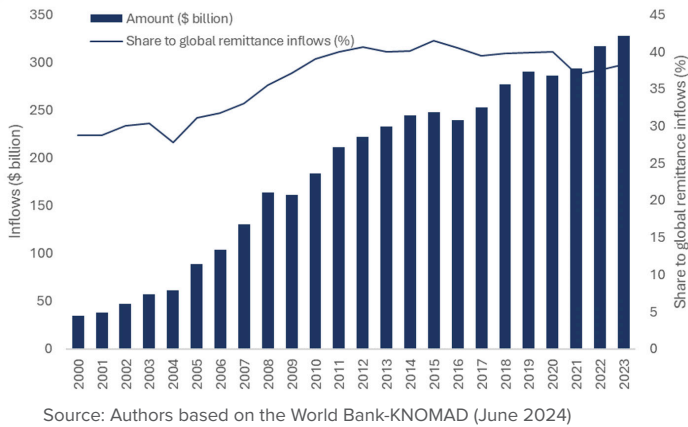
Key takeaways

- ▶ Despite a slowdown in remittances in recent years, **the Asia-Pacific region remains the largest recipient of international remittances worldwide.**
- ▶ In many **countries, remittances have come to represent a financial lifeline.** In the developing countries of Asia and the Pacific, they have reached the level of total foreign direct investments (FDIs). Elsewhere in the world, they already exceed the importance of FDI.
- ▶ In absolute terms, India, China, the Philippines, Pakistan, and Bangladesh are the **largest recipients**, which reflects the large numbers of emigrants from these countries relative to the population. In relative terms, Tonga, Samoa, Nepal, Vanuatu, and the Marshall Islands have the **highest share of remittances in GDP.**
- ▶ While the United States is among the highest remittance-sending countries to all Asia-Pacific subregions, other major senders vary.
- ▶ The **potential programming implications** for UNDP work could be:
 - **Reducing the cost of sending remittances:** For example, the cost between the Thailand-Lao PDR remittance corridor and the Australia-Vanuatu corridor is about 12%, four times more than the target of SDG 10.C set at 3%.
 - **Educating migrants and their families about the lowest and safest remittance-sending channel and digitalization:** In one estimate, the cost savings from switching to the lowest-cost remittance service providers for Tongan temporary migrant workers in Australia and New Zealand would represent approximately 2.3% of the total remittances sent over a six-month period.
 - **Leveraging remittances for development, including innovative instruments such as diaspora bonds and equities.**

Remittances inflows in Asia-Pacific

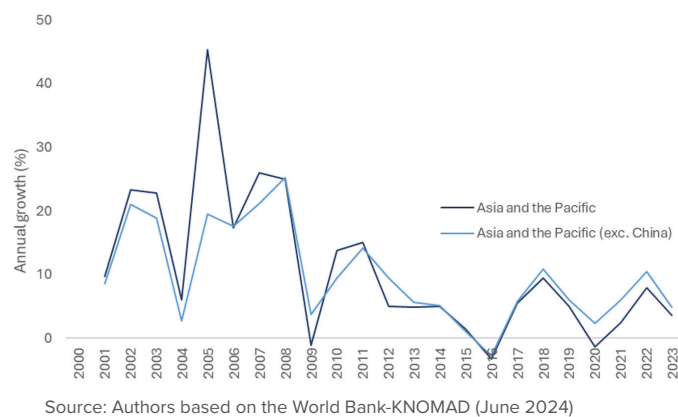
Asia-Pacific¹ remains the largest recipient of international remittances worldwide. In 2023, the region accounted for 38% of the global remittance inflows, followed by Latin America and the Caribbean (18%) (Figure 1). While this is slightly lower than the peak share of 41% in 2015, the Asia-Pacific share tends to be stable.

FIGURE 1: Remittance inflows to Asia and the Pacific, 2000-2023



While remittance receipts continue to rise, reaching \$328 billion in 2023, the growth rate has slowed post-2011 (Figure 2). Remarkably, the remittance flows to the Asia-Pacific region continued to increase even during the pandemic, defying expectations amid significant losses in work hours and jobs in major host countries of Asian migrants.

