Moving Up the Economic Ladder:

20 Years of Financial Inclusion of the Mexican Migrant Community in the U.S.

Carlos Serrano Herrera and Rafael Fernández de Castro
Editors

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SCHOOL OF GLOBAL POLICY AND STRATEGY
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First Edition, Sin Fronteras I.A.P., 2023 © ISBN: 978-607-97449-4-6
Sin Fronteras, I.A.P., Carlos Dolci No.96, Col. Alfonso XIII, Álvaro Obregón, C.P. 01460, Ciudad de México. Printing and binding: Impresos Lucar® S.A. de C.V., Dr. Francisco Cabrera No. 29, Col. Granjas Cabrera, Tláhuac, C.P. 13230, Ciudad de México.

Moving Up the Economic Ladder: 20 Years of Financial Inclusion of the Mexican Migrant Community in the U.S. was completed in May 2023.

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Foreword

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Today, financial inclusion is essential for people's economic and social development: it provides protection against unforeseen events and security for savings, facilitates means of payment, encourages undertakings, boosts the growth of microenterprises, and enables households to purchase durable goods to meet basic needs.

According to the World Bank, financial inclusion is a key catalyst for reducing extreme poverty and promoting a balance between economic growth and equity. Given its multiple benefits, different levels of government, private institutions, civil society, and international organizations have implemented strategies and actions to increase the populations' financial inclusion.

Among the actions carried out in the last decades of the 20th century and the first decade of the 21st century, diverse institutions encouraged financial inclusion through the establishment of more banking and financial branches, public or private, mainly in regions and communities that lack access to these services. Intuitively, this strategy seemed to be the right way for policy makers to increase the bancarization of the population; however, this model promptly showed its limitations.

The correlation between the level of an economy's progress and the number of bank branches per capita remains unclear. For example, some countries with very different levels of per capita income, such as Bolivia, Bulgaria, Japan, Luxembourg, Mongolia, Spain, Switzerland, and Uzbekistan, have the highest number of branches per 100,000 inhabitants: between 72.1 and 33.9. Meanwhile, Mexico had 11.4 branches per 100,000 inhabitants in 2006, peaked at 14.9 in 2012, and declined to 12.0 by 2021.

This model of financial inclusion ran out of steam for two reasons. First, the benefit-cost ratio: the multiplication of financial products and services led to the opening of branches where the cost of maintenance was higher than the benefits. This represented losses for private institutions and required a recurrent subsidy covered by the governments. Second, the results: the mere fact of increasing access to financial institutions did not, as expected, boost growth in the acquisition of financial products and services.

Regarding the benefit-cost ratio, several public and private institutions in Mexico—including BBVA—became aware of the importance of promoting access to financial products and services as a basic element to increase financial inclusion. As a result, they focused on two strategies: *1)* the use of a network of banking correspondents, and *2)* digitalization.

Banking correspondents result from alliances between financial institutions and commercial establishments and have shown increased presence in wider geographic areas. According to the Mexican National Banking and Securities Commission, as of the third quarter of 2022 there were more than 16,000 bank branches and almost 50,000 correspondents in Mexico. This means 48 correspondents per 100,000 inhabitants; in contrast, Colombia has 398 and Peru, 318, so there is still a wide area of opportunity to take advantage of these alliances.

Regarding digitalization, in the last 20 years there has been a rapid growth in internet access and mobile telephony in Mexico and the world, especially among the working age population and youth. Banking digitization is highly demanded and must be provided by institutions in order to compete. In 2015, there were close to 7 million accounts linked to a mobile banking contract in Mexico; 7 years later, in 2022, there were more than 70 million. Digitalization is a more efficient way to provide access to the unbanked population than building bank branches.

However, simply increasing access to products and services does not necessarily mean better results in financial inclusion. The Organization for Economic Cooperation and Development points out that low levels of inclusion are associated with limited knowledge of financial issues and with financial illiteracy. Therefore, financial education is of vital importance, and in addition to the aforementioned strategies, BBVA México has implemented financial education as an important pillar in the promotion of financial inclusion.

In the course of the more than 15 formal years during which BBVA México's financial education strategy has been operating, its pedagogical model and contents have been evolving. In the beginning, the aim was to provide basic knowledge and tools by means of workshops to promote financial literacy in populations of very different age groups, occupations, levels of education, and geographic locations.

Currently, in addition to providing basic knowledge and tools, our efforts are focused on the comprehensive promotion of the population's financial health, understood as a state of well-being achieved through sound economic management, which allows to face unforeseen events and achieve future goals. To obtain better results, the initiatives integrate behavioral science strategies within traditional projects with the intention of generating positive behavioral changes.

This study is part of BBVA México's financial inclusion projects aiming to describe, analyze, quantify, and reflect on the last 20 years' situation and evolution of two groups which are lagging in financial inclusion: *1)* the Mexican migrant population, both documented and undocumented, residing in the U.S., which amounts to about 12 million inhabitants, and *2)* the remittance-receiving population in Mexico, which is estimated at about 8 million people.

This collaborative effort by the University of California San Diego, Sin Fronteras IAP, the Financial Education department at BBVA México, and BBVA Research seeks to be a tool to help the different levels of government, academia, private financial institutions, and civil society organizations to generate policies and strategies that promote a higher level of access, ownership, and use of financial products—and ultimately financial health—for these groups.

At BBVA México we are proud of the results of this alliance and hope that the reader will enjoy and find this publication useful.

Introduction

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*

The emigration of Mexican workers to the U.S. is considered the largest sustained flow of migrant labor in the contemporary world. Despite its decline since 2007, Mexicans remain the largest immigrant group in the U.S., with approximately 10.7 million people in 2021, of which the Migration Policy Institute estimates that 5.3 million (49.5%) are undocumented (Rosenbloom & Batalova, 2022). They are also the longest-residing immigrant group, with nearly 60.0% having arrived in the U.S. more than 20 years ago (Israel & Batalova, 2020).

Despite their socioeconomic contributions in both Mexico and the U.S., Mexican immigrants are more likely to live in poverty (17%) than other immigrants (14%) and U.S.-born individuals (13%). They tend to have precarious jobs in low-paying sectors such as services, agriculture, forestry, construction and maintenance, production, and transportation. They are also among the immigrant groups with the lowest schooling levels—52% of Mexican immigrants over the age of 25 do not have a high school diploma (Rosenbloom & Batalova, 2022).

In this context, the state of emergency brought about by the COVID-19 pandemic highlighted and exacerbated the precariousness of immigrant lives, as the Latino community suffered disproportionately during the pandemic. In Los Angeles, for example, the U.S. city with most Mexicans, Latinos experienced a mortality rate 3.2 times higher than the white population (Lin et al., 2020). As a result of the pandemic and despite their recognition as essential workers, 59% of the Latino community reported living in households where jobs were lost or wages were reduced, compared to 43% of the total adult population (Krogstad & Lopez, 2020).

At the same time, the importance of their economic activity is undeniable. Remittances to Mexico keep increasing since the financial crisis of 2008-2009, representing close to 4% of the national Gross Domestic Product in 2022. Mexican immigrants at all income levels reported having saved more between 2016 and 2019 (Hispanic Wealth, 2019) and are more likely to be homeowners (50%) than Hispanic individuals overall (47%) (Noe-Bustamante et al., 2019).

Given the urgency of finding solutions to the structural poverty and marginalization faced by many Mexican families in the U.S., and with the conviction that financial inclusion can be an effective tool to this end, the Center for U.S.-Mexican Studies at the University of California San Diego, Sin Fronteras IAP, the Financial Education department at BBVA México and BBVA Research joined efforts for the elaboration and publication of *Moving Up the Economic Ladder: 20 Years of Financial Inclusion of the Mexican Migrant Community in the U.S.*

The goal is to evaluate the current status and the main initiatives taken for the financial inclusion of this population over the past 20 years, as well as to provide recommendations to improve access to financial services based on the knowledge acquired. Our ultimate intention is to spark a debate both in Mexico and the U.S. that acknowledges the transnational characteristic of financial inclusion, that is, the demand for transnational services by migrants and the importance of financial inclusion for their families in their Mexican communities.

To this end, we brought together a group of financial inclusion specialists from academia, the Mexican federal government, and the private and social sectors of both countries. This working group, formed by the chapters' authors and additional consultants, met periodically for the joint elaboration of the book, from defining its content to exchanging ideas for each of the chapters. Given the lack of updated publications dealing with the topic from a transnational perspective and from the vantage point of the different sectors involved, we decided to limit the scope of the book to the financial inclusion of Mexican migrants in the U.S. and their families in Mexico. However, it is important to mention the need for similar exercises to understand the financial inclusion needs of returning migrants and

Central American migrants in Mexico and the U.S., exercises to which we hope to contribute with this book and with specific future analyses.

This publication would not have been possible without the chapters' authors, whom we thank for their active participation and openness to dialogue. We are especially grateful to Carlos Serrano Herrera and Juan José Li Ng at BBVA Research, who took the initiative to promote our collaboration with BBVA México and played a central role in co-editing and coordinating the publication, as well as to Enrique Cornish Stanton and his team in the Financial Education department at BBVA México for their financial and managerial contribution. We also thank the Sin Fronteras IAP team, Ricardo Hernández Damián and Ana Karen Espinosa Reséndiz, for their administrative work. Finally, we thank the people who led the book's production process, including proofreader Gerardo R. Valenzuela, designer Verónica Santos, translators Ana Inés Fernández Ayala and Ambar Geerts Zapién, and production editor Claudia A. Fernández Calleros.

The chapters' authors agree that financial inclusion is a process of continuous entries and exits at different levels that go beyond the financial literacy of consumers, opening bank accounts, and sending remittances. Rather, financial inclusion guarantees access to affordable financial products and services adapted to the differentiated needs of the population, considering digital inclusion, respect for cultural diversity, and personal self-determination as indispensable factors. Therefore, it requires constant multisectoral collaboration.

Although most Mexican migrants in the U.S. do own a bank account, their access to other financial services, such as savings, credit, and investment is still precarious, and the situation is even worse for their families in Mexico. Nevertheless, both migrants and their families participate in financial systems on a daily basis through their social relations and the non-bank financial mechanisms, especially if they have low income or are undocumented.

Although the contributions of Mexican migrants are widely recognized in political narratives, public investment and private sector participation in strategies for their financial inclusion are insufficient and lack continuity. These strategies need to be developed with greater participation of migrants, their families, and civil society organizations to ensure that they are suited to the needs and interests of the population they seek to benefit. Moreover, communication channels with communities must be consolidated to build trust and spread useful and easily understandable information.

The book is divided into four sections. The first dissects the current state of financial inclusion of Mexican migrants in the U.S. and remittance recipients in Mexico. In the absence of periodic official figures, the indicators provided are estimations from different sources.

In the first chapter, Jesús A. Cervantes González presents a diversity of financial inclusion indicators of remittance senders in the U.S. and recipients in Mexico from surveys collected by Banco de México in 2015-2017. He found that 67.6% of senders have a bank account, a figure that is considerably lower (34.2%) among recipients. His analysis suggests a positive relationship between schooling and bancarization, as well as the existence of a potential market for granting mortgage loans to Mexican migrants, and ample room for action for the financial inclusion of remittance recipients.

In the next chapter, Manuel Orozco assesses the financial inclusion of Mexican migrants in the U.S. based on his own surveys, collected in metropolitan areas with a large migrant presence: Chicago, the District of Columbia-Maryland-Virginia, Houston, Los Angeles, Miami, and New York-New Jersey. Similar to Cervantes González's results in the previous chapter, Orozco found that 68% of Mexicans surveyed have a bank account, which is a lower percentage than other Latin American nationalities, such as Colombians, Dominicans, Guatemalans, and Salvadorans. His data prove that, in general, the number of years residing in the U.S. has a positive impact on the number of financial products used by migrants. However, the use of financial products beyond bank accounts continues to be precarious among Mexicans, with low percentages having savings accounts, credit cards, loans, and insurance. Orozco concludes with proposals to increase financial inclusion by setting goals connected to financial education tools.

Subsequently, Selene Gaspar Olvera and Rodolfo García Zamora explain the role of fintech in the financial inclusion of migrants and their families. They argue that fintech services present advantages, such as accessibility and lower requirements and costs, but also present barriers for low-income people by depending upon the use of relatively expensive and specialized technologies, as well as risks due to the presence of unauthorized companies and confusing regulations. Drawing from the U.S. National Survey of Unbanked and Underbanked Households, Gaspar Olvera and García Zamora estimate that nearly 80.0% of Mexican immigrant households have a bank account, but only 41.4% have a credit card and 11.5%

have applied for a bank loan. They find that the likelihood of having an account is lower for younger people, women, people with less schooling, with lower or variable income, and those who do not have a smartphone or internet at home. Mexican immigrants' main reasons for not having a bank account are the inability to meet minimum balance requirements, privacy concerns, distrust of banks, and high fees. They conclude that digital inclusion is a priority that remains embedded in financial inclusion.

The second section of the book focuses on remittances, identifying these as a central element of the transnational nature of financial inclusion. In the first chapter of this section, Rodolfo García Zamora and Selene Gaspar Olvera analyze the role of remittances as drivers of local development in Mexican hometowns. They argue that the impact of remittances has not been significant in terms of regional and local economic development but appears relevant in the welfare and social infrastructure indicators of recipient households and communities—especially when the "Programa 3x1 para Migrantes" was implemented. However, they consider that the greatest impact of this program was the consolidation of transnational community networks, by promoting the recognition of migrant organizations as new economic, political, and social development agents in their states thanks to their own initiative and the importance of international remittances in the Mexican economy. García Zamora and Gaspar Olvera conclude that the benefits of the "Programa 3x1 para Migrantes" outweighed its failures, and that it should be redesigned within a strategy that articulates development, migration, and human rights policies centered on the active participation and recognition of migrant organizations.

In his second chapter, Jesús A. Cervantes González discusses the development of the remittance market and customers' perceptions of this market. His analysis of data from Mexico's National Survey of Financial Inclusion (ENIF), conducted by the National Institute of Statistics and Geography, shows that one in eight adults in Mexico receives remittances, of which most are women and almost half of which live in households located in communities of less than 15,000 inhabitants. These communities incur additional economic and non-economic costs due to the need to travel to collect the remittances. He notes that remittance sending fees from the U.S. to Mexico have decreased significantly since 1999 thanks to a growing competition in the market. According to a survey collected by Banco de México in 2015, the main factors involved in choosing a remittance service are related to comfort and convenience, not cost, as more than 80%

of senders consider the transaction to be cheap or very cheap. Although the remittance market has adopted the flexibility to suit the needs of its customers, this does not necessarily imply a greater financial inclusion of remittance senders and recipients.

In this section's third chapter, Juan José Li Ng and Carlos Serrano Herrera examine the effects of the COVID-19 pandemic on the flow of remittances and the financial inclusion of remittance recipients. Regarding the debate as to why remittances grew despite the pandemic, Li Ng and Serrano Herrera argue that the main reasons were the fiscal stimulus and unemployment benefits implemented by the U.S. government, as well as the increase in nominal wages of migrants due to the rapid recovery of the U.S. economy and the scarcity of native labor. Based on data from the ENIF, they conclude that the pandemic economically affected remittance recipients more than non-recipients, but the relationship between financial inclusion and the reception of remittances is indirect and circumstantial.

The third section describes the daily practices of migrants and cross-border workers in dealing with limited access to financial services, and evaluates a number of the initiatives implemented for their financial inclusion by civil society organizations in the U.S. and the Mexican federal government.

First, Magdalena Villarreal explains the daily strategies of low-income and/or undocumented migrants and cross-border workers to access financial services. Through the analysis of diverse testimonies of migrants and cross-border workers, she argues that the flow of money in low-income sectors is not irrelevant. This also means that in the absence of accessible traditional services, the flow of these resources has paved the way for microfinance services and non-bank intermediaries, including support systems among relatives and acquaintances. This, in turn, makes the value attributed to different forms of assets and capital, such as property, knowledge, and social relations, central to migrants' financial decision-making processes. Villarreal concludes that, despite displaying rapid adaptation to new systems, infrastructures, and technologies, migrants need new accessible financial systems that cover all their needs and incorporate the social, cultural, and subjective dimensions of finance.

In the second chapter, José A. Quiñonez and Rocio Rodarte share their experience in Mission Asset Fund (MAF), a civil society organization in the U.S. specializing in the financial inclusion of migrants. They argue that MAF's success over the past 15 years is due to the fact that its strategies are tailored to people's realities, value their experience, and focus on their strengths. They explain how they developed their most successful initiatives such as Lending Circles and cash assistance during the COVID-19 pandemic. They share testimonials to show the exclusion faced by their clients and how these have benefited from services based on respect, dignity, and the best use of available technology. Quiñonez and Rodarte conclude that a more inclusive ecosystem must be built to guarantee the right to financial citizenship for all people. They provide proposals to achieve this through collaboration between banks, government, and civil society.

Alexandra Délano Alonso continues with a review of the programs on economic development and financial inclusion implemented by the Mexican government for the diaspora. She argues that the inequality of opportunities and the discrimination faced by migrants add to the lack of institutional willingness to invest political and economic capital to address the structural causes of emigration from a comprehensive approach to social, political, and economic rights. In her review of government programs, Délano Alonso finds recurring issues of lack of continuity and transparency. She concludes that improving these programs requires building trust through a multisectoral and comprehensive approach involving the private and social sectors, the different levels of government, and, primarily, migrants and their families.

The book's last section focuses on the "Ventanillas de Asesoría Financiera" (VAFs), the Mexican government's main strategy for the financial inclusion of the diaspora. In his chapter, Juan Carlos Mendoza Sánchez gives his testimony as former director of the Institute for Mexicans Abroad (IME) on the internal process at the Secretariat of Foreign Affairs for the implementation of VAFs. He explains that, despite the impact that financial inclusion can have on the well-being of Mexican communities in the U.S., VAFs have not been able to consolidate like other community programs due to the lack of ongoing funding. Therefore, he gives two alternatives for their financing: *1)* the annual transfer of seed funding by the Secretariat of Finance and Public Credit to the consular network through the IME, or *2)* allocate part of the income obtained from documentation fees in the consular network to VAFs.

The three following chapters present testimonies of VAFs' implementation in the Mexican consulates in Chicago, Miami, and Fresno. These consulates were selected for their outstanding performance in this strategy and for the diverse local conditions they represent in terms of the size and characteristics of the communities they serve. Based on an analysis of the local context, the implementation process, best practices, and future challenges in each consular district, the co-authors of these chapters agree that: *1)* each consulate must adapt the general VAF guidelines to its local context to meet the specific demands of the communities; *2)* finding a partner organization capable of covering all specialized VAF issues can be challenging and is a constant learning process; *3)* digital tools and VAF participation in mobile consulates are very useful to achieve greater outreach and provide personalized attention, and *4)* addressing differentiated group needs, especially those of women, indigenous people, and agricultural workers, is a priority.

In their chapter on the experience at the Consulate General of Mexico in Chicago, Reyna Torres Mendivil and Sandra Patricia Mendoza Durán highlight among their best practices the incorporation of mental health as an important factor in financial decisions and mentoring hometown organizations to formalize as non-profit entities in the U.S. Jonathan Chait Auerbach and Elsy Díaz Izquierdo highlight as a best practice in Miami the constant communication with local farmers' and community organizations to expand their reach beyond the consular facilities, as well as the implementation of donation and support campaigns for the most vulnerable communities in their constituency. María Fernanda Cámara Pérez explains that the VAF in Fresno keeps a detailed record of the people served, which allows them to follow up and share additional information of interest to the community.

The book ends with a chapter by Claudia A. Fernández Calleros and Rafael Fernández de Castro, who evaluate VAF budget changes and outcomes based on IME data and interviews with stakeholders. They find that the implementation of the strategy has not been optimal or systematic, so they outline the following proposals for improvement: *1)* guarantee ongoing funding by replicating the Ventanillas de Salud model; *2)* create a technical-advisory council for the planning, strengthening, and evaluation of VAFs; *3)* develop a data collection system that identifies the financial needs of the community and evaluates the impact of the program, and *4)* establish a comprehensive implementation scheme that systematizes the operation of VAFs throughout the consular network. They consider that the scope of the program is limited by the lack of binational financial services and by the limited human resources at the IME and the consular network.

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Section I:
The Current State of Financial Inclusion

Financial Inclusion of Mexican Migrants in the U.S. and of Remittance Recipients in Mexico

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The purpose of this chapter is to present a variety of financial inclusion indicators for a very important segment of the Mexican migrant community in the U.S: those who send remittances to Mexico.

The chapter was elaborated with information gathered from three surveys collected by the Mexican central bank (Banco de México) and conducted with Mexican international migrants when they visited their country for the holiday season in 2015, 2016, and 2017 (Banco de México, n.d.). The bulk of the results comes from the survey corresponding to 2015. In the course of these 3 years, surveys were conducted in seven northern border cities: Ciudad Juárez, Matamoros, Reynosa, Nuevo Laredo, Mexicali, Tijuana and Nogales, as well as in the airports of Guadalajara, Monterrey and Mexico City. A total of 6,803 surveys were collected in 2015; 12,030 surveys in 2016, and 12,688 surveys in 2017.

The surveys covered various aspects of the migrants' profile: gender, age, schooling, their job sectors abroad, income level, whether or not they send remittances and the amount of such transfers, as well as the profile of the beneficiaries of their remittances. The surveys also considered a variety of indicators of financial inclusion of remittance senders and recipients, especially in the 2015 survey. Of those interviewed, 98.9% resided in the U.S. and the remaining 1.1% in Canada.

