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# The Impact of the Covid-19 Crisis on Remittance Flow to Cuba: A Glance at the Use of Digital Platforms

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## Remittance Flow to Cuba

During the Covid-19 crisis, Mexico and the Dominican Republic have been experiencing an unexpected increase in the remittance transactions [[1]](#endnote-1). However, most of the countries in Latin America and the Caribbean saw a sharp decline in their remittance receipts in April, before they began to rebound in June of this year. In Cuba, the amount of remittances has been decreasing this year, and it is expected to continue to drop.

Florida is home to the largest Cuban community of emigrants living abroad. Based on the U.S Census 2019 estimations, nearly a million Cubans live in Miami-Dade County [[2]](#endnote-2). In July, Florida became the new world epicenter of the pandemic. South Florida, where two-thirds of Cubans live in the United States, was notably impacted by the Covid-19 pandemic. Much of Florida’s economy is underpinned by the tourism, gastronomy, and entertainment industries, which are those most affected by the restrictions applied during the pandemic. Consequently, many immigrants in that area were unemployed during the closure of economic activities due to the pandemic [[3]](#endnote-3). As unemployment has increased, it has directly affected the Cuban community living there. Therefore, we could have expected that the number of remittances the diaspora sends to Cuba would also decrease considerably.

The number of remittances to Cuba have also been affected for two other reasons. First, the current Donald Trump administration has imposed restrictions on remittances, rolling back Obama’s Cuba policy, which had allowed unlimited remittances to Cubans, and set a limitation of $1,000 per calendar quarter to an immediate family member in Cuba. As a consequence, the decrease in the number of remittances that may be sent to Cuba during the Covid-19 crisis will have a greater detrimental impact not only on the Cuban economy generally, but mainly on the survival strategies of individual families and the ability of private enterprises to continue operating.

Second, the lower remittance flow is also aggravated by both: the travel restrictions imposed by the Trump administration, designed to cut off funds to the Cuban government and its agencies, and the limitation of international flights to Cuba by the Cuban government as a measure to control the spread of the pandemic on the island, A significant part of remittances - be it money or products - enters Cuba through informal channels. While this latter measure protects Cubans living on the island from being infected by visitors, it also decreases the number of remittances that usually enter through informal channels or the so-called *mulas* - people who bring money and goods to the island. Generally, private agencies abroad hire *mulas* to provide Cubans with cash remittances and products that support basic needs, as well as to supply small businesses with essential products for their activity.

## Digital Technology, Cryptocurrencies and Remittances

A source from Cuba reports that since flights have been limited, he finds it challenging to get access to some essentials he used to buy from *mulas,* but his use of cryptocurrencies has increased. During the quarantine, he has been listening to music on Spotify, watching movies and shows on Netflix, and playing Dota online. With cryptocurrencies, he recharges his cell phone service and pays for Internet access through Nauta - the Internet provider in Cuba. With cryptocurrencies, too, he pays for access to Netflix, Spotify, and Steam.

He uses Bitrefill, a platform that provides products and services and accepts cryptocurrency as payment. Using the Bitrefill platform, he buys gift cards to pay his bills for the entertainment providers - Netflix, Spotify and Steam. All this is possible because he can purchase cryptocurrencies, using a digital wallet - also known as e-Wallet - to effect the transactions. One of the most significant advantages of the e-Wallet is that the transactions are peer-to-peer, so there is no bank intermediary: “just you and the other person, either to pay or to receive,” he explains.

My source in Cuba stresses that “anyone, anywhere in the world, with access to the Internet, some cryptocurrencies, and an e-Wallet can access those sites and pay for all those things.” However, most Cubans are not familiar with the use of cryptocurrency as the cryptosystem is still emerging. Also, buying cryptocurrencies is expensive for Cubans on the island, who receive an average monthly salary of around 879 CUP (Cuban Pesos), equivalent to U.S. $36 [[4]](#endnote-4). Nonetheless, the crypto world is attractive, especially to a significant group of young people in Cuba, and it has served to provide entertainment during quarantine in the form of movies, music, video games, and even permitted them to invest online.

Alex Sobrino, the founder of CubaCripto [[5]](#endnote-5), operating since 2018, says “new ways of sending remittances to the island have emerged.” Sobrino, who is also a Cuban entrepreneur and freelancer, claims CubaCripto as the first crypto-finance community on the island. He emphasizes that it offers a new way of sending remittances. In his view, it has become trendy among Cubans living abroad to send cryptocurrencies to a trusted contact in Cuba. The contact in Cuba delivers the equivalent in local currency - Cuban Convertible pesos (CUC) or Cuban Pesos (CUP) -, either in cash or through bank transfers to the recipient’s Cuban bank account.

This method favors not only families that receive remittances, but also entrepreneurs and enthusiasts of the cryptocurrency community in Cuba who access cryptocurrencies regularly. Generally, owners of cryptocurrencies initiate their offers through the instant messaging applications Telegram or WhatsApp and wait for interested purchasers to contact them. Once in communication, both parties proceed to agree on the price, quantity, type of currency, and method of payment. To carry out the transaction, the person interested in buying the cryptocurrencies must have an e-Wallet to receive the digital currencies. The buyer then makes the payment in the local currency to the seller, through traditional channels. Once the seller verifies that she received the agreed amount, she sends the cryptocurrencies to the user's e-Wallet, closing the deal.