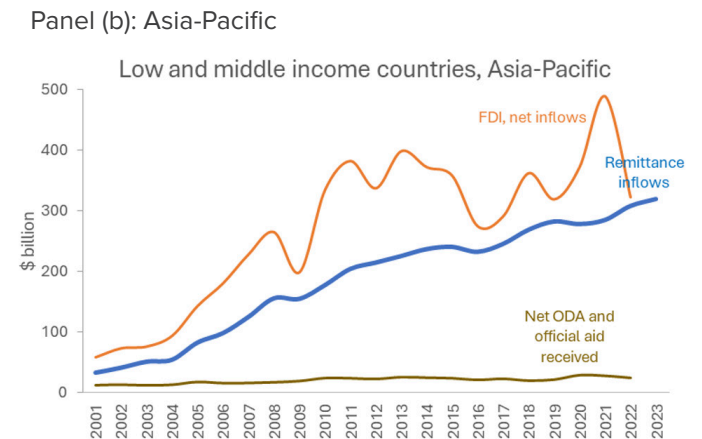
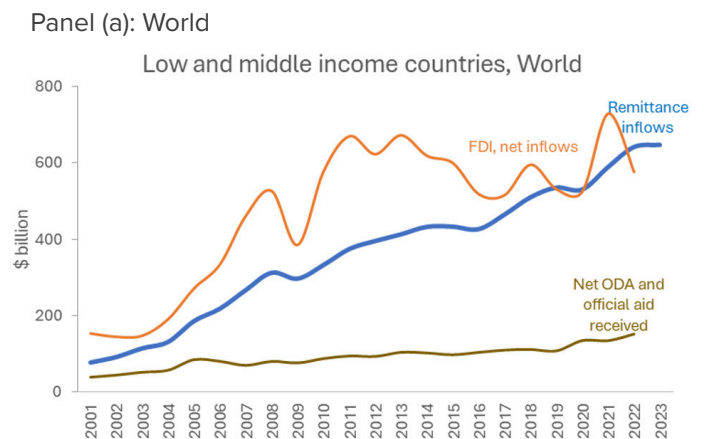
FIGURE 2: Annual growth of remittance inflows to Asia and the Pacific, 2000-2023



Remittances have become the financial lifeline of many countries

In 2019, remittance inflows surpassed foreign direct investment (FDI) for the first time as the leading source of external finance for low—and middle-income countries (LMICs) globally, and this trend has again continued from 2022 (Figure 3, panel a). In Asia-Pacific LMICs, remittances have yet to surpass FDI, but remittances have already reached the level of FDI inflows (Figure 3, panel b), which indicates that the Asia-Pacific region is expected to follow the world trajectory. This shift reflects the resilience of remittance flows even during economic downturns, highlighting their importance as a reliable financial lifeline for developing economies.

FIGURE 3: External financing flows to low- and middle-income countries: World and Asia-Pacific