The chapter first shows some indicators of financial inclusion of remittance senders and recipients in Mexico. It then highlights a series of features

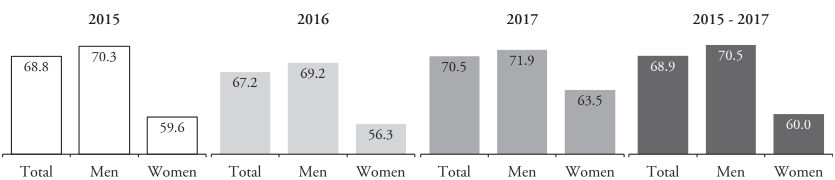
[1] Denisse Jiménez's support was essential for this chapter.

that allow us to understand the remittance sender's background. The degree of financial inclusion of remittance senders is positively influenced by their level of schooling. There is also greater financial inclusion of the remittance recipient if the remittance sender is banked. Indicators of Mexican migrants' inclusion are presented in terms of homeownership or interest in buying a home by means of loans. The interest of a segment of remittance-sending migrants in making periodic contributions to later have a pension in Mexico is highlighted. Detailed information is shown on the different modalities used by Mexican migrants to send remittances to their relatives in Mexico, stressing that such modalities do not favor the financial inclusion of the senders and recipients of these resources. The results reported in this chapter are disaggregated by gender.

Remittance Sending by Surveyed Migrants

In the span of the 3 years in which the surveys were collected (2015-2017), 68.9% of respondents answered that they send remittances to their relatives in Mexico, resulting in a higher percentage for men (70.5%) than for women (60.0%; see Chart 1). This reflects male Mexican migrants' greater participation in the labor market as compared to female migrants.

Chart 1: Percentage of Respondents Who Send Remittances to Mexico by Gender, 2015-2017.

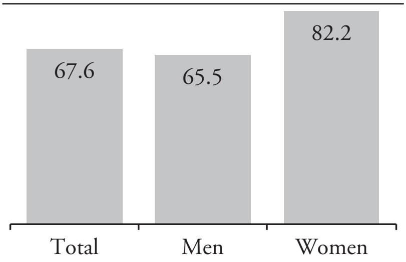


Note: In 2015, 5,833 of the respondents were men (85.7%) and 970 were women (14.3%). In 2016, 10,158 were men (84.4%) and 1,872 were women (15.6%). And, in 2017, 10,661 were men (84%) and 2,027 were women (16%).
Source: Cervantes González, 2018.

Financial Inclusion of Remittance Senders and Recipients

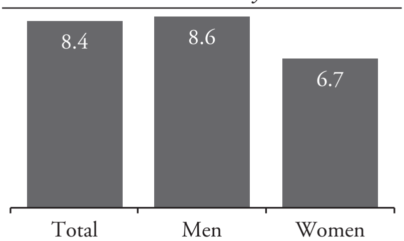
The survey also included financial inclusion indicators of remittance senders and recipients. In this context, it should be noted that the migrants who responded to the survey most likely have a documented or authorized status in the U.S. or Canada, considering that the survey was collected at Mexican points of entry. This migratory characteristic possibly has a

Chart 2: Percentage of Surveyed Remitters Who Own a Checking or Savings Account Abroad by Gender



Source: Cervantes González, 2018.

Chart 3: Percentage of Surveyed Remitters Who Own a Checking or Savings Account in Mexico by Gender



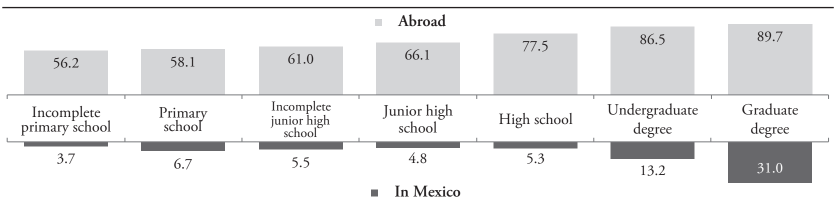
Source: Cervantes González, 2018.

positive influence on their degree of financial inclusion. In other words, the survey sample could have a positive bias towards financial inclusion.

The responses show a high degree of bancarization among surveyed remitters. Excluding those who did not respond, 67.6% indicated that they have a checking or savings account in a bank or credit union in the country where they reside (see Chart 2). It is noteworthy that the figure was higher among women than among men. Conversely, the percentage of remittance-sending respondents who have a checking or savings account in Mexico is very low (see Chart 3).

An interesting result of the survey is that the percentages of remittance-sending respondents who are banked in the country where they reside and who have a checking or savings account in Mexico are higher when their level of schooling is higher (see Chart 4).

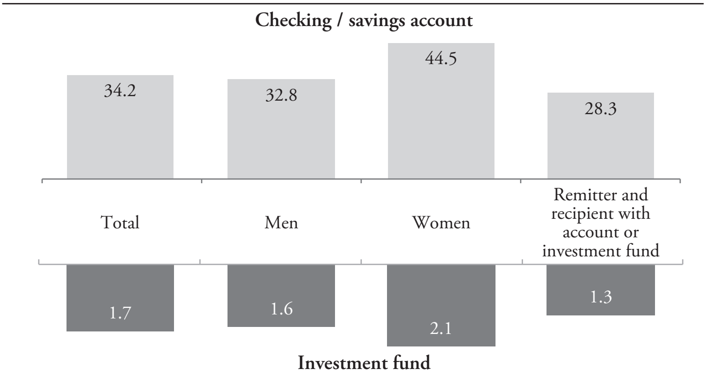
Chart 4: Percentage of Surveyed Remitters with Checking or Savings Accounts Abroad and in Mexico by Level of Schooling



Source: Cervantes González, 2018.

The percentage of those who have a checking or savings account in the country where they reside (in the majority of cases, in the U.S.) was 56.2% in the group of respondents with incomplete primary schooling. This rises to 86.5% among those with a complete or incomplete undergraduate degree and to 89.7% among those with a graduate degree. Of remitters with incomplete primary schooling, only 3.7% said they had a checking or savings account in Mexico. This percentage rises with the level of schooling, reaching 31.0% among those with graduate degrees (see Chart 4).

Chart 5: Percentage of Remittance Recipients Who Have a Checking/Savings Account or an Investment Fund by Gender of the Remitter

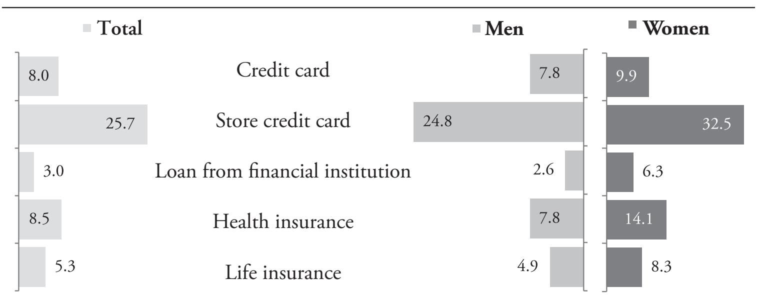


Source: Cervantes González, 2018.

The percentage of remittance recipients with checking or savings accounts was 34.2%. It was higher when the sender was female (44.5%) than when the sender was male (32.8%) (see Chart 5).

The percentage of remittance recipients who have capital in an investment fund is low. The coincidence of bancarization of both the remitter and the recipient stood at 28.3%. Thus, of the 4,057 remittance senders who responded to this question, 1,386 indicated that they had a checking or savings account, and among these, 1,148 indicated that the recipients of their remittances also had this type of account in Mexico.

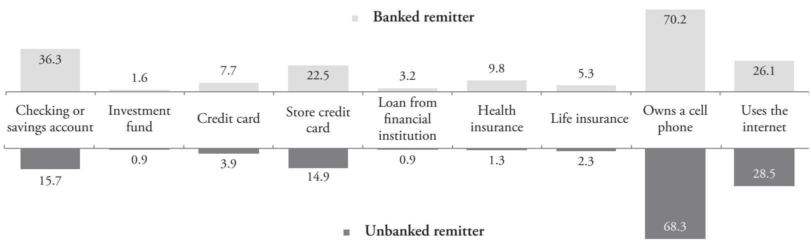
Chart 6: Percentage of Remittance Recipients Who Use Financial Tools or Products by Gender of the Remitter



Source: Cervantes González, 2018.

In general, remittance senders' responses regarding the use of other financial products by the recipients of their remittances, excluding those who did not know, suggest a relatively low level of financial inclusion among these recipients. Only 8.0% of the responses indicated that the recipient had a credit card, 25.7% had a store credit card (either from a department store or a supermarket), 3.0% had a loan from a financial institution, 8.5% had health insurance, and 5.3% had life insurance (see Chart 6). All of these indicators of financial inclusion of the recipient increase when the sender is a woman.

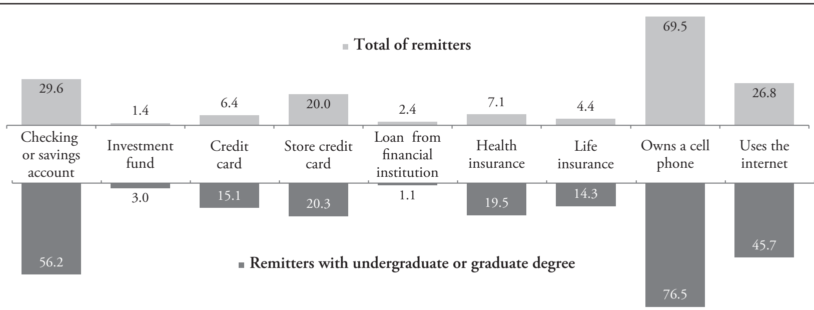
Chart 7: Indicators of Financial Inclusion or Use of Financial Services of Remittance Recipients According to Whether the Remitter is Banked in the Country of Residence (percentages)



Source: Cervantes González, 2018.

The results also show that, in general, indicators of the degree of financial inclusion or of the use of financial products or services by remittance recipients show higher percentages when the remittance sender is banked than when they are unbanked (see Chart 7).

Chart 8: Indicators of Financial Inclusion or Use of Financial Services of Remittance Recipients by the Remitters' Level of Schooling (percentages)

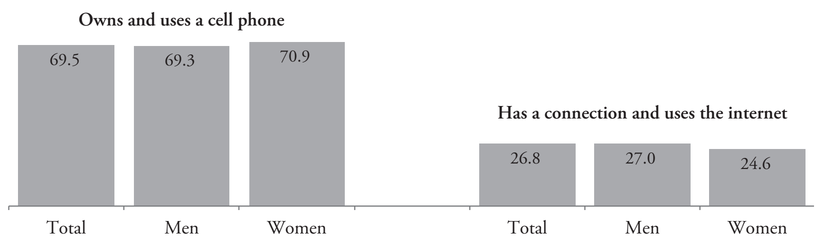


Source: Cervantes González, 2018.

The degree of financial inclusion of the remittance recipient also seems to be related to the remitter's level of schooling. Thus, the higher the level of schooling of the remitter, the higher the percentage of recipients with greater financial inclusion (see Chart 8).

In Mexico—as in most Latin American countries that receive family remittances—there is considerable room for action to increase the degree of financial inclusion of remittance recipients by providing the services and tools considered in the survey, among others. Developments in communication technologies such as the Internet and cell phones have increased the range of possibilities for providing financial services. A variety of financial transactions can be carried out through platforms associated with such tools. In this context, providing financial services to the Mexican migrant population in the U.S.—particularly remittance senders as well as their receiving relatives in Mexico—has ample development possibilities through the use of the Internet and cell phones. This considering that the responses to the survey indicate that a relatively high percentage of remittance recipients have a cell phone, but only a small percentage have an Internet connection, although this percentage has been on an upward trend. There are no significant differences in these indicators between male and female remitters (see Chart 9).

Chart 9: Use of Cell Phone and Internet among Remittance Recipients by Gender of the Remitter (percentages)



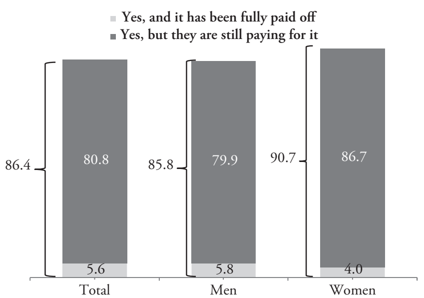
Source: Cervantes González, 2018.

Indicators of Homeownership and Interest in Buying a Home with Housing Finance

Homeownership represents the main asset of households in most countries, and generally such ownership is achieved through a gradual process of accumulation of resources in which the financial sector participates actively, either as a depository of household savings or as a provider of mortgage loans. The survey included four questions on the housing of the remittance sender and the recipient: *1)* whether the recipient owns the home they live in and whether it is still being paid for or has been paid off; *2)* whether the home in which the respondent resides abroad is owned and paid off; *3)* whether the migrant owns a home in Mexico, and *4)* whether they would be willing to purchase a home in Mexico if they were to obtain long-term credit for that purpose.

Remittance Recipients' Homeownership

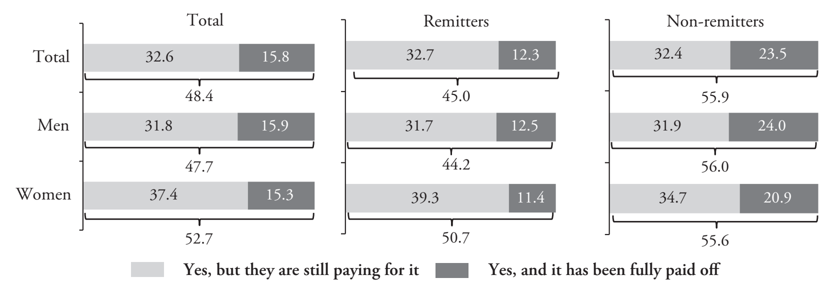
Chart 10: Percentage of Remittance Recipients Who Own the Home They Live in by Gender of Remitter



Source: Cervantes González, 2018.

According to the responses, a significant percentage of remittance recipients in Mexico own the home they live in. 86.4% of surveyed remitters indicated that the beneficiaries of their remittances own their home, and only a small percentage of them, 5.6%, still have to pay it off (see Chart 10). The percentage of remittance recipients who own the home they live in was higher when the remittance sender was a woman.

Chart 11: Percentage of Migrants Surveyed Who Own the Home They Live in Their Country of Residence



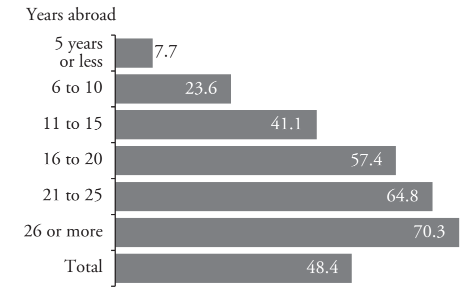
Source: Cervantes González, 2018.

Homeownership of the Remitter in Their Country of Residence

A virtually unknown aspect of the economics of migration and remittances is whether migrants own assets abroad and, in particular, whether they own the home they live in. A total of 48.4% of Mexican migrants surveyed said that they own the home they live in abroad (see Chart 11). This figure is very close to that obtained from the American Community

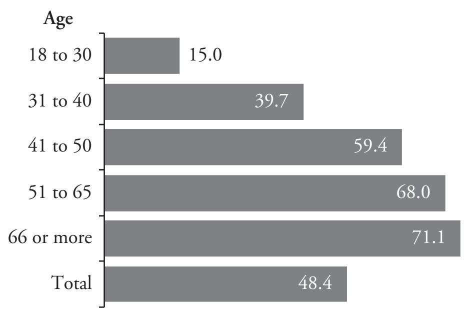
Survey (U.S. Census Bureau, 2022), which indicates that in 2016 the percentage of Mexican migrant households that owned their home was 46.2%. Additionally, the percentage of homeownership was higher in the group of migrants who did not send remittances than in those who did. As to whether such homes were already owned or not, it is worth noting that the percentage of fully paid homes was significantly higher in the group of migrants who did not send remittances than in those who did.

Chart 12: Percentage of Surveyed Migrants Who Own the Home They Live in Abroad by Number of Years Abroad



Source: Cervantes González, 2018.

Chart 13: Percentage of Surveyed Migrants Who Own the Home They Live in Abroad by Age

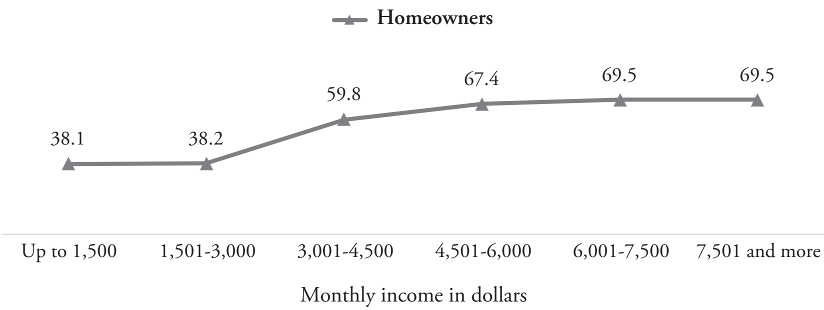


Source: Cervantes González, 2018.

As might be expected, the percentage of homeownership increases with the migrant's time spent abroad. Time favors their knowledge of the mortgage market in the country of residence and facilitates the accumulation of resources. It also strengthens the creditor's confidence in the potential borrower. Chart 12 indicates that the percentage of homeownership stood at 7.7% in the group of migrants (remitters and non-remitters) with 5 years or less of residence abroad, and gradually increased to 70.3% in the subgroup of migrants with 26 years or more abroad. In this segment, the percentage of homes already paid off was 35.0%. In other words, the length of residence abroad increases the percentage of homes owned, as well as the percentage of homes already paid for. Also, as would be expected, the percentage of migrants who own their homes abroad increases with the age of the respondent (see Chart 13).

There is a positive correlation between the monthly income level of the remittance senders surveyed and the percentage of those who own the home they live in abroad. The percentage of homeowner remitters gradually increases from 38.1% among those with an income of up to $1,500 dollars per month to reach 69.5% among those with a monthly income of more than $6,000 dollars (see Chart 14).

Chart 14: Percentage of Remitters Who Own Their Home Abroad According to Their Monthly Income

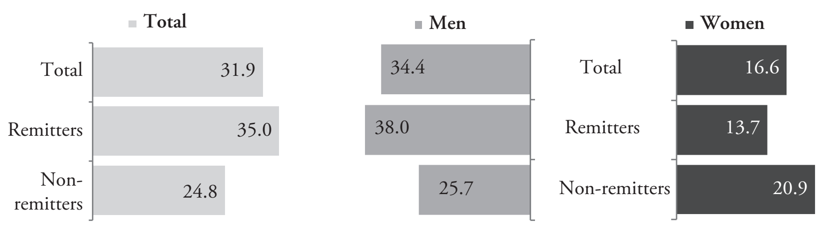


Source: Cervantes González, 2018.

Migrants' Homeownership in Mexico

According to the responses, the percentage of surveyed migrants residing abroad who own a home in Mexico is as high as 31.9% (see Chart 15). The corresponding figure reached 35.0% for migrants who send remittances and 24.8% for those who do not. The difference in such homeownership in Mexico between male and female migrants is strong.

Chart 15: Percentage of Surveyed Migrants Who Own a Home in Mexico



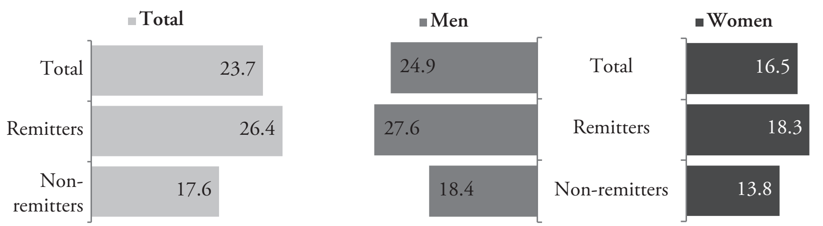
Source: Cervantes González, 2018.

Migrants' Willingness to Purchase a Home in Mexico with Housing Finance

A significant percentage of the migrants surveyed indicated that they would be willing to buy a home of their own in Mexico if they could obtain long-term credit in that country. Of those surveyed, 23.7% responded positively, and the corresponding percentage was higher among men than among women (see Chart 16).

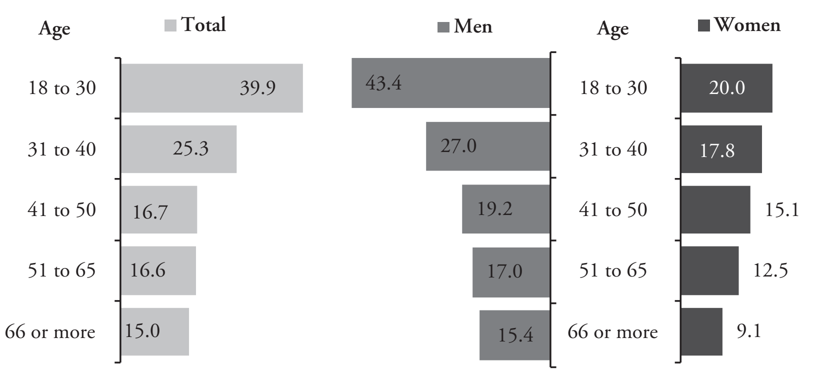
Likewise, this percentage was significantly higher among respondents who send remittances than among those who do not, for both men and women. This shows that there are differences in the profile of Mexican migrants who send remittances and those who do not, and perhaps in their expectations of returning to Mexico in the future. In general, these results suggest the existence of a potential market for mortgage loans for Mexican migrants, particularly those who send remittances, which would entail a significant improvement in their degree of financial inclusion. This also suggests that remittance-sending migrants have stronger ties with Mexico.

Chart 16: Percentage of Surveyed Migrants Willing to Purchase a Home in Mexico with Long-Term Credit by Whether They Send Remittances and by Gender



Source: Cervantes González, 2018.

