

Bridging Gaps: Stablecoins as Enablers of Cross-Border Tokenized Credit Distribution to SMEs

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Abstract: Access to affordable, timely credit remains one of the largest barriers to growth for small and medium-sized enterprises (SMEs) in emerging markets. Tokenization of debt instruments offers fractional ownership, increased liquidity, and automated compliance, while stablecoins provide a programmable, 24/7 settlement rail for cross-border transactions. This paper develops a conceptual framework and taxonomy for how regulated stablecoins can accelerate the distribution of tokenized SME credit across borders. It synthesizes regulatory, technical, and market factors; identifies the economic channels through which stablecoins may reduce distribution frictions such as settlement latency, foreign exchange costs, and investor reach; and highlights potential risks including reserve opacity, legal uncertainty, and regulatory fragmentation. The study concludes with a roadmap for pilot studies and empirical testing to evaluate whether stablecoins materially enhance distribution efficiency and investor inclusion for tokenized SME credit in emerging markets.

Keywords: Stablecoins; tokenization; SME credit; cross-border finance; digital settlement; financial inclusion; programmable payments; regulatory frameworks

1. Introduction

Small and medium-sized enterprises (SMEs) are critical for employment and innovation, yet face persistent barriers to credit in emerging economies (World Bank, 2024). These barriers include limited investor access, high intermediation costs, and complex cross-border settlement mechanisms. Tokenization—the representation of financial assets as digital tokens—has emerged as a tool to fractionalize credit instruments, enable automated compliance, and improve market liquidity (OECD, 2024). Stablecoins, privately issued digital tokens pegged to fiat currency, offer a potential medium for settling tokenized transactions efficiently and globally (BIS, 2023).

This paper explores the potential for regulated stablecoins to serve as the payment and settlement layer for tokenized SME credit. It investigates whether such integration can reduce frictions in cross-border distribution, improve liquidity, and expand investor participation. Despite growing attention to stablecoins for payments, little research addresses their use in credit distribution for SMEs in emerging markets (FSB, 2024).

2. Literature Review

Stablecoins and Cross-Border Payments

Stablecoins have gained traction as instruments for faster and cheaper international settlements. Major firms such as Visa and Mastercard have piloted stablecoin-based payment systems, demonstrating reduced transaction times and costs (Reuters, 2025). However, central banks and regulatory bodies express concern over transparency, systemic risk, and the stability of stablecoin reserves (IMF, 2025; BIS, 2023).

Tokenization of Financial Assets

Tokenization enables financial assets to be issued, transferred, and settled digitally. OECD (2024) highlights that tokenized securities could improve liquidity, transparency, and automation in financial markets. However, tokenized asset markets require a stable and trusted settlement mechanism, such as tokenized central bank money or regulated stablecoins, to function effectively (FSB, 2024).

SME Credit and Financial Inclusion

SMEs in developing economies experience chronic credit gaps due to information asymmetry and high transaction costs (World Bank, 2024). Tokenization could help bridge these gaps by enabling fractional investment and automated servicing of small loans (OECD, 2024). Stablecoin-based settlement could further enhance reach by reducing the reliance on conventional correspondent banking systems, which are costly and slow (McKinsey & Company, 2025).

Regulatory and Legal Perspectives

Regulatory clarity is central to the adoption of stablecoins in cross-border finance. The IMF (2025) and BIS (2023) emphasize that stablecoin frameworks must ensure reserve transparency, consumer protection, and interoperability with existing financial systems. Without consistent regulation, the potential for stablecoins to disrupt SME finance remains limited.

3. Conceptual Framework

This study proposes a framework where stablecoins influence cross-border tokenized credit distribution through four key mechanisms:

- Settlement Efficiency: Stablecoins provide near-instant settlement on distributed ledgers, reducing settlement delays and FX risk (FSB, 2024).
- Cost Reduction: By bypassing correspondent banking networks, stablecoins lower transaction and currency conversion costs (McKinsey & Company, 2025).
- Investor Reach: Stablecoin-denominated credit tokens can be fractionalized and sold globally without requiring investors to maintain multi-currency accounts (OECD, 2024).
- Programmability: Smart contracts automate coupon payments, compliance checks, and reporting, lowering operational costs for issuers (IMF, 2025).

These mechanisms collectively suggest that stablecoins could lower distribution costs and expand participation in SME credit markets. However, their effectiveness depends on regulatory harmonization, reserve credibility, and technological interoperability.

Risk Assessment

- a) Reserve and Issuer Risk: The value stability of stablecoins depends on the quality of their reserves and governance of issuers. Lack of transparency or exposure to risky assets could trigger redemption runs (BIS, 2023). Therefore, strong disclosure and auditing standards are essential for stablecoin-backed tokenized credit systems.
- b) Legal and Regulatory Risk: Legal uncertainties surrounding digital asset ownership and jurisdictional enforcement remain major barriers (IMF, 2025). Tokenized credit instruments must align with securities and lending laws across multiple jurisdictions to gain institutional acceptance.
- c) Infrastructure and Interoperability: Fragmented blockchain networks hinder liquidity and settlement finality (FSB, 2024). Integration with existing payment systems, or interoperability standards between distributed ledgers, will be crucial for scalability.
- d) Policy and Sovereignty Risks: The cross-border use of stablecoins may challenge local monetary control and capital flow management. Policymakers have raised concerns about financial stability and AML/CFT compliance (BIS, 2023).
- e) Methodology and Pilot Design: Future empirical research could use field experiments with supply-chain finance platforms or tokenization providers. A suggested pilot involves issuing identical SME credit instruments via three settlement methods: (a) traditional fiat, (b) regulated stablecoins, and (c) central bank digital currencies (CBDCs).

Metrics would include:

- Time-to-settlement and transaction costs
- Investor participation rate
- Error and failure rates
- Regulatory compliance costs

Quasi-experimental or survey-based designs could also assess investor demand for stablecoin-settled credit versus traditional credit instruments.

4. Discussion

Preliminary evidence and conceptual reasoning suggest that stablecoins could significantly enhance the distribution efficiency of tokenized SME credit. The advantages are most pronounced in markets with weak correspondent banking infrastructure and limited local liquidity. However, the benefits rely on strong regulation, transparent reserves, and standardized settlement protocols. Stablecoins may also complement emerging CBDC frameworks, especially in hybrid systems where private and public digital money coexist.

5. Conclusion

Stablecoins present a promising tool for accelerating cross-border distribution of tokenized SME credit, offering speed, transparency, and fractional market access. Nonetheless, challenges surrounding reserve security, regulatory fragmentation, and technological interoperability persist. Coordinated policy development and empirical testing are required before stablecoin-enabled SME credit can scale

safely. Future research should focus on pilot evaluations that compare settlement speeds, costs, and investor adoption across different digital money models.

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