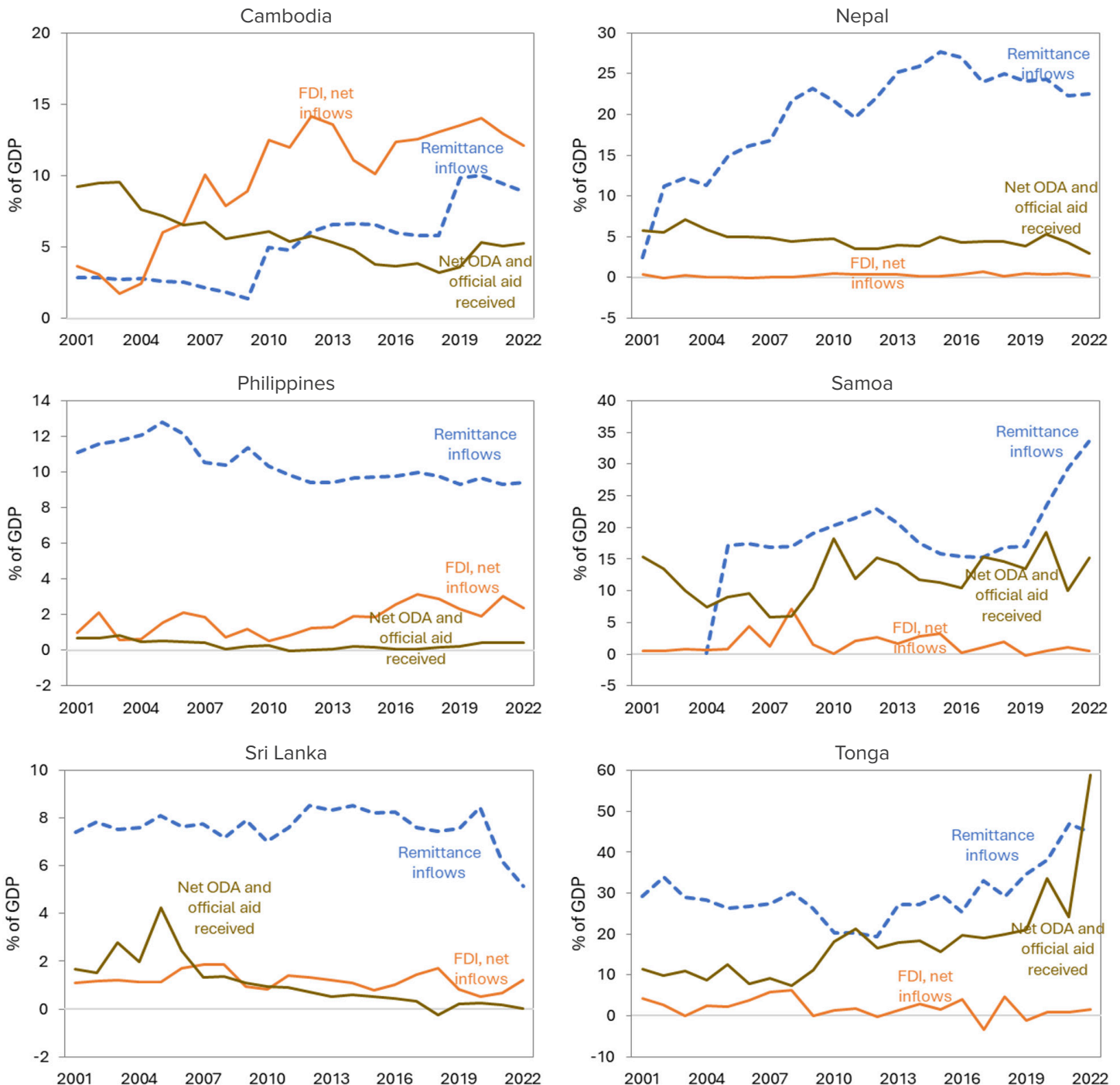


Sources: Authors based on KNOMAD/World Bank, World Bank World Development Indicators, and IMF Balance of Payments Statistics.

International remittances now represent a leading external financial flow and, hence, the foreign reserves to many countries in the region (Figure 4). Relative to FDI and official development assistance (ODA), inflows of international remittances now form a huge portion of the external financing source. In Nepal, the Philippines, Samoa, and Sri Lanka, remit-

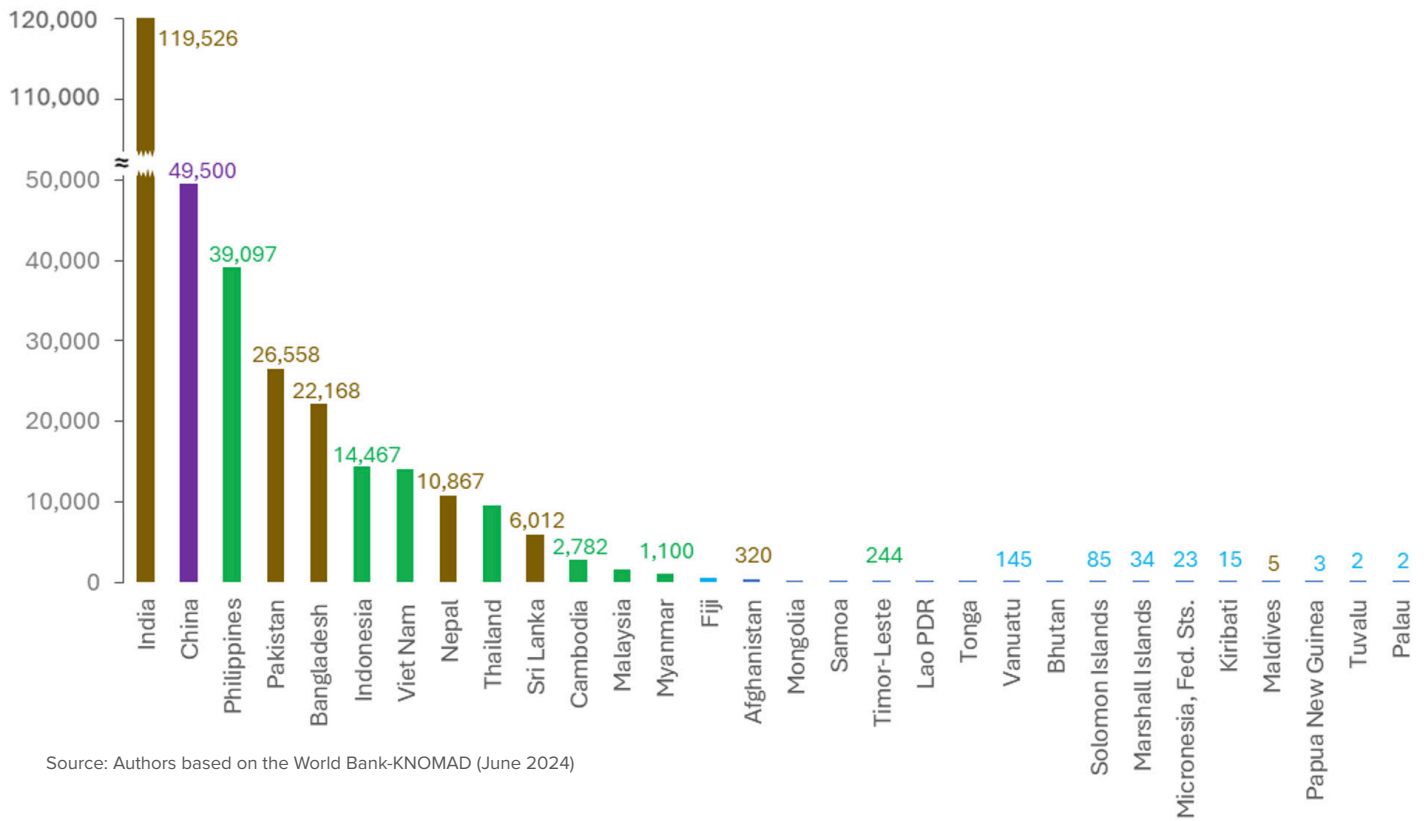
tance inflows remain the largest source of external financing flow. While FDI is still Cambodia’s largest source of external flows, remittances reached 10% of GDP in 2020 from about 1.4% in 2009. In Tonga, while ODA has surpassed remittances as the largest source of external inflows, remittances have reached over a whopping 40% of GDP post-2020.