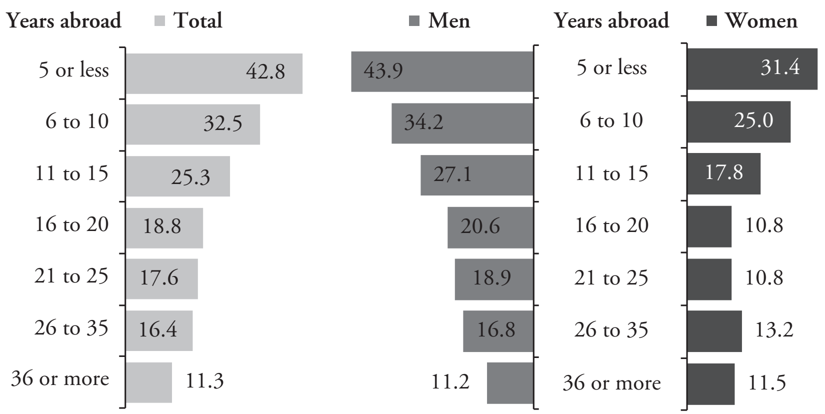
Chart 17: Percentage of Surveyed Migrants Who Are Willing to Purchase a Home in Mexico with Long-Term Home Loans by Age



Source: Cervantes González, 2018.

According to the responses, the percentage of Mexican migrants surveyed who are willing to purchase a home with a long-term loan in Mexico decreases gradually as the age of the migrant and the number of years living abroad increase (see charts 17 and 18). This seems to indicate that, as the migrant's age and time lived in the U.S. increases, they acquire stronger family ties there. The responses also suggest that women do not intend to return to Mexico as much as men do.

Chart 18: Percentage of Surveyed Migrants Who Are Willing to Purchase a Home in Mexico with Long-Term Loans According to Their Number of Years Abroad



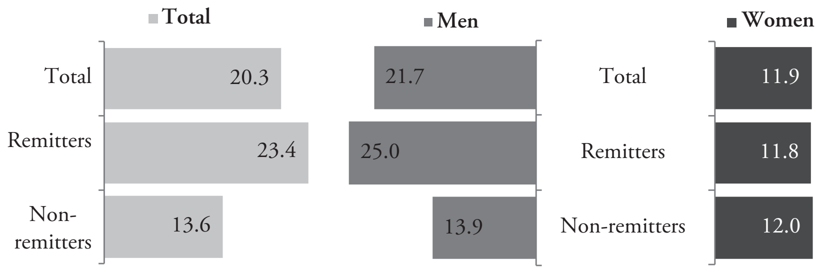
Source: Cervantes González, 2018.

Migration has allowed migrants to increase their wealth, either by acquiring real estate in the U.S. or in their country of origin. Survey results show that the percentage of Mexican migrants who own real estate both in the country where they reside and in Mexico is significant, and that the percentage of those who consider that they have the capacity to acquire real estate in Mexico with a long-term loan is also high.

Interest of Migrants in Making Pension Contributions in Mexico

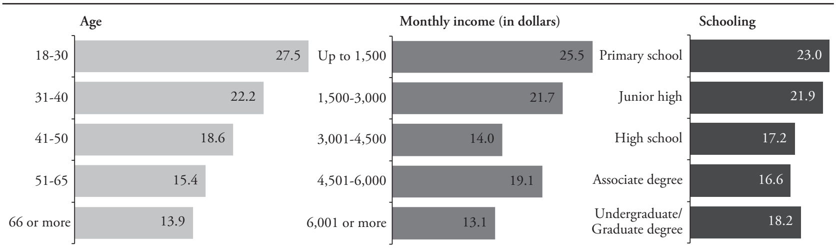
The possibility for Mexican migrants to have a pension in Mexico would be a progress in their degree of financial inclusion. In the survey, migrants were asked if they would be willing to make regular contributions to receive a pension or have a retirement plan in Mexico. A total of 20.3% of those surveyed responded positively, with a percentage of 23.4% for migrants who send remittances and 13.6% for those who do not. This suggests a lower intention of the latter to return to Mexico. Likewise, the willingness to make such contributions was higher among men than among women (see Chart 19). The percentage of migrants surveyed who were willing to make such contributions tended to decrease with age, income, and schooling (see Chart 20).

Chart 19: Percentage of Migrants Surveyed Willing to Make Regular Contributions to a Pension/Retirement Plan in Mexico by Gender



Source: Cervantes González, 2018.

Chart 20: Percentage of Migrants Surveyed Willing to Make Regular Pension Contributions in Mexico by Age, Monthly Income, and Schooling



Source: Cervantes González, 2018.

Means of Sending and Receiving Remittances

The most common means to send remittances to Mexico is by wire transfer through remittance companies to be collected in cash. Also common are remittances sent through banks to be collected in cash, while transfers between bank accounts were scarcer. The means of remittance sending showed practically no differences between men and women.

It was noted earlier that the degree of banked remittance senders surveyed is relatively high, considering that 67.6% of them have a checking or savings account in a bank or credit union in their country of residence (see Chart 2). Likewise, the responses from remittance-sending migrants show that the percentage of recipients who have a checking or savings account is significant (34.2%; see Chart 5). However, 95.1% of respondents indicated that they send remittances through wire transfers that are paid in cash by banks, stores, supermarkets, drugstores or, in general, remittance companies (see Table 1). This reflects that remitting migrants consider this way of sending remittances advantageous, as discussed in the chapter on the cost of remittance services to Mexico.[2]

Table 1: Modality of Remittance Payment in Mexico (percentages)

	Modality used by		
	Total	Men	Women
In cash, through:	**95.1**	**95.4**	**92.9**
1. Remittance companies	41.3	41.1	42.5
2. Banks	20.6	20.5	21.7
3. Stores, supermarkets, drugstores	33.2	33.8	28.7
Deposited into:	**0.9**	**0.8**	**2.1**
4. Checking or savings account	0.6	0.5	1.2
5. Debit card	0.3	0.3	0.9
6. Credit card	0.0	0.0	0.0
By means of:	**4.0**	**3.8**	**5.0**
7. Prepaid cards	0.5	0.5	0.0
8. Payment orders	1.3	1.4	0.9
9. Relatives and friends	0.3	0.2	0.9
10. Commissioner	0.1	0.1	0.2
11. Cell phone deposit or message	0.7	0.5	1.6
12. Other	1.1	1.1	1.4
Total:	**100**	**100**	**100**

Source: Cervantes González, 2018.

Only 0.9% of respondents said that they send remittances through transfers between bank accounts or as credit or debit card deposits. Likewise, 20.6% of the responses indicated that remittances are paid by banks or their agencies/correspondents, which opens opportunities for such transfers

[2] See Cervantes González in this book, pp. 79-98.

to be a vehicle for financial inclusion. On the other hand, the reception of remittances through informal channels, such as friends, relatives, or messengers, was practically nonexistent, since it represented only 0.4% of responses.

Concluding Remarks

This chapter presents the results of an analysis of a Banco de México database collected through surveys applied in December 2015, 2016, and 2017 to non-resident Mexican citizens who visited Mexico for the holiday season. The bulk of the results comes from the survey corresponding to 2015 due to its particular insertion of financial inclusion indicators. It must be noted that the migrants who responded to the surveys most likely have a documented or authorized status in the countries where they reside. This suggests that the degree of financial inclusion of undocumented Mexican migrants may be lower than those presented in this chapter. However, it is considered that, as a whole, the results of these surveys yield important information about Mexican migrants as a group.

Of the surveyed migrants, 68.9% indicated that they send remittances to their relatives in Mexico. The corresponding percentage was higher for men (70.5%) than for women (60.0%).

The survey shows a high degree of bancarization of remittance senders in the country of residence, but a low percentage in Mexico. Bancarization in the country of residence and in Mexico rises with levels of schooling.

The percentage of remittance recipients with a checking or savings account in Mexico was 34.2%. The higher the level of schooling of the remittance sender, the higher the percentage of recipients with checking or savings accounts. This suggests a positive relationship between the level of schooling of remitters and the degree of financial inclusion of recipients.

Responses on the use of various financial products by remittance recipients suggest that they have relatively low levels of financial inclusion, which indicates that there is significant room for improvement in Mexico. Offering financial services through cell phone and Internet networks has a high potential for development considering the high percentage of remittance recipients who own a cell phone, although the percentage of those with Internet connection is low.

Regarding homeownership, 86.4% of the remittance recipients surveyed own the home they live in. The percentage of migrants surveyed who own the home they live in abroad is also high (48.4%) and increases with their age, the time they have been living abroad, and their monthly income levels.

Likewise, 31.9% of the migrants surveyed indicated that they own a home in Mexico, and 23.7% of those surveyed indicated that they would be willing to purchase a home in Mexico if they could obtain long-term loans. These results suggest the existence of a potential market for mortgage loans among Mexican migrants, which would represent a significant progress in their level of financial inclusion in their country of origin.

In addition, 20.3% of the migrants surveyed indicated that they would be willing to make regular pension contributions in Mexico. This percentage tends to decrease as the migrant's age, income, and schooling increase.

Finally, results show high bancarization levels among remittance senders and lower bancarization levels among the recipients of their remittances. 95.1% of remittance senders indicated that they send remittances through wire transfers that are collected in cash. In 20.6% of responses, it was indicated that remittances are paid through banks or their correspondent agencies. Thus, such transfers could become a vehicle for financial inclusion.

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The State of Financial Inclusion of Mexican Migrants in the United States: A Pending Task

Manuel Orozco
Inter-American Dialogue

*

This chapter evaluates the level of financial inclusion of Mexicans living in the U.S. and provides an assessment of their condition, exploring the use of financial services such as bank accounts, savings, investment, insurance, and payments. The chapter shows that Mexican migrants' level of insertion in the financial system is low when we assess their performance by means of nine indicators and concludes by providing ideas on how to increase inclusion by establishing goals related to financial education.

The estimates presented are based on the analysis of self-collected data—provided by remittance companies using the mystery shopping method—or by official sources. I also use data obtained from surveys conducted between 2005 and 2021. The surveys were randomly applied to migrants of different nationalities, 50% of whom were Mexican. They were conducted in six metropolitan areas with a high presence of migrants: Chicago, District of Columbia-Maryland-Virginia, Houston, Los Angeles, Miami, and New York-New Jersey. These surveys are representative of the migrant population, including Mexicans. They were conducted in person at commercial points where migrants concentrate and, in particular, at remittance businesses. Sample sizes range from 1,200 to 3,000 respondents. Full tabulations appear in publications available for each survey (Orozco et al., 2010; Orozco & Jewers, 2014; Orozco & Yansura, 2017; Orozco & Klaas, 2021).

Understanding Financial Inclusion

Financial inclusion is "the process of ensuring access to financial services… where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost" (Rangarajan, 2008, p. 1). Meanwhile, financial access is the contact that consumers have with financial institutions and the means to access their economic needs. The World Savings Bank Institute has measured access through four supply-side indicators: usage, access, formality, and functional capacity (see Table 1).

Table 1: Financial Access

Indicator	Description
Usage	Services should be affordable, with low balances and no fees that affect deposits.
Access	The opening of accounts and services should be available to all members of a family or business.
Formality	The context in which those who provide services and comply with financial formality laws do not compromise consumer protection in terms of use and openness of services.
Functional capacity	The institution provides its clients with all financial services.

Source: Elaborated by the author with information from Peachy, 2006.

Combined, financial inclusion and financial access enable consumers of all social strata to manage their income (with savings), reduce risks (with insurance) and expand their human and economic capital (through investment). Access and inclusion are interrelated; the former refers to the issue of services supply, while the latter refers to the magnitude or density of services.

It is important to know the reach and impact of financial access from a demand-side perspective. Specifically, it is key to consider the baseline that allows a migrant to have sufficient access according to their economic needs. The latter is relevant because most migrants are low-income individuals whose needs fall within the bottom spectrum of the social pyramid. In this sense, the baseline should be the possession of financial products, including affordable payments, savings with minimum returns, and investments that allow them to reduce present and future risks—i.e., when they retire.

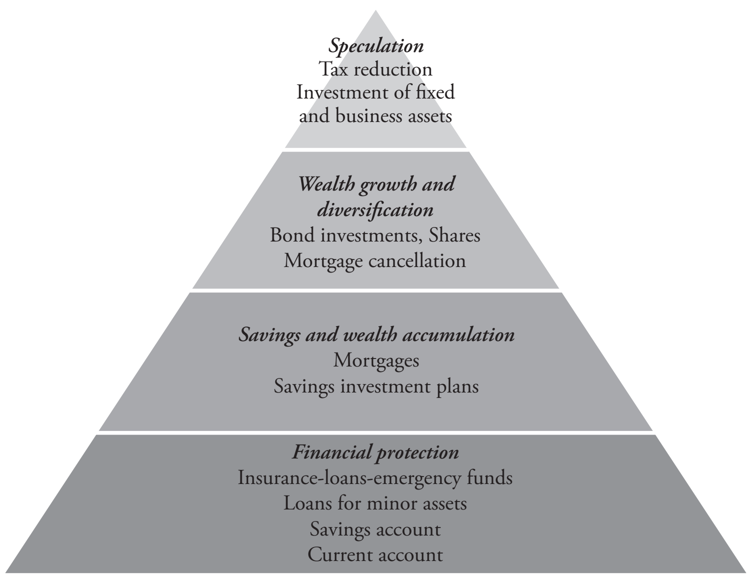
But it is also important to know the economic health of the migrant beforehand. That is, regardless of their access to the financial system, to know at least the following eight indicators of a person's possibility to leave the spectrum of financial protection within the pyramid of wealth generation.

Percentage who:

1. have current accounts that allow them to make payments via an electronic account
2. make electronic payments (wire transfers)
3. have savings accounts
4. have debit and credit cards
5. have home loans
6. have fixed asset loans such as cars, motorcycles, or vehicles
7. owns life insurance
8. owns valuable instruments

These indicators present the baseline of a person's position in the socioeconomic pyramid and allow to determine if they have enough resources to generate wealth beyond their income and disposable income (the latter allowing you to save; see Chart 1). The baseline of wealth generation starts at least with the forementioned indicators, which allow you to generate a capitalization of your liquid and fixed assets to move to the next levels, accompanied by the intention to take risks.

Chart 1: Socioeconomic Pyramid to Build Wealth Additional to Income



Source: Elaborated by the author.

Current Account, the Entry

For the purposes of this analysis, the opening and ownership of a bank account will be considered as a baseline, since this product allows migrants to have payment options to a wide universe, create a credit history, and increase their disposable income.[1] In the Mexican context, migrants, who in 2020 totaled more than eleven million in the U.S., have relative access to the financial system, since their bank accounts ownership is above the average of other foreign nationalities. Nevertheless, their level of depth or magnitude is limited.

Mexican migrants have been improving their access to the financial system in the U.S. In 20 years, the percentage of migrants with bank accounts grew from 29% to 71%. That percentage was partially maintained because it dropped to 68% by 2021 (see Table 2). This was a small change related to two important realities: one was the increase in migration of Mexicans to the U.S. as of 2018, which reduced the relative weight of migrant bancarization. At the same time, despite the migratory increase, the time it took for a migrant to open a bank account was reduced to no more than 3 years. However, they still represent a lower percentage than other mostly regularized nationalities (such as Dominicans or Colombians).

Table 2: Percentage of Migrants Who Have Bank Accounts

	2005	2009	2010	2013	2016	2021
Mexico	29%	48%	53%	54%	71%	68%
Guatemala	31%	75%	62%	78%	52%	77%
El Salvador	53%	48%	47%	56%	66%	74%
Colombia	62%	90%	97%	82%	87%	94%
Dominican Republic	62%	67%	75%	65%	76%	84%
Ecuador	55%	57%	42%	-	72%	-

Source: Elaborated by the author with data from Orozco et al., 2010 for 2005-2010; for 2013: Orozco and Jewers, 2014; for 2016: Orozco and Yansura, 2017, and for 2021: Orozco and Klaas, 2021.

[1] Our study on financial inclusion shows that those who make electronic financial transactions are able to increase their disposable income by 15% in comparison to those who use cash.

Table 3 shows how the percentage of migrants who have a bank account grew from 58% to 70% among those who have been residing in the U.S. for more than 15 years. The latter represent a large majority, or close to two-thirds of Mexicans (see Table 4). The result is that the newly arrived population "undercuts" the average of those with bank accounts, but not substantially, because even among those who have been in the U.S. for less than 5 years, more than half have already opened an account. The reason for this acceleration is that these recent migrants belong to a younger generation, banking penetration is now more widespread and knowledge of electronic or digital payment instruments is more accessible.

Table 3: Percentage of Migrants with Bank Account Ownership by Years Lived in the U.S.

	Less than 5 years	6 to 15 years	More than 15 years
2007	10.9%	33.5%	58.1%
2021	56.3%	53.1%	69.8%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Table 4: Percentage of Mexican Migrants by Years Lived in the U.S.

	Less than 5 years	6 to 15 years	More than 15 years
2007	34.0%	42.0%	23.0%
2021	5.2%	32.0%	63.0%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Table 5: Number of Financial Products Owned by Migrants by Years Lived in the U.S.

	Less than 5 years	6 to 15 years	More than 15 years
Does not own any	37.5%	41.8%	23.4%
Owns one product	6.3%	4.1%	5.7%
Owns two products	50.0%	32.7%	41.7%
Owns three products	0.0%	14.3%	14.1%
Owns four or more products	6.3%	7.1%	15.0%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

In general terms, the number of years abroad has a substantial impact on the number of financial products used. As Table 5 shows, the majority of migrants who have been abroad for more than 15 years are those who have more than three financial products, whereas newcomers have less than two.

Although access to bank accounts is high, the reach of financial products is actually precarious, and Mexican migrants own few products. In fact, Table 6 shows that the products owned by migrants are not only few, but also basic: current accounts, savings accounts, credit cards, and in fourth place a car loan. The low percentage of house loans is predominantly associated with the fact that many are undocumented, and therefore cannot access loans. Some financial institutions offer loans using the Individual Taxpayer Identification Number (ITIN). However, these require a 30% premium and interest rates typically double those offered by the market, making it very difficult to purchase a home if you do not have papers.

Table 6: Financial Products Owned by Mexican Migrants by Years Lived in the U.S.

Financial products	Less than 5 years	6 to 15 years	More than 15 years
Some type of bank account	56.3%	53.1%	69.8%
Current account	53.3%	50.0%	58.9%
Savings account	6.7%	16.3%	35.4%
Credit card	14.3%	16.4%	22.1%
Home loan	14.3%	2.7%	8.1%
Car loan	14.3%	2.7%	13.2%
Personal loan	0.0%	1.4%	8.8%
Life insurance	14.3%	4.1%	6.6%
Health insurance	0.0%	1.4%	11.8%
Homeowner insurance	0.0%	0.0%	3.7%
Other credit product	0.0%	0.0%	2.9%
Other insurance product	0.0%	5.5%	5.1%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Most Common Financial Activities (Bill Payments and Savings) and Investment as the Least Common

Table 7: How Mexican Migrants Pay Their Bills by Years Lived in the U.S.

	Less than 5 years	6 to 15 years	More than 15 years
Cash payments	75.0%	55.1%	49.5%
Wire transfer	25.0%	44.9%	50.5%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Two of the most common financial activities performed by Mexican migrants include service payments (such as sending money and paying water, electricity, and internet bills, among others) and savings. Although 70% of Mexicans have a bank account, only half of them use it to make payments, meaning that some do not make much use of their accounts (see Table 7). Those who do transfer money from their accounts predominantly use their debit card. However, a fifth of these use a traditional checkbook (see Table 8).

Savings

In terms of savings, in 2021 practically half of Mexican migrants saved, which is a lower number than in the past (see Table 9). This may be related to the pandemic, as migrants used their savings to send money to relatives. In previous years, the percentage was above 65% (Orozco & Yansura, 2017). Savings are intended for financial protection, i.e., mainly for illness, retirement, or the education of their children (see Table 10).

Table 8. Electronic Payment Methods Used by Mexican Migrants by Years Lived in the U.S.

Payment account used	Less than 5 years	6 to 15 years	More than 15 years
Debit card	57.1%	43.8%	57.0%
Checkbook	0.0%	8.2%	22.2%
Online banking	0.0%	11.0%	14.8%
Mobile or cellphone banking	0.0%	13.7%	20.7%
Prepaid card	14.3%	5.5%	2.2%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Table 9: Percentage of Mexican Migrants Who Save by Years Lived in the U.S.

Less than 5 years	6 to 15 years	More than 15 years
42.9%	32.6%	45.4%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Table 10: Use of Savings by Mexican Migrants by Years Lived in the U.S.

	Less than 5 years	6 to 15 years	More than 15 years
Health issue or emergency	50.0%	72.4%	77.5%
Death of a relative	0.0%	17.2%	27.2%
Home improvement	16.7%	17.2%	21.0%
Children's education	16.7%	20.7%	33.3%
Retirement	0.0%	17.2%	54.3%
Buy a car	0.0%	3.4%	6.2%
Send remittances	16.7%	20.7%	22.2%
Invest in small business	16.7%	20.7%	9.9%
Celebrate a special occasion	0.0%	3.4%	14.8%
Religious celebration	0.0%	0.0%	3.7%
Household appliances	0.0%	0.0%	7.4%
Other purposes	0.0%	6.9%	12.3%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Table 11 also shows migrants' saving methods: three quarters declared that they save in their financial institution. However, one out of four does it informally, keeping money at home. This data shows the cultural considerations involved in financial education. People "keep money at home" for emergencies and have a "little extra" aside in case they need cash on hand. Financial literacy would teach that the less cash they have

Table 11: Mexican Migrants' Saving Methods by Years Lived in the U.S.			
	Less than 5 years	6 to 15 years	More than 15 years
In financial institution	50.0%	33.3%	74.1%
Keep it at home	25.0%	41.7%	24.1%
In financial institution in country of origin	16.7%	17.2%	1.2%
With relatives in country of origin	0.0%	3.4%	0.0%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

"on hand," the greater the return on their income and savings. This is an issue that needs to be addressed urgently as each passing year reduces the capitalization of savings among people who are already vulnerable and lagging behind in their ability and capacity to build wealth. Moreover, the value of urgently resolving this issue and increasing the capitalization of personal finances is reinforced by the growing facility to obtain financial products that allow to save, or at least save disposable income in more than one financial instrument.