Online platforms have also been used during the Covid-19 pandemic to send remittances to family members in other parts of the Latin American and the Caribbean region. According to experts Orozco, Klass & Ledesma (2020), digital remittances, or transactions provided through online financial technology and payment vehicles, are growing and represent at least 20% the remittance market share [[6]](#endnote-6). They often are in the form of online transfers deposited into the home country relative’s bank account. The impact of this modernization is relevant, as the digital payment system is becoming popular among the entire immigrant population in the U.S., providing them with more financial tools to access.

## Digital Technology and Financial Education

Remitly, RIA, WorldRemit, and Xoom are online international money transfer providers that offer their services to immigrants living in the United States to send remittances to their acquittances in Latin America and the Caribbean. Through the online money transfer services, they have been able to send remittances faster and at lower fees, as compared to those charged for cash remittances. In the Latin American region, digital remittances are now frequently used to pay bills for services such as electricity, water, gas, the home phone line, and the monthly rent. Therefore, by sending digital remittances, family members living abroad from their home countries directly contribute to the payment of essential services necessary for their families.

The crypto world and the use of digital remittances are still incipient in Cuba. But digital transactions are currently widely used when, for example, family members and friends recharge cellphones of those living on the island. Even cryptocurrencies have been useful to recharge the cellphones of those living on the island [[7]](#endnote-7). It is significant that electronic payment systems are growing even in countries that have a poor internet connections and international financial limitations, such as Cuba. The development of digital technology in sending remittances could play a crucial role in helping family members to soften the impacts of the Covid-19 crisis in their economy and to support the operations of the emerging private sector.

But the development of digital technology must go hand in hand with training in digital and financial education. This turns out to be a major beneficial side effect of the increasing use of this modality for remittances – requiring the acquisition of important new knowledge by the sender and the receiver. Moreover, people who receive training in financial education are more likely to develop their savings capacity and become more resilient during crises [[8]](#endnote-8). Being able to save is also essential to face challenges posed by the unexpected economic crisis and health situation and the accumulation of capital for investment in a national economy. Having a well-developed digital platform to send remittances to Cuba would help Cubans living abroad to keep supporting their families during this challenging time and fund businesses that foment development.

**Notes**

1. Noe-Bustamante, L. (2020). “Amid COVID-19, remittances to some Latin American nations fell sharply in April, then rebounded.” Pew Research Center.<https://www.pewresearch.org/fact-tank/2020/08/31/amid-covid-19-remittances-to-some-latin-american-nations-fell-sharply-in-april-then-rebounded/> [↑](#endnote-ref-1)
2. U.S. Census (2019). “Hispanic or Latino Origin by Specific Origin.” 2018: American Community Survey 1-Year Estimates.” <https://data.census.gov/cedsci/table?q=cubans%20in%20Miami-Dade%20County,%20Florida&g=0500000US12086&tid=ACSDT1Y2018.C03001&hidePreview=false> [↑](#endnote-ref-2)
3. Vidal. P. (2020). “El Reflejo del Gran Confinamiento sobre la Economía Cubana.” Horizonte Cubano, Columbia Law School. <https://horizontecubano.law.columbia.edu/content/el-reflejo-del-gran-confinamiento-sobre-la-economia-cubana?fbclid=IwAR1Ek5MtEvdbK1675X8NZIbkus-9_3w-M5NPIvEYWhR-okTiL3x9U8mL6Tk> [↑](#endnote-ref-3)
4. Figueredo, O., Izquierod, L., & Carmona, E. (2020). “Cuba en Datos: De bolsillos y billeteras, hablemos del salario.” Cubadebate.<http://www.cubadebate.cu/especiales/2020/09/04/cuba-en-datos-de-bolsillos-y-billeteras-hablemos-del-salario/#.X1Jjq5NKi00> [↑](#endnote-ref-4)
5. CubaCripto. <https://sites.google.com/view/cubacripto>  [↑](#endnote-ref-5)
6. Orozco, M.; Klass, K. & N. Ledesma (2020). “The Remittance Marketplace in 2019. The Growing Role of Digital Payments.” Research Report. DC: The Inter-American Dialogue. [↑](#endnote-ref-6)
7. Delgado, D. (2020). The Cuban Diaspora’s Increasing Role in the Context of Changes on the Island. Cuban Horizon. Cuba Capacity Building Project. Columbia Law School. <https://horizontecubano.law.columbia.edu/content/cuban-diasporas-increasing-role-context-changes-island> [↑](#endnote-ref-7)
8. Orozco, M.; Klass, K. & N. Ledesma (2020). “The Remittance Marketplace in 2019. The Growing Role of Digital Payments.” Research Report. DC: The Inter-American Dialogue. [↑](#endnote-ref-8)