FIGURE 4: External financing inflows in major remittance recipient countries in Asia and the Pacific, 2001-2022



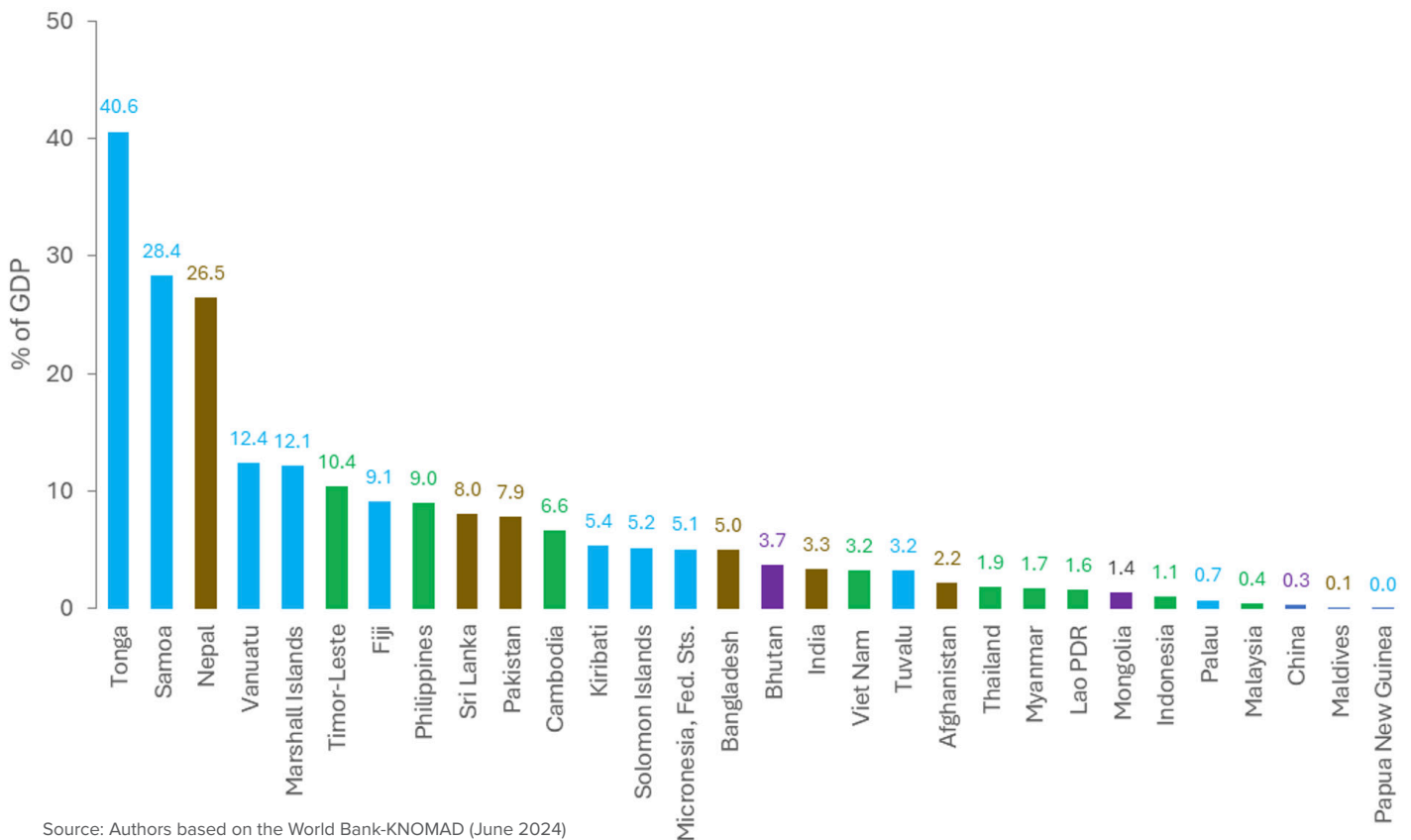
Source: Authors based on the World Development Indicators Database, World Bank.