Remittances or Money Transfers

Sending money is one of the most frequent financial activities among Mexican migrants. In this context, most continue to use cash to send money home. The percentage of Mexicans who send remittances has grown from 60% to 80% in the last 10 years, and these transactions depend on their decision to remain in the U.S. This explains the large growth in remittances, as opposed to migration increase: although many people are leaving Mexico, the number of those actually entering the U.S. does not exceed 200,000 migrants annually (see Table 12).

Table 12. Migration of Mexicans to the U.S.										
Year	**Mexican migrants in the U.S.***			**Irregular migration**		**Temporary visas*** (b)**		**Legal migration *** (c)**	**Total migration (a)+(b)+(c)**	**New remitters***
	Total	**Years**	**%**	**Apprehensions**	**Irregular entrance (a)**	**H1-B, H1-B2**	**H2-A, H2-B**			
2010	12,168,662	12	30%	632,034				66,956	372,180	297,744
2015	11,643,298	16		267,885	233,060			82,323	491,235	392,988
2018	11,500,000	17	40%	252,267	219,472	962,888	242,582	79,678	557,812	446,250
2019	11,489,684	19	44%	252,403	294,628	1,042,961	261,097	54,780	627,922	502,338
2020	11,489,684	20	48%	362,251	111,246	625,726	244,109	29,242	395,046	316,036
2021	11,600,000	20	48%	725,008	77,820	512,889	310393	40,784	437,562	350,049
2022	12,000,000	20	48%	843,062	147,402	538,533	325,912	42,823	525,131	420,105

Source: Elaborated by the author with data from *U.S. Census Bureau, 2022; **U.S. CBP, 2022, and ***U.S. Department of State, n.d. [a]We used the DHS (2020) measurement of impactable border crossers and Title 8. *Over the past 5 years, our surveys show that 80% of Mexican adults are sending money.

Table 13: Money Remittance Companies and Methods to Send Remittances to Mexico			
Mexico	(%)	Number of personal transactions	Online, digital, non-cash
DolEx	3%	300,000	10%
Remitly	16%	1,400,000	100%
MoneyGram	9%	750,000	30%
Ria	7%	650,000	15%
Sigue	4%	320,000	10%
Wells Fargo	2%	150,000	50%
Uniteller	5%	450,000	10%
Western Union	29%	2,500,000	30%
Xoom	10%	850,000	100%
InterMex	9%	800,000	10%
Viamericas	3%	500,000	10%
Others (WorldRemit)	2%	200,000	50%
	100%	8,870,000	3,700,000

Source: Elaborated by the author with data collected and analyzed with companies.

In 2022, remittance transactions grew by more than 700,000; of these, 50% are attributed to new remitters, and the rest to those who stay longer in the U.S. Another aspect to consider is that the volume has grown as migrants are sending more money (see Table 15). The growth is of more than 10% per year since 2019: the average amount sent grew from $375 dollars in 2019 to $470 dollars in April 2022.

In 2021, the number of person-to-person transactions from the U.S. to Mexico was 8.8 million (taking into account that a migrant sends remittances sixteen times a year, the total number of transactions is higher). Of these,

Table 14: Cost of Sending $200 Dollars to Mexico						
Mexico	Credit card	Debit card	Bank account	Cash	Exchange rate differential	Total cost
Dolex	0.0%	3.0%	3.0%	3.0%	0.7%	3.7%
Intermex	3.7%	2.5%	2.0%	2.5%	1.8%	4.2%
MoneyGram	6.0%	2.0%	2.0%	5.0%	2.4%	6.8%
Remitly	2.0%	2.0%	2.0%	2.0%	0.5%	2.5%
Ria	5.5%	3.0%	1.5%	3.5%	1.3%	4.4%
Viamericas	4.0%	4.0%	2.5%	0.0%	0.7%	0.6%
Walmart2World	6.0%	2.0%	2.0%	0.0%	1.6%	3.6%
Wells Fargo	2.5%	2.5%	2.5%	2.5%	1.2%	3.7%
Western Union	6.0%	2.5%	2.5%	4.0%	2.7%	6.3%
WorldRemit			1.0%		1.3%	2.3%
Xoom	2.0%	2.0%	1.5%	0.0%	2.9%	4.4%
Total	**3.9%**	**2.6%**	**2.2%**	**2.1%**	**1.4%**	**3.5%**

Source: Elaborated by the author with data from Orozco and Carr, 2022.

Table 15: Average Amount Sent by Mexicans				
	Average of money sent (USD)			
Month	**2019**	**2020**	**2021**	**2022**
January	356	361	415	444
February	361	364	423	450
March	370	440	446	471
April	370	386	454	471
May	373	382	443	
June	389	402	468	
July	392	408	459	
August	399	409	464	
September	378	419	460	
October	371	408	457	
November	382	419	486	
December	360	399	441	
Percentage change:		**6.91%**	**12.19%**	**6.00%**

Source: Elaborated by the author with data from Orozco and Richards, 2022.

40% were sent electronically to Mexico (see Table 13). This figure coincides with 50% of Mexicans using their current accounts for payments. However, more than 75% of payments in Mexico are still made in cash. This characteristic is not unique to Mexicans; today, most migrants make transactions in cash. The main exception is the remittances made by Colombians to their country of origin (Orozco, 2022).

In terms of the costs of remittances, Mexicans transfer amounts of more than $200 dollars, which is the typical reference. Using this indicator and taking into account that 40% of the transactions were electronic or online, the cost is 3.5% (see Table 14). The difference between the method of delivery (account or cash) is not substantial, in part because the industry knows that demand is roughly split between one method and the other. The cost is affordable, but its value is due more to the exchange rate differential. These companies offer a differential that, although high, is comparable to the exchange rate offered by financial institutions in Mexico.

Investment among Migrants

Table 16: Mexican Migrants Who Invest and in What by Years Lived in the U.S.			
	Less than 5 years	6 to 15 years	More than 15 years
Some form of investment	12.5%	6.1%	16.1%
Invests in products in financial institutions	50.0%	0.0%	25.8%
In business	0.0%	28.6%	16.1%
In real estate (house, apartment)	0.0%	42.9%	51.6%
Other	50.0%	0.0%	3.2%

Source: Elaborated by the author with data from Orozco and Klaas, 2021.

Very few Mexicans invest. Faced with their low-income capacities—$32,000 dollars per year on average (U.S. Census Bureau, 2021)—there are few options for saving and even fewer for investing. In this sense, one out of fifteen migrants invest, and most do so in housing, which is the gateway to wealth generation (see Table 16).

The Economic Health of Mexican Migrants: A Pending Task

Mexican migrants' financial access is relatively low, if not precarious, since they remain at the bottom of the pyramid of financial requirements to generate wealth. Although there has been a migratory growth in the last 4 years, as of 2018, the majority of Mexicans in the U.S. is made up of people having resided there for more than 10 years. The urgency of improving their economic health depends on what determines their access to the financial system, which is related to structural considerations: years in the U.S., legal status, being male, and income.[2]

Table 17: Percentage of Mexican Migrants Who…

1	own a current account which allows them to make wire transfers	59%
2	carry out electronic transfers	50%
3	own a savings account	35%
4	own debit and credit cards	22%
5	have a house loan	8%
6	have loans for fixed assets such as cars, motorcycles, or vehicles	13%
7	have life insurance	6%
8	have instruments of value	4%
9	invest	16%

Source: Elaborated by the author.

It is important to accelerate the economic integration of Mexican migrants by increasing the commercialization of basic financial products, setting goals of more than 20% per year in the opening of savings accounts, payment of services such as remittances, debit and credit cards, and even loans. To this end, it is essential to introduce financial education tools to this population so that they learn to assess their savings goals, their budgeting strategies with electronic payment methods, and their

[2] A statistical analysis shows that the probability of having a bank account increases in accordance with these indicators: having a higher income increases the probability of having an account by 1.175 times; being male increases it by 2.689 times; having legal status by 2.07 times; having been in the U.S. for more years increases it by 2 times; and having savings increases it by 5 times. See the study by Orozco and Klaas (2021).

long-term investment options. It is vital to make alliances with remittance companies, which are the entities with the greatest contact and access to migrants.

The "low hanging fruit" in financial inclusion is financial education in combination with goals for those who own savings and current accounts to make electronic payments, so that everyone has savings accounts and makes all their payments electronically. The rationale is that making all payments electronically increases disposable income (cash is spent faster) and savings, and having a savings account allows you to build credit history. These basics are required to later generate wealth by acquiring home loans, even and despite legal status: there are many financial institutions that offer mortgages accepting the ITIN, with a 15% premium, and a healthy credit history of more than 650 points.

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Fintech Challenges and Opportunities for the Financial Inclusion of Migrants and Their Families

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Access to and use of information and communication technologies (ICTs), such as computers, laptops, tablets, smartphones, and the Internet, have proven to be essential tools in the lives of migrants and non-migrants. Their multiple possibilities provide access to different online services, whether financial, commercial, and educational, and allow to keep in touch with family and friends, whether in the country or abroad. ICTs are not always affordable for everyone, nor are Internet connection and smartphones, both indispensable technological tools for digital financial inclusion. Available and sufficient economic resources play a major role in covering the costs of these ICTs. In Mexico in 2021, 40.3% of the people surveyed stated that the main reason they did not have access to a smartphone was the lack of economic resources. The prevalence of this response has increased over time (INEGI, n.d.). In other words, poverty has a major impact on the lack of access to goods and services provided by new technologies.

Digital technology has entered the most productive sectors, including the financial sector through financial technology (fintech). Digital banking has streamlined financial services for the population and constitutes a viable means to achieve bancarization, since it allows real-time access to most of the financial transactions offered by banking and non-banking institutions, as long as users have a digital device with Internet connection.

Another benefit of fintech is that it reduces transaction costs, i.e., travel and waiting times, since it does not require users to personally go to banks or commercial branches.

Migrants and their families are potential clients of emerging fintech companies, which offer financial services that this community is often denied by traditional banks because they do not meet the established requirements. However, their financial inclusion is hindered by the social, economic, and cultural inequities and inequalities existing in the Mexican immigrant and Mexican American communities, as well as by the risks involved in the use of financial and digital technologies.

Given the above context, in order to address the problem of the digital financial inclusion of Mexican immigrants and their families in the U.S., this chapter emphasizes the need to understand the technological financial systems that are available, their transnational importance, and the benefits and risks involved in their use. We also need to understand how Mexican immigrants and their families are integrated into the financial system, the barriers that limit their inclusion in the traditional and technological financial systems, and the risks associated with the use of digital technologies. Additionally, we examine how the Mexican immigrant population and their families have been able to take advantage of the financial system at the household level, either through traditional methods or through fintech.

The chapter is divided into three sections, followed by conclusions. The first deals with the evolution of fintech companies in Mexico; it explains what they are and the main services they provide, their regulation, and the risks involved in their use. The second section presents existing literature on the gaps in the financial inclusion of Mexican immigrants in the U.S., as well as the advantages of fintech for migrants and their families, particularly those who send and receive remittances in Mexico and the U.S. In the third section we address the financial inclusion gap for Mexican immigrants and their U.S.-born children at the household and individual level.

This last section consists of five shorter sections: in the first section we analyze current or savings account ownership by means of a multivariate binomial logit analysis, and we observe the relationship between the dichotomous dependent variable of bank account ownership and the specific characteristics of individuals and their households. Section two deals with credit access and saving capacity. In section three we explore why some households are unbanked and whether they are interested in becoming banked, as well as the barriers associated with the financial system that limit their participation and interest in becoming banked. Section four focuses on the uses of financial products or services by means other than banks. In section five we review the use of cellphones and Internet at home and the use of ICTs, which are essential tools to access fintech. Lastly, we provide conclusions and proposals for fintech companies to adapt to the needs of migrants and their families.

To address the issue of fintech we rely on specialized literature on the risks involved in the use of financial technologies and on the Mexican government's programs focused on supporting the flow of remittances through fintech. The analysis of the financial inclusion of Mexican immigrants and second-generation Mexicans in the U.S. is based on our own estimates, drawn from the Current Population Survey (CPS) supplement on unbanked and underbanked households.

Fintech: Advantages and Risks

By focusing on users' needs and reducing commission costs through online or mobile applications, fintech offers an innovative strategy to bring people into financial systems. It allows sectors of the population previously excluded by traditional banking services to participate in the financial system (The World Bank Group, n.d.). It also limits access requirements and makes it easier to send money, pay for services, do business, and get loans. For example, in the U.S., fintech company B9 does not verify credit history to open a bank account and allows sending cash to family and friends in the U.S. and abroad (B9, 2021; Fintech Global, 2022).

Fintech is described as the union of digital technologies and financial services (Cortés Poza, 2017). It appeared outside the traditional financial and banking system, driven mainly by non-banking institutions. However, banks and regulated financial institutions increasingly adopt new financial technologies to face competition, such as digital or online banking for individuals and businesses. Users can carry out financial activities such as paying for services and money transactions with people or companies using a cellphone or computer with internet access. Fintech may or may not be linked to a traditional bank account.

Digital technology and its financial applications have led to the emergence of numerous unregulated companies. These provide products and services to consumers in a fast and flexible way—risky, however, in terms of financial inclusion—such as personal and business financial management, paying and sending remittances, personal loans, group loans, and technological applications for financial institutions.

In terms of fintech companies, Mexico stands as a leader in Latin America (Fintech Latinoamérica, 2021). In 2018 there were 330 fintech companies in the country (SHCP, 2018), a figure that grew to 512 by 2021 (Finnovista 2021),[1] meaning an increase of 55.2% in a 3-year period. A 2021 Finnovista report indicates that 21.0% of fintech companies in Mexico focus on loans, 18.0% carry out payments and remittances, 14.0% offer technologies for financial institutions, 11.0% are in corporate finance management, 9.0% in financial wellness, 8.0% in insurance, 5.0% in digital banking, 5.0% in real estate services, 4.0% in open finance, 3.0% in wealth management, and 2.0% in crowdfunding. "36% have operations in some other country outside of Mexico. Of these companies, 31% maintain operations in Latin America, 12% in the U.S. or Canada, and/or 10% in other countries" (Finnovista, 2021, p. 28).

The low rates of financial inclusion have made the country favorable for the development of companies that provide financial products and services through technological tools (Finnovista, 2021; Deloitte, 2022). Mexico is also part of the Universal Financial Access 2020 goals by being part of the 25 priority countries to increase bancarization or facilitate universal financial inclusion (The World Bank, 2018). In Mexico, the percentage of people who participate in the financial system is around 67.8%. In average, 78.7% of purchases of more than $500 pesos and 90.1% of purchases of less than $500 pesos are paid for in cash (INEGI, 2022). In the U.S., the share of Americans who say all or almost all of their purchases are paid for in cash in a typical week was 24.0% in 2015, 18.0% in 2018, and 14.0% in 2022. Lower-income Americans rely more heavily on cash than those with more resources (Faverio, 2022).

Another factor that has favored the growth of fintech companies in Mexico is digital inclusion. There are nearly 88.2 million cellphone users in Mexico, of which 90% have a smartphone to carry out financial transactions. For every 100 inhabitants, there are 90 cellphone subscriptions and 60 mobile internet subscriptions (Cortés Poza, 2017). Also, the

[1] Finnovista is an innovation and startup building company which has been operating since 2012 and has consolidated an innovation ecosystem in finance and insurance in Latin America and Spain. Through the Summits & Insights unit, they promote annual innovation meetings and publish reports on fintech and insurtech in the Spanish-speaking market. It is part of the Rainmaking family, a global innovation group and the creator of Startupbootcamp. https://www.finnovista.com/quienes-somos/

COVID-19 pandemic and its subsequent confinement increased the use of fintech for various financial activities, purchases, and services.

Another element that has boosted fintech companies in Mexico is the Fintech Law, published in the Official Journal of the Federation (DOF) on March 9, 2018, which regulates Financial Technology Institutions (FTIs) to provide greater legal certainty to the users of these digital tools. This regulation is the responsibility of the Secretariat of Finance and Public Credit (SHCP), Banco de México, and the National Banking and Securities Commission (CNBV) (DOF, 2021). The federal government does not guarantee or protect the customers' money of fintech companies, but it does authorize activities that the law considers financial services and supervises their proper operation (SHCP, 2018). The Fintech Law created specialized licensing categories for loans and e-money platforms (Pazarbasioglu et al., 2020). Mexico ranks 7th globally in the regulation of the sector.

> [A]n aspect that specifically boosted fintech growth in Mexico is that these entities have had the opportunity to capture resources from investment funds, both private and venture capital (or risk capital, with which startups that have not yet made a profit are usually launched) in Mexico and abroad. In addition, last year there was a notable expansion of multinational fintech companies in the region; that is, more of these companies from Brazil, Argentina, Colombia, and other countries arrived in Mexico, and, at the same time, Mexican companies also began to operate in other jurisdictions. (Deloitte, 2022, para. 13).

Mexico has both unauthorized fintech companies and FTIs. Although both are based on digital media, there are important differences. The most relevant is that, unlike unauthorized fintech companies, FTIs are regulated, and therefore users are protected from any fraud or non-compliance by the Fintech Law (Condusef, 2020).

FTIs are classified in two. The first are crowdfunding institutions, which connect investors with applicants through a platform so that the former can contribute to finance a project with small or large sums. The second are Electronic Payment Institutions (digital wallets), which can be used for purchases, payments, money transfers, and payments of services such as telephone, electricity, and water. They can operate with national currency, foreign currency, and virtual assets (bitcoins, litecoins, etc.).[2]

Technological financial services carry significant risks for users. Their regulation is still unclear in many countries and may vary at the subnational level. A case in point is the U.S., where fintech and financial

2 For more details, see Condusef (2020).

services are regulated at both the state (each state government passes its own set of laws) and the federal level, and for some fintech-related issues there is no specific federal law (Lorentz & Kost, 2021). Also, digital financial services raise questions and concerns about the privacy and authenticity of personal data for their operation. This situation is relevant for migrants and their families using fintech for payments and remittances.

Being the country with the highest degree of regulatory development, Mexico is a pioneer in Latin America. Since the approval of the Fintech Law in 2018, the National Commission for the Protection and Defense of the Users of Financial Services (Condusef) is empowered to defend the rights of FTI users. Also, it should be noted that virtual currency is not a legal tender, so its operations are not backed by any public entity or the federal government, and its use is at the user's own risk. The use of fintech requires solid security software with protection for banking operations and payments.

According to a Deloitte (2018) study, the number of targets of the cybercrime industry is increasing exponentially. They point out that cybercrime has always existed, but is now more visible, and cybercriminals are more technically expert, which has increased the profitability of their activities. Therefore, the issues of cybersecurity, information protection and financial and digital education are key for the fintech industry and its users.

> In Mexico, Condusef makes available to users the corporate data of FTIs, their adhesion contracts, the description of their products and services, the data of their user service unit, among others. In addition, it will increase financial education and information on the services and risks of this new sector […] [Condusef provides] dispute resolution, electronic management processes, conciliation, technical reports and, if necessary, legal counsel. […] Service to users will be provided as far as FTIs are authorized by the CNBV (Condusef, 2018, p. 23).

The risks of using fintech depend on technological specifications and their regulation. Therefore, it is repeatedly suggested that digital and financial inclusion be accompanied by training that allows an optimal use and minimizes the risks involved in the exploitation of these technological tools for the user. In the case of fintech for payments and remittances, advice should be available to both the sender and the receiver, since the process of choosing the mechanism for sending money is a joint decision (Paulson et. al, 2006).

Although fintech promotes and facilitates financial inclusion, it only reaches those who have the digital technology to access and use the Internet. Being linked to digital media, fintech needs to consider the degree of internet access, the type of computer or cellphone, and the technical software requirements that support their operations. As a result, the digital divide and inequity can hinder financial inclusion. For example, the technical requirements to send money through mobile applications (free of charge) is to have a smartphone with Android system version 4.5 or higher and iOS version 8 or higher (Profeco, n.d.).

According to the World Bank Group (n.d.), fintech can accelerate financial inclusion. While this is beneficial for government and financial institutions, it may also pose potential risks for users and investors and for the financial stability and integrity at the general and macro-financial level, because unregulated fintech companies and FTIs are exposed to money laundering and terrorist financing risks.

Importance of Fintech for Migrants

The U.S. is home to almost 12 million Mexicans (95% of Mexicans living abroad) and 13.6 million of their U.S.-born children. In Mexico, there are approximately 2.7 million households with international migratory ties, i.e., around 11 million people (Gaspar Olvera, 2017). The pool of Mexican migrants in the U.S. and their families in Mexico is a potential market for transnational fintech companies.

For Mexican migrants, particularly those based in the U.S., accessing the banking and credit financial system is often difficult. Some of the reasons include their current income and uncertainty about their future income, lack of credit history, language barriers, gaps in the use of financial systems, lack of identification and residency documents, and problems related to the ownership and use of digital media.

Sarah Stookey (2006) notes that immigrant advocates often cite financial inclusion as one of the three key needs of migrants, along with housing and health care. These key needs often require digital inclusion.

Financial inclusion is related to economic prosperity, as well as to the well-being and progress of immigrants and the countries that host them, in the sense that financial inclusion can help promote their socioeconomic integration and citizenship, support local economic development where immigrants settle, support small businesses through credit and therefore employment, encourage homeownership, and boost trade in goods and services. It can also provide a means for immigrant households to reduce income uncertainty and find options to move away from or stay out of poverty.

According to Anna Paulson et al. (2006), one indicator to measure the successful integration of immigrants is the degree to which they use financial services. Sherrie Rhine and William H. Greene (in Paulson & Singer, 2004) assert that poverty in Mexican immigrants is negatively linked with having a current or savings account. Other variables such as work effort, citizenship status, and year of immigration are positively related to current or savings account ownership, i.e., the longer the time living in the U.S. and/or having U.S. citizenship, the greater the probability of having a bank account. Paulson et al. (2006) point out that closeness and familiarity with the financial service provider, the availability of payment locations in the receiving country, the immigrant's legal status, and the sender's income and education levels are factors that influence migrants' decisions regarding remittances and how they send them.