FIGURE 5: Remittance inflows to Asia-Pacific countries (\$million), 2023



Source: Authors based on the World Bank-KNOMAD (June 2024)

FIGURE 6: Remittance receipt as % of GDP, 2023



Source: Authors based on the World Bank-KNOMAD (June 2024)

Remittance-receiving countries in Asia-Pacific

In absolute terms, Asia-Pacific's five highest remittance-receiving countries are **India, China, the Philippines, Pakistan, and Bangladesh** (Figure 5). As a share of GDP, the five countries with the highest remittance receipts are **Tonga, Samoa, Nepal, Vanuatu, and the Marshall Islands** (Figure 6). **In absolute terms, remittance inflows are small in Pacific Island countries but account for a large share of their GDP.** In 2023, international remittances received by Pacific Island countries such as Tonga, Samoa, Vanuatu, and the Marshall Islands exceeded 10% of their GDP. In South Asia, Nepal exhibits the most significant dependence on remittance inflows, with receipts at 26.5% of GDP in 2023, followed by Sri Lanka and Pakistan with about 8% of GDP in 2023.

Migrant sending countries

While remittance receipts depend on various factors, the stock of migrants in the host countries is a key determining factor. India, China, Bangladesh, and Pakistan are

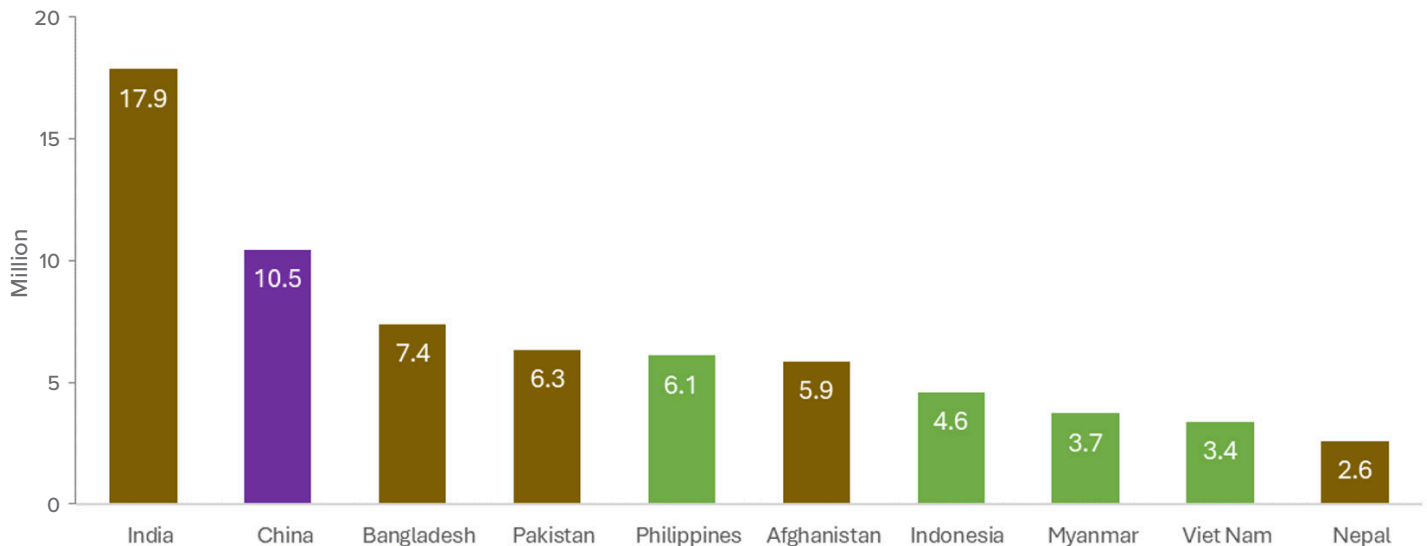
the top migrant-sending countries (Figure 7) and, hence, among the highest remittance-receiving countries as well.

Indian and Chinese migrants, often highly skilled, are prominent in sectors like IT and healthcare. Bangladeshi, Pakistani, and Nepali migrants, mainly in the Gulf, mostly work in construction, manufacturing, and domestic roles. South-East Asian countries like the Philippines, Indonesia, Myanmar, and Vietnam are also significant migrant sources.