Financial inclusion of immigrants at their destination goes beyond enabling them to send remittances to their countries of origin. The importance of fintech for migrants lies in the fact that they provide another option for accessing various financial services such as bank accounts, savings, credit, and remittance payment and sending. Such services are not always free, but they are cheap and easily accessible.

According to the study by Siham Boukhali and Isabelle Dauner Gardiol (2020), it can be noted that in countries such as the U.S., with a tradition of immigration and developed financial systems, private and public banks offer a variety of financial services to immigrants. Meanwhile, in countries such as Mexico, which has a tradition of labor emigration, these financial institutions focus on capturing remittances rather than on banking the population.

For Raizel Yu (2021), fintech companies are more efficient for sending remittances than leading companies such as Western Union and MoneyGram. According to data from Banco de México, in 1995, money orders captured 48.1% of remittances, losing importance every year in favor of electronic transfers, which since 2008 have captured more than 95.0% of remittances. In the last year this figure rose to 99.0%. Fintech companies such as Xoom and Remitly are pioneers in capturing remittances. Both companies operate in Mexico and the U.S. Their most frequent clients are from Mexico, India, the Philippines, and the U.S. (Yu, 2021).

In Mexico, a series of actions have been carried out to provide technological options for international remittance transfers, such as the creation of the Asociación Mexicana de Uniones de Crédito Social (AMUCSS, 2018). In October 2021, a binational agreement was signed between Broxel (a leader in transnational fintech and payments) and the U.S.-Mexico Chamber of Commerce (EFE, 2021). On April 11, 2022, the Remesas Paisano card with Telecomunicaciones de México was announced through the Secretariat of Foreign Affairs. This system enabled Mexican citizens abroad to send remittances to Mexico without commission *(El Financiero,* 2022).

According to the National Council for the Evaluation of Social Development Policy (Coneval, 2019), financial education is beneficial for migrants. A study conducted in Africa, Asia, Latin America, and Oceania found that migrants show more interest than non-migrants in financial education. While migrants have an attendance rate to financial education courses between 56% and 84%, for non-migrants the rate stands between 16% and 30%. Coneval concludes that the results of financial education courses tend to be effective for migrants, as they significantly improve their financial knowledge. Likewise, financial education stimulates saving among individuals and decreases their propensity to get into debt. In this regard, Boukhali and Dauner (2020) point out that community associations and organizations play an important role in the financial inclusion of immigrants by promoting programs with local banks to encourage them to open bank accounts, which can improve financial inclusion in the long term.

Financial Inclusion of Mexican Immigrants and Their Descendants in the U.S.

Methods and Data

This section's analysis of financial inclusion of Mexican immigrants and second-generation Mexicans in the U.S. at the individual and household levels is based on estimates made by the authors with data from the June supplement of the CPS on unbanked and underbanked households in the U.S. (CPS-Unbanked/Underbanked). The survey has been conducted every 2 years since 2009 by the Census Bureau. It is sponsored by the Federal Deposit Insurance Corporation, which is an independent U.S. government agency that protects funds deposited in banks and savings associations. It has national, state, and large metropolitan area coverage. The survey's goal is to use the results to formulate policies aimed at financial inclusion.

The supplement starts by asking how informed the respondent is about household finances. Next, it determines whether anyone in the household has a current or savings account. It inquires about the use of prepaid cards, the reasons why households are unbanked, and whether they are interested in becoming banked. It asks about the different ways in which people can access or transfer their money outside of standard banking establishments and asks banked households how and how often they access their account. It asks about access to and use of credit. The survey includes three questions related to digital inclusion.

Table 1: Sampled and Weighted Cases of First- and Second-Generation Mexican Households and Their Members in the U.S., 2019

	Mexican households			
	Mexican immigrants only	Mixed	Mexican Americans	Total
Households (sample cases)	478	2,146	226	2,850
Households (weighted cases)	1,426,961	6,872,591	825,234	9,124,786
Persons				
Sample cases				
Total	923	8,597	353	9,873
Mexican immigrants	923	2,590	0	3,513
Immigrants from other countries	0	283	0	283
U.S.-born	0	5,724	353	6,077
Weighted value				
Total	2,688,419	20,697,824	1,146,042	24,532,285
Mexican immigrants	2,688,419	8,462,481	0	11,150,900
Immigrants from other countries	0	945,293	0	945,293
U.S.-born	0	11,290,050	1,146,042	12,436,092

Source: Estimated by the authors with data from CPS June 2019 supplement.

The target population is first determined by selecting households where there is at least one Mexican-born immigrant (identified as first generation Mexican) or at least one U.S.-born person with at least one

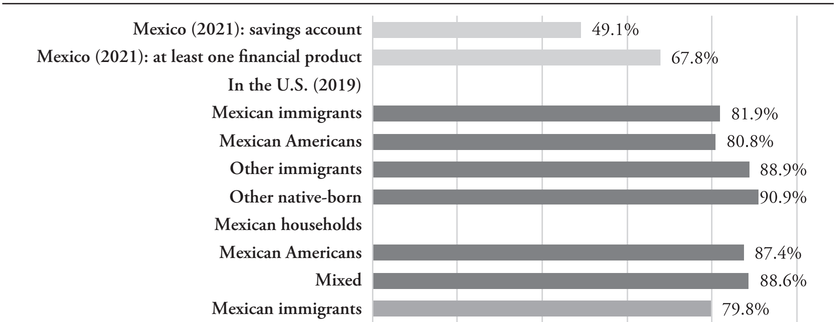
Mexican-born parent residing in the U.S. (second generation Mexicans, hereafter referred to as Mexican Americans). In total, the survey analyzes 9,124,786 households where there is at least one Mexican immigrant or Mexican American.

Table 1 shows the classification of households into three categories: *1)* immigrant-only households: households with only Mexican immigrants; *2)* mixed households: with Mexican immigrants and Mexican Americans (may include immigrants of other nationalities), and *3)* Mexican American households. The first includes 748 sample cases whose weighted value is 1,426,961 households, the second 2,146 sample cases (6,872,591 households) and the third 226 sample cases (825,234 households).

3.1) Mexican Immigrants with Current or Savings Accounts

The statistics derived from the CPS-Unbanked/Underbanked data report whether someone in the household has a current or savings account and identifies who that person is. The results show that Mexican immigrant-only households are less likely to have an account; 79.8% have an account in comparison to 87.4% of Mexican American households, and both are less likely in comparison to mixed households (88.6%).

Chart 1: Population between 18 and 70 Years Old Who Owns a Bank Account in Mexico, 2021, and in the U.S., 2019, and Mexican Households in the U.S. Who Own a Bank Account, 2019



Source: Estimated by the authors with data from CPS, June 2019 supplement, and the 2021 National Survey of Financial Inclusion (ENIF).

Among Mexican households as a whole, there are at least 6.2 million people without a bank account (27.4% of 22.6 million people), of which 774,000 belong to immigrant households, 5.2 million to mixed households and 189,000 to Mexican American households. Regardless of the household to which they belong, Mexican immigrants (81.9%) and

Mexican Americans (80.8%) have the lowest proportion of bank account ownership compared to the rest of immigrants (88.9%) and native-born populations (90.9%). It is noteworthy that the bancarization of immigrants and Americans of Mexican origin is 14.1 percentage points higher than that of Mexicans in Mexico (Chart 1). These data support the argument made by Boukhali and Dauner (2020) about the financial inclusion of immigrants in countries such as the U.S. which have an immigration tradition and developed financial systems that provide various financial options or means for immigrant populations. In other words, the percentage of people with bank accounts increases simply because they live in the neighboring northern country.

At this point, we return to the multivariate binomial logit analysis. We included two binomial logit models to observe the characteristics of households and their members that favor bank account ownership, one for the set of individuals in households with at least one Mexican immigrant and the second only for immigrants belonging to those households. The independent variable of the model is a dichotomous variable whose value is 1 for those who have a bank account and 0 for those who do not have a bank account. The dependent variables are dichotomous with a value equal to 1 if they have the characteristic and 0 if they do not have the characteristic. The variables of the model are detailed below.

The statistically significant results of the total model—that is, for the set of Mexican households in the U.S.—and the results of the model only for Mexican immigrants reflect that, for the statistically significant rate ratios of the independent variables and holding the other variables constant, variable associations are similar in both models.

In summary, the results in Table 2 show a negative relationship for obtaining a bank account for immigrant households and mixed households in comparison to Mexican American households. The negative relationship holds for the youngest, for women, for those with less schooling, those without U.S. citizenship, those without some economic activity, those without a home of their own, those without Internet at home, and those without a smartphone. Household income and income variation proved to be good predictors of bank account ownership. In the model that considers only immigrants, the disadvantages observed in the previous model are maintained and statistically significant, with the exception of the category "women" which, while maintaining the negative sign, is not statistically significant.

Table 2: Binomial Logit Model of Bank Account Ownership among Members of Mexican Households in the U.S., 2019

		Complete model		Model for immigrants	
rc	Owns a bank account Does not own a bank account				
	Dependent variables	Rate ratio	P>z	Rate ratio	P>z
rc	Immigrant households				
	Mixed and immigrant households	0.60552	-0.502***	0.59343	-0.522***
	Mexican American households	1.23965	0.215		
rc	Own their house				
	Do not own their house	1.59511	0.467***	1.96392	0.675***
rc	Income does not vary significantly per month				
	Income varies	1.21666	0.196*	1.27940	0.246*
rc	Family income up to $19,999 dollars				
	Between $20,000 and $39,999 dollars	1.49281	0.401**	1.76406	0.568***
	$40,000 dollars or more	2.40283	0.877***	2.58696	0.950***
	Has Internet connection at home				
	Does not have Internet connection	1.65342	0.503***	1.59322	0.466***
	Has a smartphone				
	Does not have a smartphone	1.99644	0.691***	1.63141	0.489**
rc	Immigrants				
	Natives	1.09214	0.0881		
rc	Long-term immigrants				
	Recently arrived	1.71131	0.537*	1.72153	0.543*
rc	U.S. citizen				
	non-U.S. citizen	1.99597	0.691***	1.97468	0.680***
rc	Man				
	Woman	0.76764	-0.264**	0.85249	-0.16
rc	18 to 24 years old				
	25 to 64 years old	2.09350	0.739***	1.48143	0.393
	65 years old or more	5.93881	1.782***	2.67608	0.984**
rc	Bachelor's degree or higher				
	Lower than bachelor's degree	2.39341	0.873***	2.14746	0.764**
rc	Works				
	Does not work	3.52855	1.261***	2.70211	0.994***
rc	Sends remittances				
	Does not send remittances	1.06845	0.0662	1.16247	0.151
rc	Credit**				
	No credit	0.47465	-0.745***	0.62929	-0.463*
	_cons	0.05392	-2.920***	0.08887	-2.421***

* In the course of the last 12 months.

* Includes loan, pawn, or rent.

* p<0.05, ** p<0.01, *** p<0.001.

A relative weighing was used.

rc: Reference category.

Source: Estimated by the authors with data from CPS, June 2019 supplement.

3.2) Mexican Migrants with Credit and Savings

The positive or negative perceptions of banking services can impact people's decisions to venture into the traditional or digital financial system and, therefore, to apply for credit. For the Federal Reserve (2021), negative perceptions can be an additional barrier to credit. Other barriers include the lack of credit history and a denial or provision of less credit than requested. It is noted that credit cards may represent a convenient form of payment for some people when they are creditworthy, but for others it may be a debt that carries interest payments in addition to the fees derived from its use. For these users, credit can have serious consequences if their income is unpredictable or low. They find that income volatility is more associated with problems of access to funds than income level. Mexican immigrants, even business entrepreneurs, make little use of loans. In first- and second-generation Mexican households in the U.S., credit card ownership and credit use are low (Table 3).

Table 3: Access to Bank Credit in Mexican Households in the U.S., 2019

Bank credit, savings capacity and income volatility	Mexican households		
	Mexican immigrants-only	Mixed	Mexican Americans-only
Has a credit card	41.4%	59.1%	57.8%
Has a bank loan	5.9%	9.0%	9.2%
Applied for a bank loan in the last 12 months	11.5%	16.0%	10.9%
Credit application was not granted, or credit was rejected	30.5%	19.8%	7.6%
Did not apply for credit for fear of being rejected	4.4%	8.5%	9.6%
Percentage who saved	45.1%	57.1%	59.7%
Household income is:			
Approximately the same each month	72.2%	69.9%	73.9%
Varies a little from one month to the next	24.4%	25.8%	24.0%
Varies greatly from one month to the next	3.4%	4.3%	2.1%

Source: Estimated by the authors with data from the U.S. Census Bureau and BLS, CPS June 2019 supplement.

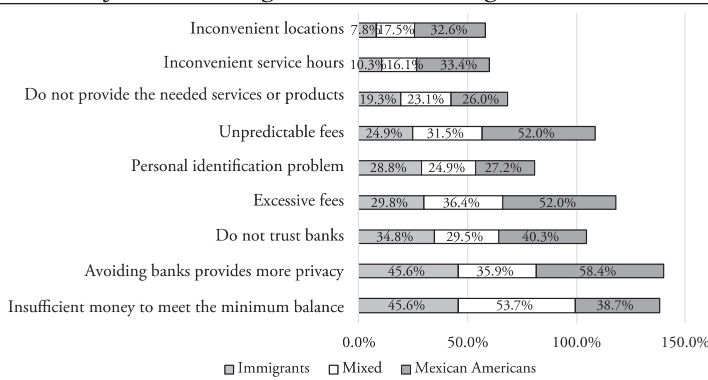
Mexican immigrant-only households exhibit the lowest proportion of credit card ownership (41.4%). In the remaining two types of households, in almost six out of ten at least one member has a credit card. Regardless of the type of household, practically none of them have a bank loan. In no case does it exceed 10.0%. The proportion of households that applied for a bank loan was only 11.5% in Mexican immigrant-only households, 16.0% in mixed households, and 10.9% in Mexican American households. The highest proportion of households that applied for credit and were turned down were Mexican immigrant households (30.5%), followed by mixed households (19.8%).

Having savings as a financial buffer helps some people manage income fluctuations and reduces the urgency to request a loan for unexpected expenses (Federal Reserve, 2021). Of all Mexican immigrant-only households, 45.1% have the ability to save, a ratio that is nearly 60.0% for mixed and Mexican American households. Regarding household income, there is little variability, or income is the same each month in more than 90.0% of households (Table 3).

3.3) Unbanked Mexican Households, Barriers, and Interest in Becoming Banked

This section discusses unbanked households, their reasons for being unbanked, and whether they are interested in becoming banked. There are 9.1 million Mexican immigrant households in the U.S., of which almost 1.2 million are unbanked (12.9% of all households). Of the unbanked immigrant households, 288,000 are Mexican immigrant-only (20.2% of total Mexican immigrant-only households), 780,000 are mixed (11.4% of total mixed households), and 104,000 are Mexican American (12.6% of total second-generation households).

Chart 2: Reasons Given by Mexican Household Members in the U.S. for Not Having a Current or Savings Account, 2019



Source: Estimated by the authors with data from the U.S. Census Bureau and BLS, CPS June 2019 supplement.

There are different reasons why people may not have a current or savings account (Chart 2). The reasons that stand out among immigrant-only households are insufficient money to meet the minimum balance (45.6%), privacy (45.6%), distrust of banks (34.8%), and excessive fees (29.8%). These reasons coincide among mixed households, but in different proportions; the minimum balance requirement is still the main reason (53.7%) for not opening an account. The reasons given by Mexican American households for not opening a bank account differ from immigrant-only and mixed households. For members of these households, avoiding a bank for privacy (58.4%) is most important, fees are too high (52.0%) and unpredictable (52.0%), and they do not trust banks (40.3%).

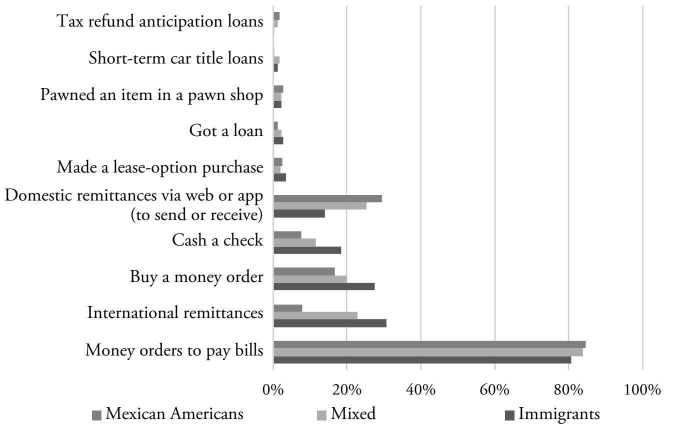
A relevant aspect of Mexican migration is its undocumented status. At their destination, the lack of identification documents is a barrier for their financial inclusion and integration into society. In this regard, the Economic Commission for Latin America and the Caribbean (Aldasoro, 2020) reports that the regulatory frameworks of Mexico and the U.S. have been modified to promote the financial inclusion of migrants and allow opening accounts with very few requirements. In some cases, no identification is required. However, this aspect affects three out of ten Mexican households, regardless of household type.

The previous results allow us to conclude that banking institutions should devise strategies to gain people's trust, provide accessible and fixed rates, minimize balance requirements and guarantee privacy so that the unbanked become interested in opening a bank account. In immigrant-only households, 84.4% of the unbanked are not interested in opening a bank account, a ratio that reaches 78.0% in mixed households and 79.8% in second-generation Mexican American households. Among the latter, only 12.6% are very interested.

3.4) Use of Financial Products or Services by Means Other than Banks

This section discusses the different ways in which people can access or transfer their money using other means than standard banking establishments. Mexican immigrants and their U.S.-born children are not fully banked and frequently use alternative financial means. In Mexican immigrant-only households, eight out of ten use money orders to pay bills, a ratio similar to that observed in mixed households (83.8%) and Mexican American households (84.7%). In 30.7% of Mexican immigrant-only households and 22.8% of mixed households, people use alternative means to banks to send international remittances. The next two most important services for all households are buying money orders and cashing checks. A fifth service is sending and receiving domestic remittances via a website or app; the highest proportion of households using these services is exhibited by Mexican American households (29.5%) and mixed households (25.3%). Mexican households in the U.S. are less likely to use alternative financial services for lease-option purchases, obtaining loans, pawning items, and acquiring short-term car title loans and tax refund anticipation loans. In general, Mexicans have low levels of access to credit (Chart 3).

Chart 3: Use of Financial Product or Services by Means Other than Banks in Mexican Households in the U.S., 2019



Source: Estimated by the authors with data from the U.S. Census Bureau and BLS, CPS June 2019 supplement.

3.5) Mobile Phone Ownership and Internet Access in Households

Natalia Reshetnikova et al. (2021) note that digital technologies have made business processes and information exchange faster and cheaper by reducing operating costs. For financial institutions, it opens up global perspectives and competition with the financial intermediary industry. According to the World Bank, digital financial inclusion involves the expansion of affordable digital media that reduce costs for customers and are sustainable for providers. Cellphones and other digital technology media have enabled the financial inclusion of previously excluded populations, including migrants and their families. For the technology and financial sector, migrants and their families represent a large and growing market.

Statistical data on ownership and access to digital media—indispensable for fintech use and digital financial inclusion—shows that immigrant-only households are most disadvantaged, as they present the lowest proportion of ownership of or regular access to a cellphone with the necessary software requirements and Internet connection at home.

The data show a relationship between household bank account ownership, Internet access, and the type of cellphone available. The unbanked present lower proportions of access to the digital means necessary for fintech use (Table 4). Results suggest that financial inclusion must go hand in hand with digital inclusion for a proper use of digital and financial literacy that provides information regarding its benefits and risks.

Table 4: Digital Inclusion of Mexican Households in the U.S., 2019

At least one member of the household	Mexican households		
	Mexican immigrants-only	Mixed	Mexican Americans-only
Owns or has regular access to a cellphone	89.1%	96.4%	93.9%
Cellphone has functions to go online, send emails, and download applications	85.3%	92.3%	89.8%
Regular access to the Internet at home using a desktop computer, laptop, or tablet	43.4%	73.9%	65.3%
Banked			
Does not have regular access to cellphone…	9.9%	2.6%	5.1%
Their cellphone does not have Internet functions…	12.4%	5.8%	8.2%
Does not have regular Internet access at home...	52.4%	22.0%	28.5%
Unbanked			
Does not have regular access to cellphone...	14.6%	11.4%	13.0%
Their cellphone does not have Internet functions…	24.2%	23.8%	25.3%
Does not have regular internet access at home...	73.1%	58.0%	77.5%

Source: Estimated by the authors based on U.S. Census Bureau and BLS, CPS June supplement, 2019.

Conclusions

Despite the fact that digital inclusion in Mexico is high and the country is a leader in fintech companies, financial inclusion is low, even lower than that of Mexican immigrants and second-generation Mexicans in the U.S. In Mexico, banking institutions and start-ups such as fintech companies have not been able to reach the unbanked nor tackle social inequalities and income distribution. Poverty and labor market informality may be some reasons why traditional formal institutions, regulated FTIs and unregulated fintech companies have not been able to make a difference in reaching populations underserved by the Mexican financial sector, including migrants and their families.

Regarding Mexican immigrants and Mexican Americans in the U.S., the study concludes that they are not fully included in the digital and financial sector but show better indicators than Mexicans in Mexico. There are 6.2 million Mexicans (27.4%) of first and second generation who do not have a bank account, 23.3% among Mexican Americans, and 31.1% of Mexican immigrants. Many of them use non-traditional financial services and 2.9 million households (31.6%) do not have regular Internet connection at home, a prerequisite for the use of fintech and digital banking.

To address the barriers that prevent the full financial inclusion of Mexican immigrants and Mexican Americans, it is necessary to implement access to digital services for those who do not have them; to provide appropriate technology that meets minimum software requirements; to improve digital and financial literacy; to expand Internet access; to implement better connectivity; to develop improved banking services; to build greater credibility to gain and strengthen the trust of users, and to mitigate risks through the design of financial services appropriate to the needs of migrants and their families that consider their transnational aspect. In short, to guarantee reliable regulatory environments.