Remittance sending countries

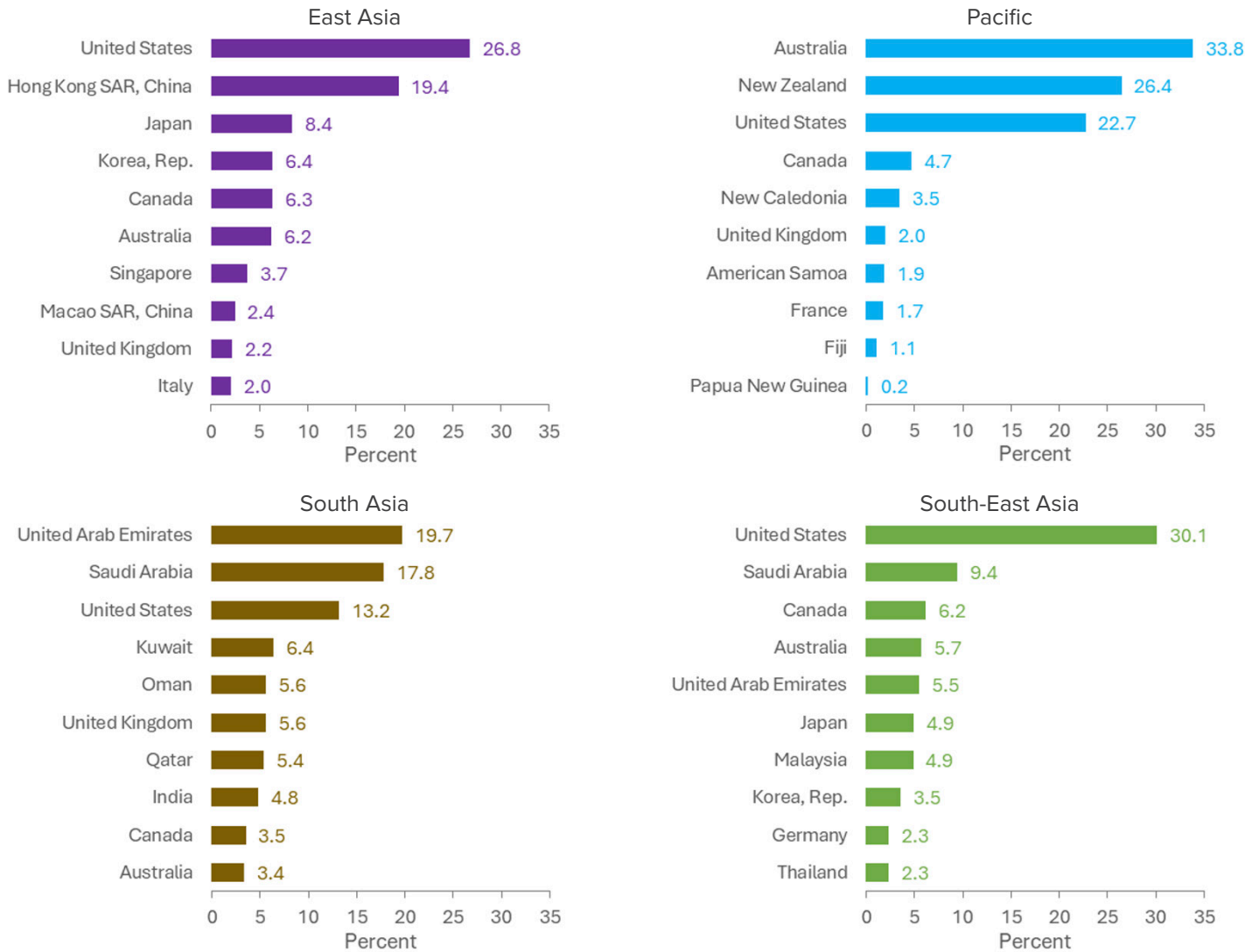
While the United States is among the highest remittance-sending countries to all Asia-Pacific subregions, other major senders vary across subregions (Figure 8). East Asia reflects more interconnectedness, with intra-flows of remittances within the region. Remittance inflows to the Pacific subregion primarily come from Australia and New Zealand, considering their geographic proximity and historical ties. Meanwhile, remittances to South Asia and Southeast Asia reflect the significant role of the Gulf region, which demands construction and domestic work.

FIGURE 7: Top 10 migrant source countries in Asia and the Pacific, 2020



Source: Authors based on UN-DESA, International Migrant Stock (2020) Database.

FIGURE 8: Remittance inflows to Asia-Pacific countries by source (\$million), 2021



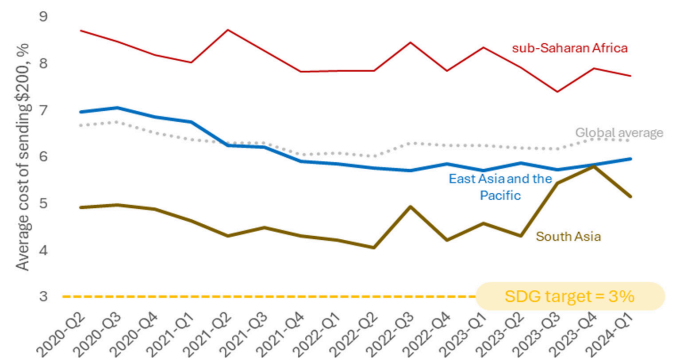
Source: Authors based on KNOMAD/World Bank Bilateral Remittance Matrix 2021, December 2022.

Cost of sending remittances

The average cost of sending remittances is lowest in South Asia (averaging 5%, Figure 9), but it is still above the SDG target of 3%. While the World Bank data does not disaggregate East Asia and the Pacific average, it is estimated that the average cost to send remittances to Pacific Island countries is among the highest globally, hovering at about 9%, three times higher than the SDG target.

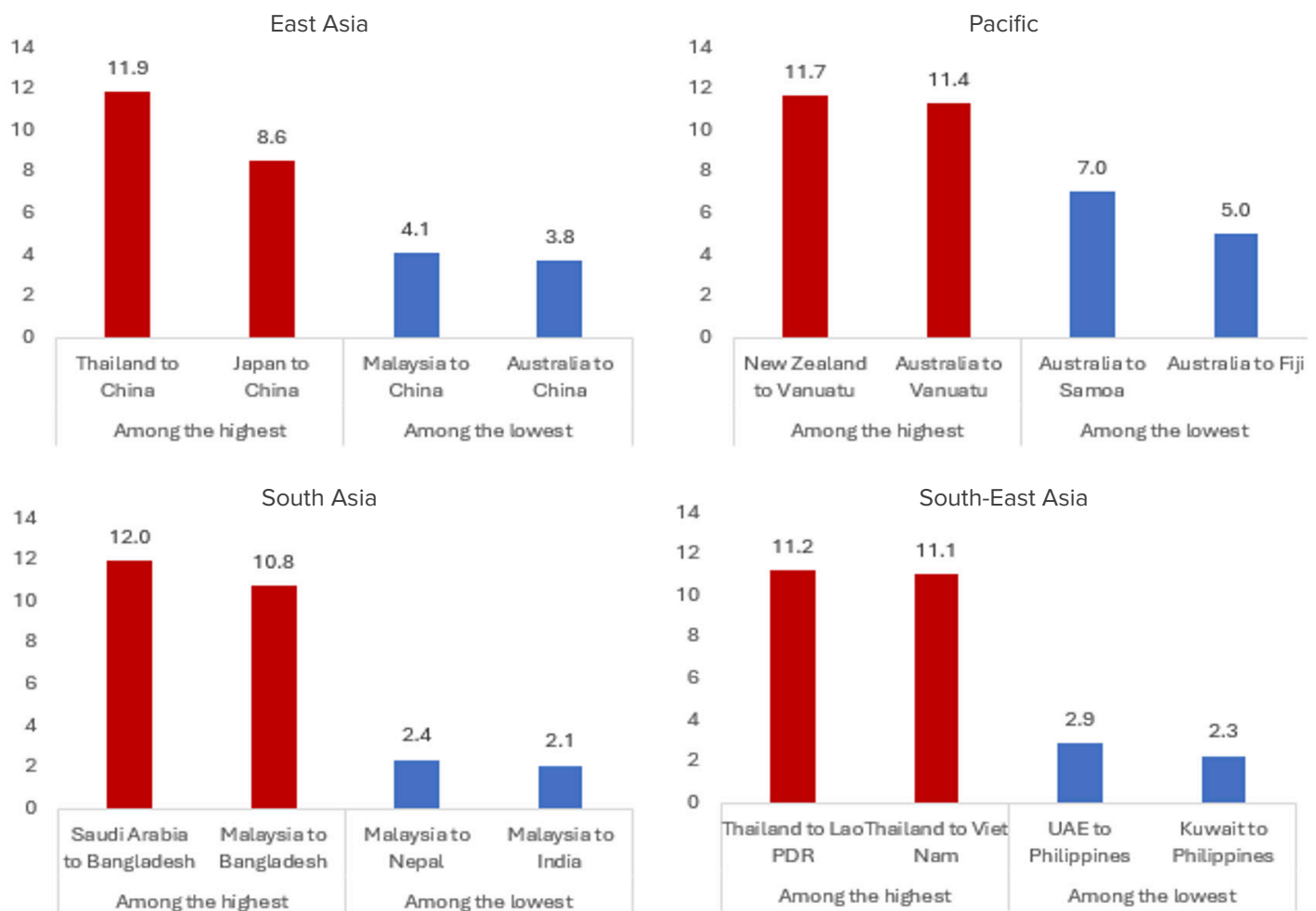
Despite a sudden spike in sending costs to South Asia in 2023, the cost was reduced in Q1 2024, and South Asia remains the lowest cost-receiving region (Figure 10). Sending remittances to East Asia and the Pacific slightly increased during the period.²

FIGURE 9: Average cost of sending \$200 (Q1 2020 – Q1 2024), by region



Source: Authors based on the Remittance Prices Worldwide (March 2024), World Bank.