It is also necessary to acknowledge the social problems associated with the excluded group, in this case migrants and their families, and address the main individual and institutional causes that prevent their financial inclusion. Gathered from the various studies cited and the results of this study, some recommendations for the financial inclusion of migrants and their families are: expand opportunities for access and inclusion in the financial and digital sectors regardless of gender, race, and origin, including migrants; provide certainty (or legal certainty) to users, investors, and institutions through regulations that guarantee the integrity of the resources of the different services offered by fintech companies; make international agreements on the subject more flexible; strengthen knowledge in technology, data science and finance, and design clear, flexible, and secure financial inclusion proposals for users and investors.

Digital inclusion plays a central role in financial inclusion. Both efforts can improve access to education and resources, health, employment and consequently address issues of poverty and inequality for migrants and their families, as financial inclusion refers to the ability of individuals and businesses to access "useful and affordable" financial products that meet their needs in a "responsible, non-discriminatory and sustainable" way (Ahairwe & Bisong, 2022, p. 2).

Financial inclusion of migrants and their families should occur regardless of remittance flows in or out of migrants' countries of destination and origin, as the amount and frequency of remittances depend, among other things, on migrants' income and employment tenure, beyond the fact that not all migrants send remittances and not all migrant families are recipients of remittances. Then, to truly address the investment needs of migrants and their families, it is necessary to improve interoperability between digital and financial systems (Ahairwe & Bisong, 2022), regardless of international remittance flows. As the authors cited above point out, alternative sources of income need to be established for migrants to engage in economic activities whose income can then be used to access financial services, savings, or credit, as people cannot save, invest, or repay credit with what they do not earn.

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Section II:

Remittances as a Catalyst for Financial Inclusion

Remittances and Development in Mexico, 2000-2022

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From the late 1970s to 2006, migration from Mexico to the U.S. underwent significant growth. Since 2007, and up to 2022, migrant flows, although low, have been sufficient to maintain the number of Mexican migrants close to 12 million. This reflects Mexico's repeated economic and social crises and the ongoing demand for labor in the neighboring country.

Coupled with the growth of migration and remittances, migrant organizations have been learning and building various community practices of solidarity and transnational social investment, which materialized into the first transnational public policy of the beginning of the 21st century, with the "Programa 3x1 para Migrantes"[1] (Fernández de Castro et al., 2006). From 2002 to 2017, through the co-investment of the three levels of the Mexican government and migrant organizations, 29,677 community projects were financed in hometown communities throughout the country. Two decades of important transnational community experience

[1] The "Programa 3x1 para Migrantes" is a governmental endeavor currently under the responsibility of the Secretaría de Bienestar (Secretariat of Welfare), which supports the initiatives of organized migrants to carry out projects that contribute to the development of their hometown localities. This is achieved with the contribution of the three levels of government: federal, state, and municipal, as well as migrant organizations abroad. The federal government contributes 25%, migrant organizations another 25%, and state and municipal governments 50% (Secretaría de Bienestar, 2017).

generated by collaboration and alliances with the Mexican government and other social actors acquired great importance in the face of the challenge of building and establishing a State policy on development, migration, and human rights.

In this paper we analyze how, at the beginning of the 21st century—concomitant with the growth of migration, remittances, and transnational community projects—a broad debate arose regarding the impacts and potential of international migration and remittances on the development of hometown communities. This debate involves the public and private sectors, migrant organizations, non-governmental organizations (NGOs), and academic institutions. In particular, we analyze how the debate transcends the academic and theoretical level and is expressed in national public policy proposals on international migration and remittances and development. We emphasize the possibilities of bancarizing transnational communities and initiatives for the institutional strengthening of migrant organizations in several states, especially Guanajuato, Jalisco, Michoacán, Oaxaca, and Zacatecas.

Economic Growth, International Migration, and Remittances

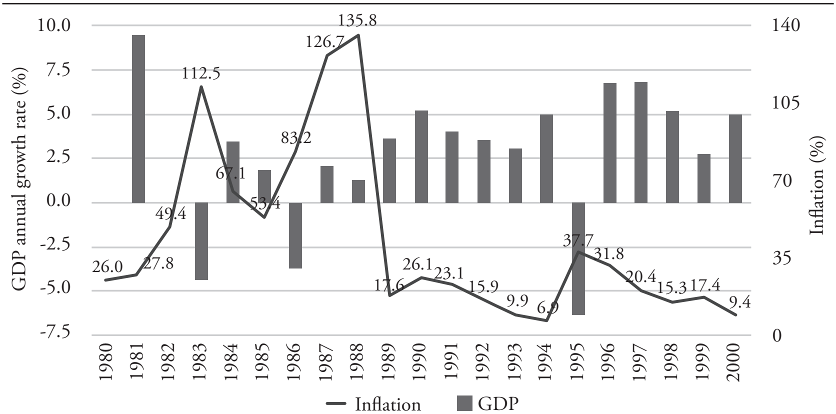
Due to a two-decade-long crisis in the agricultural sector and the economic crises of 1976, 1982, and 1994, by the mid-1970s, Mexico started a growing migration process to the U.S. Between 1982 and 1988, the Mexican economy experienced high inflation rates, which rose from 49.4% in 1982 to 135.8% in 1988. At the same time, Gross Domestic Product (GDP) fell by 4.4% in 1983 and grew by only 1.3% in 1988 (Chart 1). According to Liliana Meza González (2006), this was the result of the precarious labor conditions of the average Mexican worker.

Jorge Durand (1994, 1996) points out that in the 1980s migration patterns underwent a series of processes and transformations, including an increase in the intensity of emigration flows and a change in the traditional migration configuration of mostly men from rural areas and of a temporary nature, to a new, permanent, and diversified feminized migration model. Three factors gave rise to this new stage: the economic crisis linked to the foreign debt in 1982, the legalization of 2.3 million Mexican migrants thanks to the Immigration Reform and Control Act of 1986, and a series of demographic, economic, social, political, and cultural transformations in Mexico.

Between 1989 and 1992, during the first half of Carlos Salinas de Gortari's administration, the economy grew at relatively high levels, and an important social program was launched: the "Programa Nacional de Solidaridad" (National Solidarity Program). Its objective was to support the poorest. Against this background, the North American Free Trade Agreement (NAFTA) was negotiated, signed at the end of 1992, approved by the U.S. Congress in 1993, and enforced in the last year of Salinas' 6-year term. Both the U.S. and Mexico, especially President Salinas, repeatedly used the reduction of emigration flows as an argument to accelerate the conclusion of NAFTA (García Zamora, 2019, p. 121).

The process of liberalization of the Mexican economy and the entry into force of NAFTA allowed GDP to remain at positive rates, with the exception of its drop in 1994 (Banco de México, 2018). Although inflation declined and GDP grew between 1997 and 2000, the establishment of the neoliberal model in 1982 and the impacts of NAFTA in 1994 explain the disappearance of regional and sectoral development public policies. A massive bankruptcy of rural producers and small- and medium-sized enterprises occurred, which prompted a growing exodus to the U.S. Between 1994 and 2000, the number of Mexican immigrants in the U.S. increased from 6.5 to 9.3 million (Gaspar Olvera, 2012).

Chart 1: Annual Growth Rate of GDP and Inflation, 1980-2000



Source: Elaborated by the authors with data from Banco de México, Historical Series.

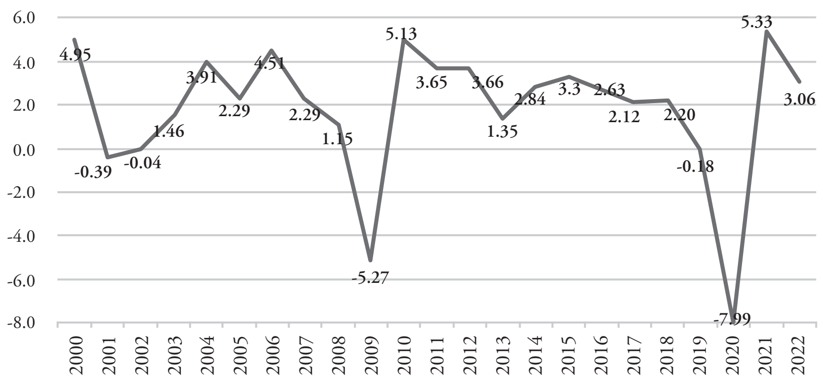
The GDP growth rate dropped to an average of 2.4% between 2002 and 2007 due to the deceleration of the U.S. economy and the entry of China into the World Trade Organization, which negatively impacted

Mexico's export sector. Moreover, the global financial crisis of 2007-2009 explains the contraction of Mexico's economic growth, with a negative GDP variation rate of 5.3% in 2009. The previous events, the September 11 terrorist attacks, and changes in immigration policy slowed the emigration flows that for 15 years had kept the number of Mexicans in the U.S. between 11 and 12 million.

GDP decreased by 0.2% in 2019, during the beginning of Andrés Manuel López Obrador's term. In 2020, in the face of the COVID-19 pandemic, the contraction reached 8% (Chart 2). However, despite the global recession, the amounts of international remittances sent by Mexican migrants grew to unexpected levels and have maintained an upward trend despite the fact that migrants are also facing the effects of the pandemic.

The country's economic recovery looks grim in the absence of public policies to address the collateral effects of the pandemic and at the same time meet the needs of Mexicans. This may intensify the emigration flows to the neighboring country, which in the last 15 years had dropped to unexpected levels. If these flows grow, it will surely be reflected in new increases in remittances.

Chart 2: GDP Annual Growth Rate
(at constant prices, percentage), 2000-2022



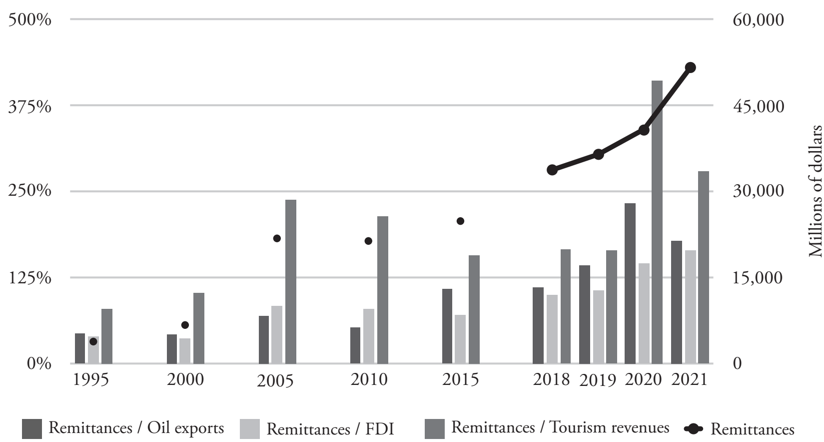
Source: Elaborated by the authors based on data from Banco de México, 2000-2022.

Family Remittances

Since the 1990s, international remittances have become one of the most important foreign exchange flows for the Mexican economy. The first years of the 21st century were characterized by a great dynamism in remittances, higher than that observed previously. In fact, the growth of remittances even surpassed that of international migration. From 1995 to 2006, the amount of international remittances entering Mexico increased sevenfold—from $3.673 billion dollars in 1995 to $25.567 billion dollars in 2006—while the number of Mexicans in the U.S. more than doubled, from 4.4 million in 1990 to 11.1 million in 2006.

Although the economic crisis of 2007-2009 affected the sending of remittances to Mexico, the decline was not so pronounced, and shows a clear upward trend since 2014. This has favored a greater relative importance of remittances in Mexico's external finances in recent years. Remittances measured in relation to foreign direct investment resulted in 145% and 163% in 2020 and 2021. Furthermore, for several years they have exceeded the value of oil exports, and in 2020 and 2021 they were equivalent to 232% and 178% of such foreign sales (Chart 3).

Chart 3: Relative Importance of Remittances, 1995-2021



Source: Estimated by the authors based on data from Banco de México, 1995-2021.

The above data are even more relevant if we take into account the economic consequences of COVID-19 in the country. According to Gerardo Esquivel (2020), after a significant deceleration derived from the measures taken to contain the spread of COVID-19, as of July 2022 the economy would be characterized by a reopening process that would have been slower and more gradual without the millions of dollars of remittances sent by Mexican migrants living mainly in the U.S.

Data from Banco de México highlight the efforts of the millions of migrants who over time have contributed with the remittances they send to the country. Between 1995 and 2021 alone, the amount of international remittances has multiplied fourteen times.

The economic devastation caused by COVID-19 is at the basis of an intense global debate on the dynamics of remittances. It was generally assumed that remittances would fall between 20% and 30% due to the double impact of the pandemic and the economic recession. However, this was not the case: in most countries, including Mexico, remittances increased. In this case they amounted to $40.6 million dollars in 2020 (11.4% growth over 2019). Its beneficiaries were 1.8 million households, 200 thousand households more than in 2015.

At the beginning of 2021, an additional debate emerged, this time on the causes of the increase in remittances sent to Mexico.[2] There was a general consensus on the specificity of Mexican migration to the U.S., both for its long history and for its massiveness and rootedness in particular sectors, referred to during the pandemic as essential. A very important factor was the large public investments for the reactivation of the U.S. economy, and there was an agreement on the solidarity shown by this population towards their families and hometown communities with larger transfers. This debate reiterated other debates of the first decade of the 21st century on the positive impact of remittances at the national level, on the regions, the different economic sectors, the welfare of recipient households, and local development.

It was also agreed that remittances have a positive macroeconomic impact for the recipient countries and a multiplier economic impact in the regions where they are received. As are all wages, most remittances are used for household expenses, and their most important impact is on trade and services. After 20 years, the impact of remittances on regional and local economic development has not been significant, but it has been noteworthy in welfare and social infrastructure indicators of recipient households and communities, especially when thousands of community projects were carried out with collective remittances through the "Programa 3x1 para Migrantes" from 2002 to 2019 (García Zamora & Gaspar Olvera, 2022, p. 251).

According to data from the Banco de México and the Census of Population and Housing 2020, there is a persistent trend of concentration

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[2] For more information on the growth of remittances during the pandemic, we suggest consulting the chapter written by Juan José Li Ng and Carlos Serrano Herrera in this book, pp. 99-120.

of remittances and recipient households in the traditional and central regions[3] of international migration with 41.4% and 39.8%, as well as 22.8% and 20.9%, respectively. In the traditional region, the states with the highest flow of remittances and recipient households are Jalisco (18.8% and 10.2%), Michoacán (10.0% and 8.9%), and Guanajuato (8.5% and 7.8%). At the national level, remittances increased 63.8% between 2015 and 2020. The northern and traditional regions had the highest increase in remittance flows (Table 1).

Table 1. Remittance Flows and Recipient Households, 2015 and 2020

	Year 2015	Year 2020	Percentage distribution 2015	Percentage distribution 2020	Percentage growth 2015 and 2020
Remittance flows (millions of dollars)					
Traditional	10,046	16,820	40.5%	41.4%	67.4%
North	4,036	7,052	16.3%	17.4%	74.7%
Center	6,027	9,255	24.3%	22.8%	53.6%
South-southeast	4,676	7,474	18.9%	18.4%	59.8%
Total	24,785	40,601	100.0%	100.0%	63.8%
Remittance recipient households					
Traditional	673,444	704,322	42.1%	39.8%	4.6%
North	308,905	345,499	19.3%	19.5%	11.8%
Center	318,727	370,308	19.9%	20.9%	16.2%
South-southeast	298,090	348,522	18.6%	19.7%	16.9%
Total	1,599,166	1,768,651	100.0%	100.0%	10.6%

Source: Estimated by the authors based on data from Banco de México 2015 and 2020; and INEGI, Encuesta Intercensal 2015 and Censo de Población y Vivienda, Cuestionario ampliado, 2020.

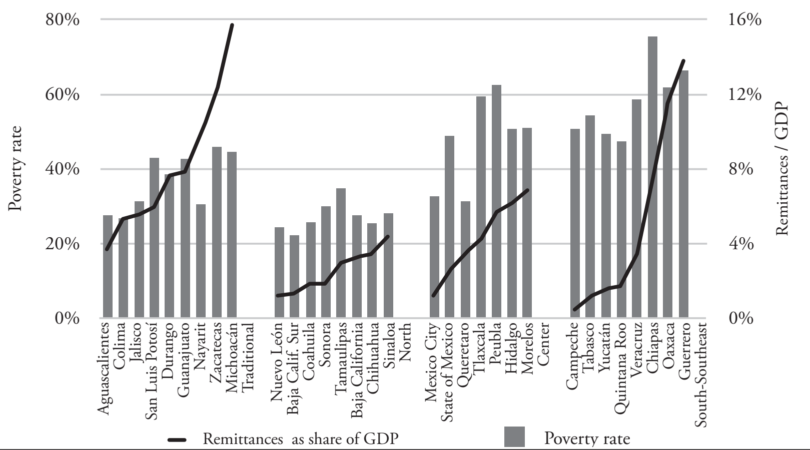
In terms of the proportion of remittances to GDP, these represented 6.1% in the traditional region in 2020, with Michoacán (12.2%), Zacatecas (10.6%), Nayarit (6.9%), and Guanajuato (6.6%) standing out. This region also has the most important Mexican migrant organizations

[3] The regions include the following states. Traditional: Aguascalientes, Colima, Durango, Guanajuato, Jalisco, Michoacán, Nayarit, San Luis Potosí, and Zacatecas. North: Baja California, Baja California Sur, Chihuahua, Coahuila, Nuevo León, Sinaloa, Sonora, and Tamaulipas. Central: Hidalgo, Mexico City, Morelos, Puebla, Querétaro, State of Mexico, and Tlaxcala. South-southeast: Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, Veracruz, and Yucatán.

in the U.S., which from 2002 to 2017 financed 29,677 projects in their hometown communities through the "Programa 3x1 para Migrantes." These projects had positive effects on transnational community organization, social infrastructure, and the well-being of the population (Chart 4).

Regarding the impact of remittances on poverty, it is important to recognize that in states where this income represents a greater proportion of GDP, economic and social backwardness persists. However, in the absence of remittances, it could be even worse. In general, the northern and traditional regions concentrate the lowest proportion of the population in poverty (13.0% and 19.9%) and the highest amounts of remittances received (17.4% and 41.4%, respectively). In the absence of remittances in Mexico, poverty would concern more than the currently recognized 55 million people. Therefore, it is important to appreciate that 1.8 million households receive this income (5.1%). In the traditional region, 9.0% of households receive remittances; in the northern region this figure is 5.4%, and in the south-southeast region, 4.4%. In the traditional region, Zacatecas has the highest percentage of recipient households (13.2%), along with Michoacán (12.3%) and Nayarit (11.6%).

Chart 4: Share of Population Living in Poverty and Remittances as a Percentage of GDP by State and Region, 2020



Source: Elaborated by the authors with data from the National Council for the Evaluation of Social Development Policy (Coneval) and INEGI, 2020.

Collective Remittances

Collective remittances emerged as a substitute for non-existent community and municipal development proposals and were only possible after the emergence of migrant organizations or clubs in the 1960s, known as hometown associations. Both elements allowed the establishment of the "Programa 3x1 para Migrantes" of social co-investment in 1999 in Zacatecas with the participation of the three levels of government.

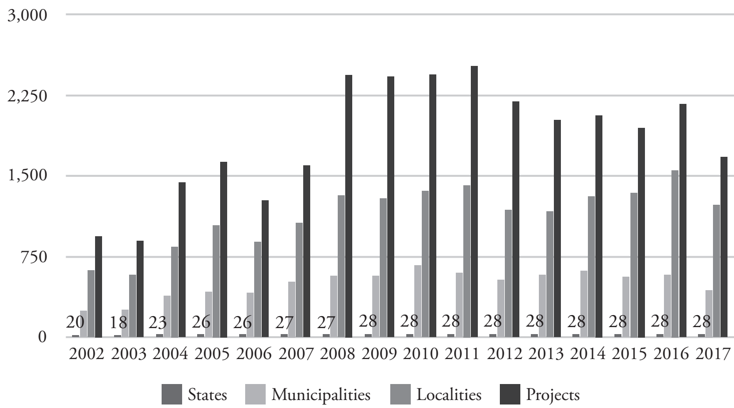
Its antecedent is the spontaneous practice known by migrants as the "zero dollars for one" stage, which operated with the monetary resources of the hometown associations themselves. This initiated the informal practice of "one for one" with the contribution of one dollar from the municipalities and another from hometown associations. At the beginning of the 1990s it was transformed into the 2x1 Program in Guerrero and Zacatecas, in which the federal and state governments collaborated with one dollar each for every dollar from migrants (García Zamora & Padilla, 2012).

With the process of solidarity and increasing informal institutional learning about investment between migrants, municipalities, state governments, and federal agencies, the institutionalization of transnational community philanthropy materialized with the "Programa 3x1 para Migrantes." It began in 2002 and ended in 2020, after the federal government and Congress decided to suspend its budget on the grounds of its corporatist use by previous governments and the frequent mismanagement of its financial resources at the end of 2019.

The types of projects developed under the "Programa 3x1 para Migrantes" were: *1)* basic social infrastructure, such as construction, expansion, and rehabilitation of water network projects, sanitation and potabilization, drainage, sewerage, electrification and infrastructure for urban improvement and/or environmental protection; *2)* community service projects, such as healthcare, sports activities, cultural and recreational events, community development, and civil protection; *3)* educational projects, such as equipment for and infrastructure improvement of public schools, and *4)* productive projects, which had to benefit at least ten families in the municipality where the project was carried out, generating income and employment for the community (Secretaría de Bienestar, 2017).