FIGURE 10: Cost of sending \$200, selected remittance corridors of Asia-Pacific (total cost of transaction, %)



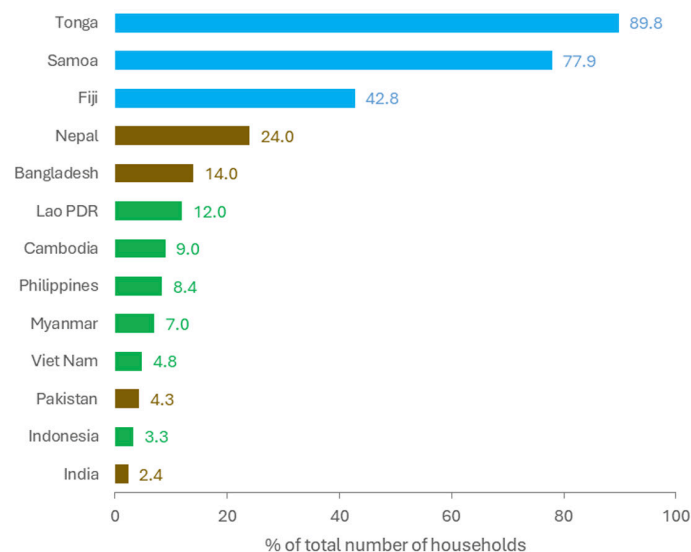
Source: Authors based on the Remittance Prices Worldwide (March 2024), World Bank.

² The higher cost is driven by Pacific Island countries, but the World Bank data doesn't disaggregate East Asia and the Pacific.

Remittances as lifeline support to millions of Asian households

Household dependency on international remittances in the Asia-Pacific region is substantial (Figure 11). Remittances provide critical financial support, improving millions of families’ living standards, healthcare, and education. They serve as a vital economic buffer, particularly in Pacific countries like Tonga and Samoa, where remittances form a significant portion of their GDP. This influx also helps mitigate poverty and foster economic stability. However, high remittance dependency can expose households to risks from global economic fluctuations and labor market changes in destination countries.

FIGURE 11: Share of households receiving international remittances, %



Source: Figure 6 in Kikkawa-Takenaka et al. (2020)

Potential programming implications for UNDP

1) Reducing the cost of sending remittances. To ensure that migrant families receive a larger share of remittances, collaboration with governments, financial institutions, and international partners is essential to reduce the high costs of sending remittances.

Initiatives could include leveraging digital solutions, increasing competition among service providers, and supporting financial inclusion for migrants and their families. UNDP, in collaboration with the UNCDF, could support efforts to reduce remittance costs in key migration corridors by building strategic partnerships with the private sector and other stakeholders to develop innovative solutions and expand access to low-cost remittance services in high-volume corridors.

2) Educating migrants and their families about the lowest and safest remittance-sending channel and digitalization. Recent evidence highlights the substantial economic benefits of switching to lower-cost remittance service providers (RSPs). [Maeda, Edwards, and Suryadarma \(2024\)](#) estimated savings of around 1,528,405 Pa'anga, equivalent to 2.3% of the total remittances sent by temporary migrants in Australia and New Zealand. Given that remittances constitute nearly half of Tonga's GDP, these gains are significant.

This could translate to a higher amount of funds reaching families, supporting their wellbeing and advancing sustainable development in their home countries. To realize these economic benefits, barriers preventing the use of low-cost RSPs, such as lack of awareness, preference for higher-cost providers, and difficulties in using digital services should be addressed. UNDP and development partners can play a role in enhancing financial literacy among migrants and their families, encouraging savings, and the use of formal financial channels to better manage remittances.

3) Leveraging remittances for development, including innovative instruments such as diaspora bonds (and equities). Since remittance is among the largest sources of external finance, efforts should be made to optimize the impact of the money sent by migrants to their home countries beyond basic household consumption, and these funds should be turned into drivers of sustainable development and economic growth.

This can be achieved by improving financial literacy among migrants and their families, encouraging investments in productive sectors, and supporting entrepreneurship with targeted loans and microfinance.

Issuing diaspora bonds can channel migrant remittances to fund public infrastructure and development projects. Diaspora bonds will require considerable groundwork in both the migrant-sending and receiving countries. Development partners play a role in creating an enabling environment. Several African countries in recent years and India in the past have leveraged diaspora bonds since 1991 to channel funds from non-resident Indians into its development, notably boosting the ICT sector ([Gevorkyan 2021](#)).

4) Ensuring safe and orderly migration. Finally, UNDP with other UN agencies can support the development of policies and frameworks that protect the rights of migrants, combat exploitation, and reduce the risks associated with informal migration. This includes promoting ethical recruitment practices, enhancing access to legal migration pathways, ensuring migrants' access to social protection in host countries, and providing pre-departure training and information.