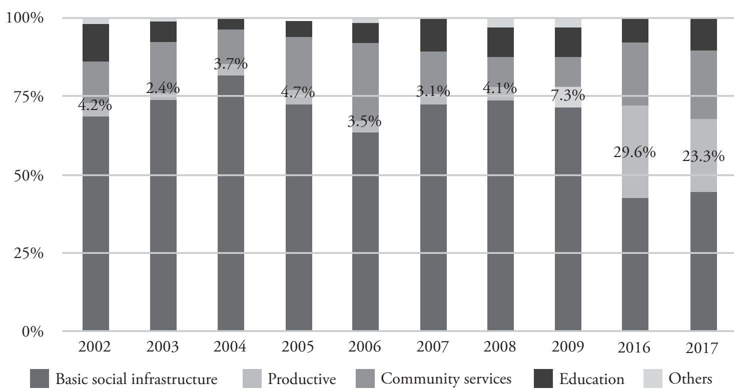
In a 2-decade perspective, the positive impacts far outweigh the negative ones (García Zamora, 2019). The information of 29,677 community projects carried out from 2002 to 2017 throughout the country and the number of communities and families benefited by the program illustrate its impacts and the need to maintain, restructure, and thoroughly improve its operation (Chart 5).

Chart 5: Reach of the "Programa 3x1 para Migrantes," 2002-2017



Note: Preliminary figures are shown for 2017.
Source: Elaborated by the authors with data from the Secretaría de Desarrollo Social. Estadísticas Nacionales del "Programa 3x1 para Migrantes" (M02_136B).

Chart 6: Percentage Distribution of Projects within the "Programa 3x1 para Migrantes," 2002-2009 and 2016-2017



Source: Elaborated by the authors with data from Coneval, Ficha de Monitoreo del "Programa 3x1 para Migrantes" and based on García Zamora & Padilla (2012).

The expansion of the program favored an increase in productive projects (Chart 6). From 2002 to 2008, productive projects at the national level did not exceed 5% of all collective projects in the country. In 2016 and 2017, they stood for 29.6% and 23.3% of the total number of projects, respectively, with basic social infrastructure projects prevailing (Coneval, n.d. a & b). This data shows how progress has been made in the course of 15 years in the implementation of productive projects with the support of co-investment for business purposes. It also reflects the multiple problems for their implementation and development: a logic of profitability, the absence of an entrepreneurial culture, and a complex national economic environment.

Remittances and the Debate on Their Impact on Development

When the "Programa 3x1 para Migrantes" was formalized as a federal program, hometown associations were already significantly solid in terms of their internal functioning, their permanent alliance with their hometown communities, and their relations with the different levels of government and with social actors from academia and civil society. It was also possible to evaluate and improve the program and seek to move towards migration policies with a focus on local development in states with a large number of hometown associations. These include Zacatecas (14 migrant federations with more than 250 hometown associations), Jalisco, Michoacán, and Guanajuato. The organization of various seminars and workshops in these states reflects the growing importance of the debate among multiple sectors in Mexico and the region, especially from 2001 to 2007.

The increasing amounts of international remittances entering Mexico in states such as Michoacán and Zacatecas—characterized by the absence of industry and the persistence of economic backwardness—generated an interest in various social sectors to use the flow of remittances and the emergence of migrants as new social agents to promote development in the different regions of origin. The governments of the states with the greatest international migration and remittance flows saw the possibility of multiplying social community projects through co-investment with hometown associations. In turn, hometown associations saw the possibility to promote greater community infrastructure projects, influence local and regional development policies, and move towards productive projects that would have an impact on the local economic development in order to reduce migration in the medium term.

At the level of the federal government, the growing flow of family remittances is perceived as an element of macroeconomic stabilization and a factor in regional economic reactivation. At the national and international banking level, the significant increase in the amounts sent to Mexico generated greater competition between institutions to take advantage of the growing market for the transfer of remittances and the possibility of including broader sectors of migrant communities in all types of banking, financial, and insurance services. At the international level, it was noteworthy that international organizations—such as the International Monetary Fund, the World Bank, and the Inter-American Development Bank—asserted that remittances had the capacity to promote economic development in the countries and regions of origin (Canales Cerón, 2008).

A debate on the potential of family remittances to promote development, which had taken place decades earlier in Africa and Europe, was reproduced in the academic sector in Mexico and the U.S. This debate can be defined by two main perspectives: the pessimists and the optimists. Among the first is Manuel Canales Cerón (2008), who argues that remittances are neither a form of savings nor a source for productive investment, but rather constitute a wage fund that, as such, is destined mainly for consumption and the material reproduction of the household. Furthermore, remittances come from the wages of workers who combine a highly vulnerable and precarious labor insertion in the host country with conditions of poverty, marginalization, and social vulnerability in their country of origin.

The optimistic perspective, to which we subscribe, agrees with Canales Cerón's main idea: migration and remittances alone do not generate development, for which comprehensive public policies for economic development are required. However, we believe that the debate must be contextualized in states such as Michoacán and Zacatecas, characterized by economic backwardness and the lack of industry and a significant business sector. Without these, hometown associations, and their remittances and projects, cannot acquire great relevance.

Our experience of more than 2 decades of collaboration with hometown associations in both states[4] leads us to assert that new institutional knowledge has been generated in the hometown communities and among migrants, municipalities, state governments, NGOs, academia, and even international organizations and foundations, including the Ford, Rockefeller, and MacArthur foundations. This acquired knowledge makes it possible to advance towards the construction of a new institutional

[4] These collaborations were meant to strengthen the "Programa 3x1 para Migrantes," improve solidarity projects, advance productive projects, and articulate the program with regional economic development policies. It resulted in concrete proposals that were part of the Development Plans in Zacatecas in 1999-2004 and 2005-2010 and a concrete proposal in Michoacán for a State policy on development, migration, and human security (García Zamora, 2014).

architecture for state and regional economic development. However, in reality, our perception was not shared by most of the institutional actors linked to migrants and remittances, for whom the main focus was the utilitarian benefit of remittances and welfare support to migrants.

For 20 years, the three levels of government have sought to benefit from the growth of remittances to reduce macroeconomic problems, increase social expenditure, and gain legitimacy through co-investment with migrant organizations in the framework of the "Programa 3x1 para Migrantes." Also, the banking and financial sector has sought to increase its market with the migrant population in their hometown and host communities through greater financial inclusion. However, there has been no interest in advancing the construction of a new institutional framework for the formulation and implementation of public policies for economic development that integrate migrants and remittances from a human rights perspective.

Regarding the "Programa 3x1 para Migrantes" in Zacatecas, in 2005 we stated that it had the following positive impacts: it articulated the transnational communities of Zacatecas; it was an exceptional tool for transnational community organization; it generated a space for negotiation with the three levels of Mexican government; it financed 1,500 community projects from 1993 to 2005; it enabled a transnational learning process for all participants, the collective (organized) migrant emerged as a new social actor in community development, and it promoted a culture of social control and transparency (García Zamora, 2005, p. 285).

The progress of the "Programa 3x1 para Migrantes" in the states, its impact in the multiplication of hometown associations in the U.S., the experience acquired by the actors and its results led to an attempt to move from social projects to productive projects, and even to local and regional development policies, especially with the associations of Zacatecan migrants. The Federation of Zacatecan Clubs of Southern California, made up of seventy associations, and the Foundation for the Integral Development of Southern Zacatecas proposed a binational development plan for that region based on agro-industrial projects of agave, vegetables, guava, saffron, and oregano production, cattle husbandry, and textile workshops for women (García Zamora, 2003, p. 222). Like others in Guanajuato, Jalisco, and Michoacán, this proposal could not be developed because there was no political will on the part of the state governments to integrate the projects into concrete policies, even though they were part of the state development plans.

The optimism of organized migrants as new economic and social agents of development in their states led them to promote the transformation of the Institutos de Atención al Migrante (migrants assistance institutes)—geared towards welfare—into Secretariats for Migrants, as in Michoacán and Zacatecas. These acted with a transnational, proactive approach to public policy development. They also maintained a perspective of designing comprehensive and cross-cutting public migration policies in coordination with the state secretariats of economy, social development, agriculture, education, and health. However, despite the change of name from "Institutes" to "Secretariats" for Migrants and the temporary increase in financial and human resources, they never ceased to be marginal spaces in state governments. Moreover, in Michoacán and Zacatecas, these secretariats are in the process of being dismantled through the reduction of their budget and lack of trained human resources and being subject to the reiteration of traditional corporatist practices.

An unprecedented experience took place in Zacatecas between 2009 and 2015 with the Federation of Zacatecan Clubs of Southern California and the Rockefeller Foundation. The latter supported the construction of a transnational local development agency, La Federación Zacatecana, A.C., which allowed the Federation to improve the management of its economic resources for traditional social solidarity projects, establish a small productive microcredit program for migrant projects in Zacatecas, and partially advance in concrete productive projects on livestock, honey, sweets, and mezcal production.

The "Programa 3x1 para Migrantes" has been of paramount importance both in Mexico and abroad. The different Global Forums on Migration and Development held between 2007 and 2016 acknowledged it as one of the best experiences of migrant philanthropy in the world. It was also instrumental for the organization of the transnational community of migrants and has generated spaces for negotiation with the three levels of government in favor of their hometown communities and fostered the design of new public policies with a transnational approach.

However, the "Programa 3x1 para Migrantes" faced internal contradictions in its design, operation, and regulations. Its operating rules were planned annually in a top-down manner by the Secretariat of Finance and Public Credit and applied correspondingly by the Secretariat of Welfare (Sedesol) and the state governments. Hometown associations and their hometown communities maintained an asymmetrical and subordinate relationship due to their geographical separation, their limited organization and technical capacity, and their lack of knowledge regarding Mexican bureaucratic culture. This situation caused additional problems, such as the existence of hundreds of "formal endorsements"[5] from some hometown associations that, without financial support from migrants, supported the mayors to carry out projects whose public investment they sought to increase for political prestige and promotional reasons (García Zamora & Gaspar Olvera, 2020).

For pessimists such as Canales Cerón (2008), the "Programa 3x1 para Migrantes" had neither the economic nor the political relevance needed to become a real driver of economic and social development. At the national level, the program's resources were practically insignificant and did not contribute to economic growth, nor to the social welfare of the population or to the reduction of poverty and inequality since it did not even represent 1% of national social spending. According to Canales Cerón, the most important contributions of the "Programa 3x1 para Migrantes" were neither economic nor social development, but rather the creation of possibilities for the social and political participation of migrants and their associations in their hometown communities (García Zamora, 2005).

From the State's point of view, the most relevant aspect of the "Programa 3x1 para Migrantes" is not its amounts, nor its objectives, nor its structure, nor its relevance. What is key is the government's recognition of the existence of an emerging social and political subject—the hometown associations of Mexican migrants abroad—which is capable of establishing innovative demands and proposals. However, the State has also shown its total inability to understand and appreciate the magnitude of the problems involved.

In his research on the "Programa 3x1 para Migrantes" in Michoacán and Zacatecas, Fernando Robledo (2019) notes the institutional fragility and ambivalence of the Mexican government's migration policy. If we add the institutional weakness of hometown associations, the result is that, despite their philanthropic contribution, they fail to become true social actors in public policies and remain subordinate to the Mexican State. The latter

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[5] Valentina Cappelletti (2018) refers to formal "endorsements" under the "Programa 3x1 para Migrantes" "to identify the practice of using a hometown association to sign, i.e. 'endorse', the request for a work, without such association being the promoting institution and without participating financially in its realization. The club's financial contribution is usually covered by a municipal president, by one or more beneficiaries, or by some private party such as a contractor."

in turn applies a welfare and corporatist migration policy, expropriating the "Programa 3x1 para Migrantes" as transnational philanthropy.

From Valentina Cappelleti's (2018) perspective, the program went from its initial stage of successful transnational philanthropy to help hometown communities to a corporatist government policy in 2002, with institutional irregularities in a space of asymmetric power that allowed the emergence of the "cancer" of the "formal endorsements" of the "Programa 3x1 para Migrantes" in favor of state and municipal governments, without migrant financial contribution.

The decision of the executive and legislative powers to exclude the "Programa 3x1 para Migrantes" from the budget in 2020 reflects the lack of recognition of the historical contribution made by Mexican migrants living abroad to Mexico's economy and society. Being increasingly restricted, budget allocations do not manifest an acknowledgement of their effort. Nor is this acknowledgment found in the design and establishment of a comprehensive migration, development, and human rights policy that contemplates the protection of the rights of Mexicans abroad, the development of hometown communities and regions, and the reintegration of thousands of returnees and deportees to the country in the last 10 years (García Zamora & Gaspar Olvera, 2020).

However, hometown associations insist on the reestablishment of the "Programa 3x1 para Migrantes" with in-depth changes, as they consider that its contributions surpass its irregularities. What is important is that the new regulations be debated and constructed by all the social actors involved. In particular, it should allow hometown associations to recover their autonomy, protagonism, and capacity to propose and participate in the implementation, social accountability, and redesign of the program (García Zamora & Gaspar Olvera, 2022).

Although Mexico has experience in co-investment for productive activities with hometown associations, it is necessary to strengthen their managerial, technical, and financial capacities and implement interventions that promote the productive articulation of value chains and the partnership between migrants, government, and governmental institutions (López et al., 2020). In short, the government should recognize the contributions of Mexicans living abroad and integrate them into its agenda as active actors who contribute to the country's economy. Among others, it is also necessary to include the financial system for the financial inclusion of remittance senders and recipients.

Integrating the diaspora in the planning of development policies is of utmost importance for governments to make the most of the monetary resources generated by migrants, either individually or collectively. It is also necessary to innovate and create new institutions and products adapted to the needs of migrants at their destinations and their families in the country of origin.

As a model to be replicated, the "Programa 3x1 para Migrantes" should be redesigned taking into account the elements that match the current socioeconomic and political context. Governments can increase their capacity to implement programs with the diaspora by associating with other projects. Collective remittances from migrants should primarily be allocated to productive projects in economic and business areas. We insist on the need for accompaniment and technical and business assistance.

In order to achieve real progress in the productive use of remittances, the attention and efforts of governments should be directed at those who send remittances, i.e., migrants—and not only recipients—and building a dialogue on their initiatives and interests. This should be linked to a strategy to improve local competitiveness and strengthen the still scarce development poles (Torres, 2001). The prevailing economic and social conditions in Mexico require good technical, economic, and financial support for social and business projects with migrant resources. These projects should also be part of a new strategy for the integral economic development of the country and its different regions.

In 2018, the government of the "Fourth Transformation" seemed to imply that the "Programa 3x1 para Migrantes" was yielding good results for hometown communities, despite presenting bureaucratic problems and irregularities in the use of resources. However, at the end of 2019, the government decided to suspend its budgetary support due to alleged financial mismanagement and its corporate use by previous governments. Only the state of Zacatecas, under pressure from the state's hometown associations, maintains the program under its 2x1 modality, without federal contribution, and with a drop of more than 50% of the projects compared to previous years. Other states, such as Guerrero and Michoacán, are seeking to continue with this same 2x1 experience.

The "Fourth Transformation" reiterated the growing dependence on remittances and verbally acknowledged migrants' contributions, although without proposing any real State policy on economic development, migration, and human rights, despite the different suggestions made by transnational civil society between 2010 and 2021. Everything indicates that the national economy will continue to depend increasingly on the U.S., on exports to its market, on its investments, and on remittances from Mexican citizens living abroad. However, these remittances will not be able to grow indefinitely. The Mexican migrant population is aging, and their associations in the U.S. strongly resent their exclusion from the national agenda and from public policies and budgets, as well as their deliberate marginalization from the national electoral system (García Zamora & Gaspar Olvera, 2022, p. 252).

Conclusions

Remittances are increasingly important in Mexico's economy, so by way of conclusion we highlight the contributions of the "Programa 3x1 para Migrantes", its limitations, and an alternative proposal for social and productive investment with Mexican migrants.

The contributions of the "Programa 3x1 para Migrantes" include the fact that it was a substantial instrument of transnational community organization, expressed in the rapid growth of hundreds of hometown associations. In addition, it promoted migrant collaboration with the Mexican government, funded 29,677 community projects between 2002 and 2017, and enabled the transition to a new institutional framework of public policies for economic development, migration, and human rights, particularly in states such as Zacatecas, Michoacán, Guanajuato, and Oaxaca.

However, the "Programa 3x1 para Migrantes" presented a serious limitation in its design. By being integrated into Sedesol, it became part of the Mexican government's welfare activities instead of a development policy. Its complex and top-down bureaucratic structure limited the technical and institutional capacity of migrant organizations to influence the operation of the program.

It also added to the persistence of a rentier vision towards migrants on the part of the Mexican State, which has acted under the logic that they leave en masse (reducing economic, social, and political tensions), send increasing amounts of remittances, and finance thousands of community projects. The extractivism enacted on migrants and remittances can be extended to the business sector as a whole, which is the main beneficiary of remittances through family consumption. Despite this, the sector has never shown real interest in the "Programa 3x1 para Migrantes" or similar proposals, such as 4x1 schemes.

Our alternative approach for Mexican migrants' social and productive investment involves recovering the knowledge acquired from transnational community organization and participation for local development, and strengthening the actions of the organized migrant as a new agent of community transformation. It is important to recognize that the migrant community faces enormous technical weakness, that it is aging, and that its generation of leaders is not being replaced.

It is also necessary to promote the design of new public policies for local development under a transnational social economy approach for social and productive projects. For this, we suggest reviewing the Special Migration Program ("Programa Especial de Migración," 2014), adapt it to the current reality, and seek its adequacy with a new vision of comprehensive economic development, particularly in migrant hometown and return areas. The Special Migration Program has been the most important collective and inter-institutional effort for the design of a comprehensive migration policy in Mexico with a focus on economic development and human rights. It recognizes migrant organizations as strategic social actors in their relations with the three levels of government for the design of local development strategies with a transnational approach.

The elaboration of a new national economic development strategy and the construction of public policies that articulate development, migration, and human rights are a priority. In 2023, given the demand of Mexican migrant organizations for the reestablishment of the "Programa 3x1 para Migrantes" with the necessary changes, the different projects of the Secretariat of Economy on social and solidarity-based economy can be used to integrate social and productive investment programs as part of regional and local development strategies, coupled with unrestricted respect for human rights.

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The Cost of Remittance Transfer Services to Mexico

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The financial inclusion of the Mexican remittance-sending migrant population in the U.S. and of the recipients of these resources in Mexico is an important goal since it enables their access to a variety of financial services. It also contributes to the economic development of both countries through resource intermediation. On the other hand, lowering the cost of remittance transfers is also desirable and should be accompanied by a higher level of financial inclusion. However, as discussed in this chapter, financial inclusion is not necessarily on the agenda of remittance senders and recipients, nor has it been a primary objective of the remittance transfer industry, notwithstanding the fact that, in recent years, this industry has made greater efforts to ensure that remittances sent from the U.S. are received in a bank account in Mexico and that both sending and receiving are carried out between accounts.

In general, the cost of remittance transfers is an important variable for the international migrants who send these resources, as well as for the households receiving the funds. The World Bank estimates that in 2022, low- and middle-income economies received $626 billion dollars in remittances, so a one percentage point reduction in the cost of remittances would represent a savings of about $6.3 billion dollars. This reduction would make it possible for recipient households to receive more funds and means less sacrifice on the part of the migrants who send them. To put into perspective the amount of remittances received in 2022 by low- and middle-income countries, it should be noted that this amount was equivalent to 44% of Mexico's Gross Domestic Product (GDP).

[1] I wish to thank Denisse Jiménez for her support in writing this chapter.

This chapter analyzes a variety of aspects associated with the cost of remittances sent to Mexico. First, it reviews the issue of the cost of remittances as perceived on the international agenda. The second section highlights the relevance of such costs considering the importance of remittances for the millions of Mexican households that receive them. The third section reviews the changes in the prices of remittance transfers over the last 3 decades. The fourth section highlights how the fees of remittances sent to Mexico are currently among the lowest in the world. The fifth section discusses the factors explaining the reduction of these costs. The sixth section presents Mexican migrants' perceptions of the cost of their remittances and discusses the factors they consider when making decisions about how to send money. Finally, some concluding remarks are presented.

The Cost of Remittances on the International Agenda

Benefits of reducing the cost of remittances have been highlighted internationally not only by the countries receiving these transfers, but also by the most advanced economies from which these remittances mainly originate. This objective was expressed in July 2009 by the G-8[2] heads of state at the meeting held in L'Aquila, Italy. The G-8 heads of state proposed "to make financial services more accessible to migrants and to those who receive remittances in the developing world" and "to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the [then] present level of 10% to 5% in 5 years through enhanced information, transparency, competition and cooperation with partners, generating a significant net increase in income for migrants and their families in the developing world" (G-8, 2009, para. 134).

In 2010, the G-8 approach was endorsed by the G-20[3] at its plenary meeting in Seoul, South Korea. In 2011, the G-20 formally committed to the quantitative target of reducing "the average cost of transferring remittances from 10% to 5% by 2014" (G-20, 2011, para. 77). However, this ambitious global target was not met that year.

Since September 2008, the World Bank has been monitoring remittance prices globally for different remittance corridors, regions, and

[2] The Group of Eight (G-8) was an intergovernmental forum composed of the world's richest countries (Canada, France, Germany, Italy, Japan, Russia, the U.K., and the U.S.). The G-8 reverted to the G-7 after the provisional exclusion of Russia in 2014.

[3] The Group of Twenty (G-20) is an international forum of leaders and central bankers, composed of nineteen industrialized and emerging countries from all continents, including Mexico, plus the European Union and Spain as a permanent guest.

countries of origin and destination. The World Bank's measurement indicates that, in the third quarter of 2022, the average worldwide cost of remittances was 6.3% of the amount sent, but its average cost reassessment when taking into account the magnitude of flows in the different remittance corridors was of 4.68% (The World Bank, 2022). Such costs correspond to a $200-dollar remittance, and, in the World Bank statistic, the average costs are significantly lower in dollars and in percentage in the case of a $500-dollar remittance. Banco de México statistics show that, since the mid-1990s, the average remittance to Mexico has exceeded $300 dollars, with the exception of 1998.

However, the World Bank's measurement overestimates the true cost of remittances to recipient countries, since it takes the average prices of a variety of remittance service providers and different remittance modalities. By considering the average of the different options and providers as the cost indicator, the World Bank implicitly assumes that the sender chooses the provider and the modality of the transaction randomly.

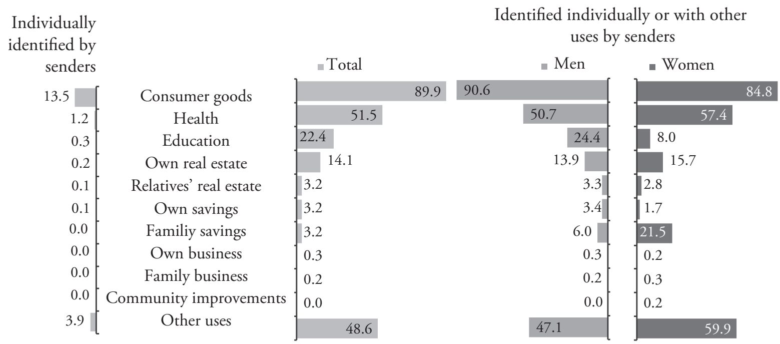
Possibly in response to the above, in the second quarter of 2016 the World Bank introduced the Smart Remitter Target (SmaRT) that reflects the cost when the sender has access to complete information on the remittance fees of the different providers and options for the transaction. Calculated considering the three cheapest remittance modalities and for a $200-dollar remittance, the result was 3.14% for the third quarter of 2022.

It should be noted that the United Nations has joined the international agenda on the cost of remittances through its Sustainable Development Goals (SDGs). The SDGs aim for the worldwide fee to be 3% by 2030, and that remittances can be transferred for 5% or less in all corridors.

Importance of the Low Cost of Remittance Transfers to Mexico

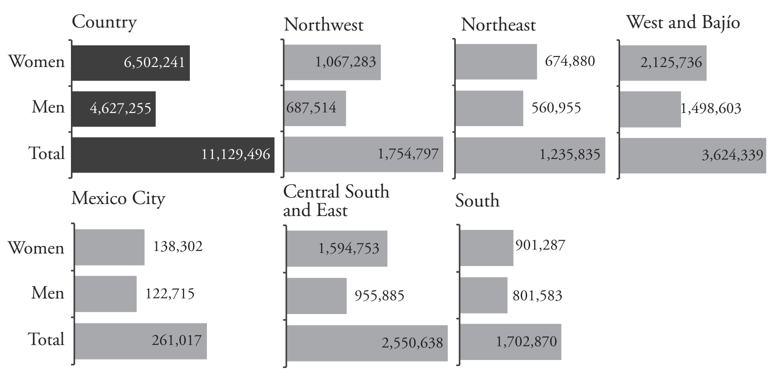
The importance of making the cost of sending remittances to Mexico inexpensive stems from the fact that this resource is important for millions of recipient individuals and households. Remittances alleviate the budget constraints of these households, allow them to improve their standard of living, reduce poverty, and reduce the gender income gap. The results of a survey collected by Banco de México among Mexican migrants during the 2015 holiday season show that the number one response to the question on the use of remittance income are consumer goods, followed by health and education expenses (see Chart 1). In addition, one out of every seven responses indicated that the remittance was also used to pay for the migrant's real estate. With the exception of education and savings, no significant differences were observed in the use of remittances by gender.

Chart 1: Use of Remittances According to the Frequency of Remittance Senders' Responses by Gender (percentages)



Note: "Total" is the sum of uses identified individually or in conjunction with other uses.
Source: Cervantes González, 2018.

Chart 2: Number of Adult Remittance Recipients by Country Region, July 2020-August 2021



Note: Adults 18 and older who received money from relatives or acquaintances living in another country. The states included in the six regions are the following:
Northwest: Baja California, Baja California Sur, Chihuahua, Durango, Sinaloa, and Sonora.
Northeast: Coahuila, Nuevo León, San Luis Potosí, and Tamaulipas.
West and Bajío: Aguascalientes, Colima, Guanajuato, Jalisco, Michoacán, Nayarit, Querétaro, and Zacatecas.
Mexico City: Mexico City.
Central South and East: Hidalgo, Morelos, Puebla, State of Mexico, Tlaxcala, and Veracruz.
South: Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, and Yucatán.
Source: Cervantes González & Ostolaza, 2022.

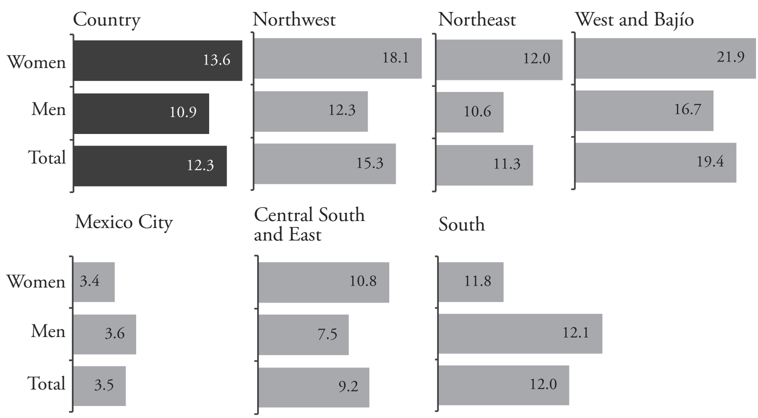
How Many People Receive Remittances in Mexico?

According to the results of processed microdata from the National Survey of Financial Inclusion (ENIF 2021) collected from June 28 to August 13, 2021, remittances are a source of income for 11,129,496 adults in Mexico, distributed across all regions (CNBV & INEGI, n.d.). Women accounted for 58.4% of remittance recipients, reflecting the fact that in Mexico the main recipients of such remittances are the migrants' mothers (see Chart 2).

Percentage of Remittance-Receiving Adults

The survey indicates that 12.3% of adults in Mexico are remittance recipients, that is, one out of every eight adults, and the corresponding percentage was higher among women than men, 13.6% vs. 10.9%. There are significant differences in percentages of remittance-receiving adults across the different country regions, given that the figure was very low in Mexico City, with 3.5%, and reached 19.4% in the West and Bajío region, which groups eight states and the three main recipients: Jalisco, Michoacán, and Guanajuato. In this region, one out of every five adults receives remittances (see Chart 3), which reflects the fact that the states that make up this region are relevant origin states of migration.

Chart 3: Percentage of Remittance-Receiving Adults by Country Region, July 2020-August 2021

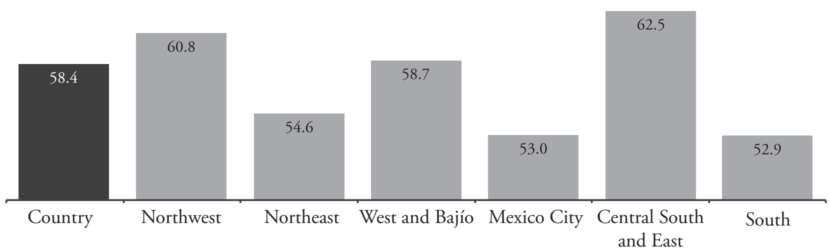


Source: Cervantes González & Ostolaza, 2022.

Remittance-Receiving Women in Mexico

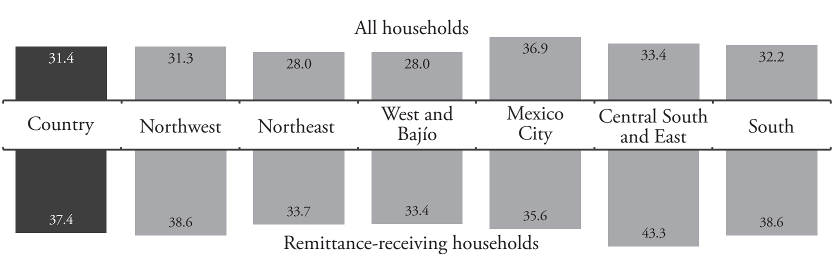
Of all remittance recipients, 58.4% are women, and in all regions of the country women make up the majority of beneficiaries. The results of the ENIF 2021 (CNBV & INEGI, n.d.) show that of the 36,134,561 households of the country, in 11,357,940 a woman is head of household, that is, in 31.4% of households. However, when considering only households that receive remittances, 37.4% of them are headed by women. In the Central South and East region, 43.3% of the households receiving remittances were headed by women, that is, 1 out of every 2.3 remittance-receiving households (see charts 4 and 5).

Chart 4: Percentage of Remittance-Receiving Adult Women by Region, July 2020-August 2021



Source: Cervantes González & Ostolaza, 2022.

Chart 5: Percentage of Female-Headed Households by Country Region, July 2020-August 2021

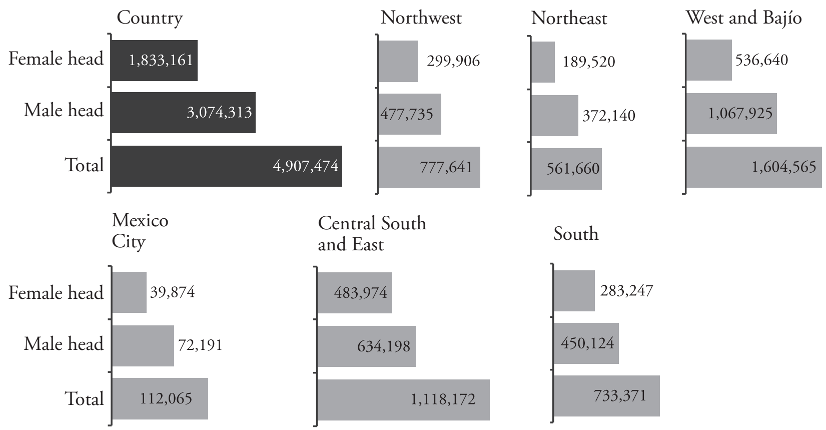


Source: Cervantes González & Ostolaza, 2022.

How Many Households Receive Remittances in Mexico?

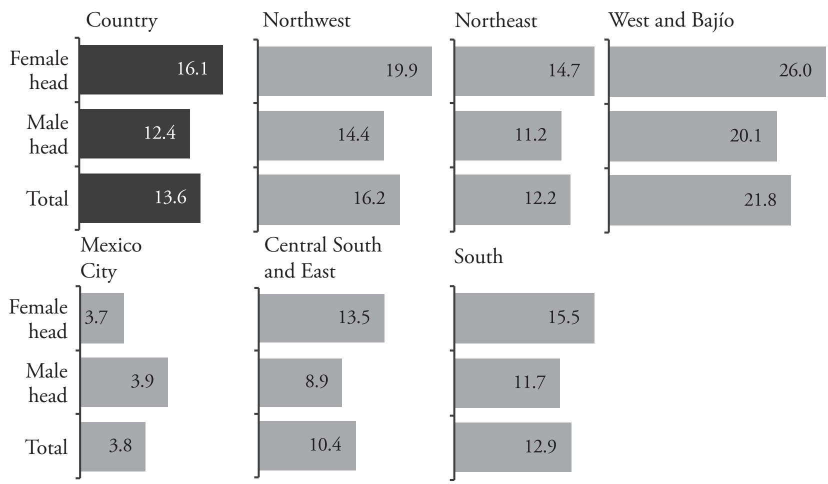
The ENIF 2021 microdata indicates that, during the survey period, 4,907,474 households were remittance recipients and in 1,833,161 of them the head of household was female (CNBV & INEGI, n.d.). The main region with households receiving remittances is the West and Bajío region, which includes, among others, the states of Michoacán, Jalisco, and Guanajuato (see Chart 6), which, as mentioned above, have been important migrant-sending states.

Chart 6: Number of Households Receiving Remittances by Gender of the Head of Household and Country Region, July 2020-August 2021



Source: Cervantes González & Ostolaza, 2022.

Chart 7: Percentage of Remittance-Recipient Households by Gender of the Head of Household and Country Region, July 2020-August 2021



Source: Cervantes González & Ostolaza, 2022.

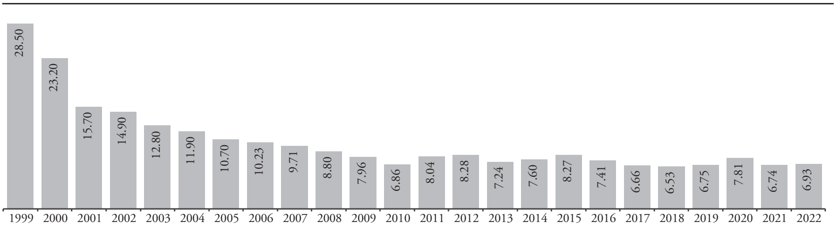
Percentage of Mexican Remittance-Receiving Households

In Mexico, 13.6% of households receive remittances, that is, 1 out of every 7.4 households, but the percentage was 16.1% in those where the head of household was a woman. Thus, 1 out of every 6.2 households in which the head of household was a woman receives remittances. On the other hand, in the West and Bajío region, which is the main recipient of remittances in the country, 26.0% of households headed by a woman were remittance recipients, that is, 1 out of every 4 households (see Chart 7). This suggests that the efforts of the remittance transfer industry—and particularly the financial segment of that industry—to increase financial inclusion need to focus more specifically on women, recognizing that, in Mexico as in other countries, they are the main recipient group of these resources.

The Cost of Remittances Sent to Mexico from the U.S.

Statistics from Mexico's Consumer Protection Federal Agency (Profeco, 2022) on the average cost of remittance transfers from the U.S. to Mexico show that these costs decreased significantly in the late 1990s and in the first decade of the 21st century. In recent years, the price for sending remittances has stabilized between $6 and $7 dollars for a $300-dollar remittance (see Chart 8).

Chart 8: Total Cost of $300-Dollar Remittances Transferred from the U.S. to Mexico from a Sample of Service Providers by City of Origin (dollars per remittance)



Source: Elaborated by the author with data from Profeco, 2022.

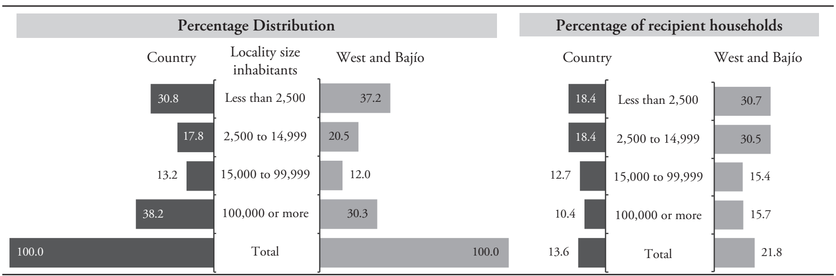
Profeco's measurement of remittance fees was a pioneer at the international level. Since the late 1990s, Profeco has performed such measurements for $300-dollar remittances to Mexico from nine U.S. cities: Chicago, Dallas, Houston, Indianapolis, Miami, New York, Los Angeles, Sacramento, and San Jose. In 2021, they added San Diego, Tucson, and El Paso. As of February 2021, Profeco's measurement is for $350-dollar remittances.

The sharp decline in the cost of remittance transfers to Mexico from the U.S. is explained, as discussed in detail below, by a more competitive market. It should be recognized that the lower cost of remittances does not necessarily lead to greater financial inclusion of remittance senders and recipients, as this requires an additional effort by the financial segment of the remittance industry.

Cost of Remittance Collection and Size of the Locality

A significant volume of remittance income is sent by Mexican migrants to family members residing in small communities. Information from the ENIF 2021 (CNBV & INEGI, n.d.) shows that 30.8% of remittance recipient households are located in communities of less than 2,500 inhabitants and, in fact, practically half (48.6%) of recipient households are located in communities of less than 15,000 inhabitants. In the West and Bajío region, 57.7% of recipient households are located in communities of this size. There is also a higher frequency of recipient households in smaller communities. Thus, 18.4% of households in communities with less than 15,000 inhabitants are recipients of remittances, but in the West and Bajío region this percentage was 30.6%. That is, in this region, 1 out of every 3.3 households is a remittance recipient (see Chart 9). The relevance of locality size stems from the fact that small communities often lack remittance disbursing agents and recipients have to move to another locality, which implies economic and non-economic costs to collect the remittance.

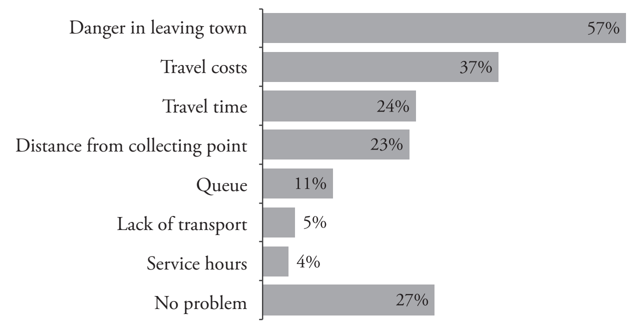
Chart 9: Remittance Recipient Households by Location Size (percentages)



Source: Cervantes González & Ostolaza, 2022.

The unpublished results of a survey collected by the Center for Latin American Monetary Studies (CEMLA) in April 2022 in the community of Las Tortugas, municipality of Puruándiro, Michoacán, show that in small towns the collection of remittances can entail significant economic and non-economic costs (see Chart 10). Of the community's 140 households, 126 were surveyed, of which 60% received remittances. According to town residents, no crimes are committed in the area. However, remittance recipients have to travel to the municipal capital to collect remittances.

Chart 10: Is There a Problem in Collecting Remittances?
(percentage distribution of responses)

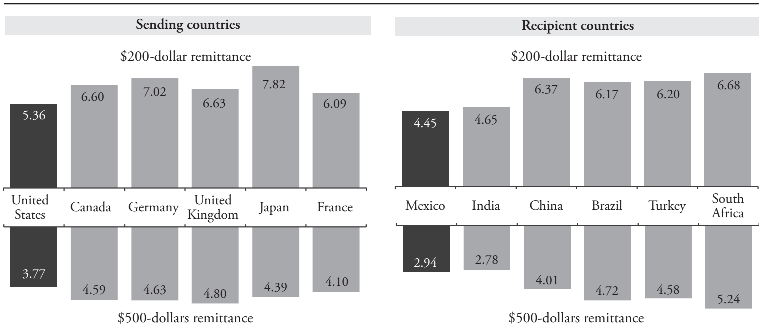


Note: Percentages add up to more than 100 because more than one option could be selected.
Source: Elaborated by the author with data from a survey collected by CEMLA in April 2022, in the community of Las Tortugas, municipality of Puruándiro, Michoacán.

Cost of Remittances Transferred to Mexico as Measured by the World Bank

In the World Bank's database (The World Bank, 2022), when considering the main remittance-sending countries, the U.S. stands out as the cheapest in remittance transfer costs. Its average fee in the third quarter of 2022 was 5.36% and 3.77% for remittances of $200 and $500 dollars, respectively. This result is very positive considering that this country is the destination of 97.0% of Mexican migration. Additionally, the World Bank statistics also indicate that, among the world's main remittance-receiving countries, remittances to Mexico are among the cheapest (see Chart 11).

Chart 11: Cost of Sending and Receiving Remittances in the Third Quarter of 2022 (percentages)



Source: Elaborated by the author with data from The World Bank, 2022.

Factors that Contributed to the Declining Cost of Remittance Transfers

The decrease in the cost of remittance transfers to Mexico over the last 25 years has been due to both supply and demand factors, but has mainly been the result of a more competitive remittance market, particularly in the case of remittances sent from the U.S. Among the factors that have contributed to the decrease in remittance costs, the following stand out:

1) A significant increase in the total amount of remittances sent from the U.S., not only to Mexico but also to Central American and Caribbean countries. Market size is an important variable that influences remittance costs. Over the last 2 decades, Mexico has been one of the top three or four remittance-receiving economies in the world, and the large amount of remittance income facilitates the participation of a greater number of intermediaries as well as the competition among them, which makes remittances cheaper. The entry of a larger number of intermediaries prevents any of them from having monopoly power in the market and exerts a significant downward influence on the remittance prices.

2) Better information among users of remittance services regarding the costs of different remittance options. The industry evolved towards more transparency for remittance senders; they are offered options from different providers and different remittance modalities (immediate payment, next day payment, account deposit, etc.). The transfer is made in pesos and the migrant obtains a receipt specifying how many pesos their family member in Mexico will receive. Different service providers compete with each other on the exchange rate they offer.

It should be noted that receiving the remittance in pesos has advantages for the recipient, since the dollar is not very liquid in Mexico (except in some border areas with the U.S.) and the exchange rate would be a significant cost if the remittance was to be collected in dollars, considering that it is a low value transfer.

3) Structural change in the composition of remittances, since almost all of them are now carried out through electronic transfers, which are cheaper. Banco de México statistics show that, in 2022, 99% of transfers were electronic.

4) Remittance transfers became more homogeneous in terms of their characteristics, which contributed to lower costs, with electronic transfers for immediate collection tending to predominate. In the case of

Mexico, money order remittances, which in the past represented a significant percentage of remittances, have practically disappeared. In 2022, only 0.3% of remittances were received through money orders.

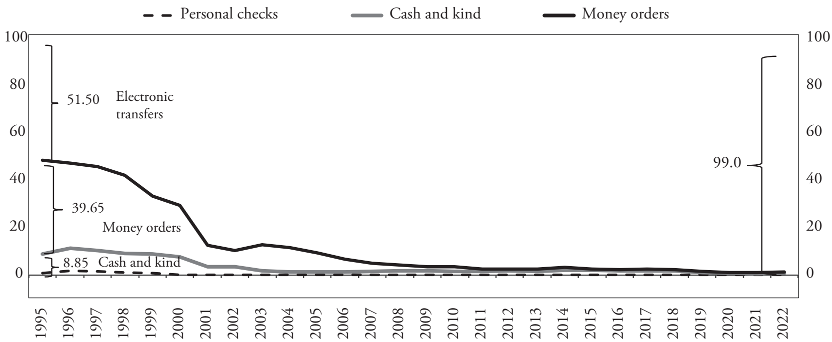
5) An important step towards making remittances cheaper was the gradual disappearance of exclusivity agreements, i.e. agreements whereby the remittance company required the disbursing entity to operate only with them. Such agreements restricted competition and facilitated high charges for remittances but did not survive in the face of the increased number of remittance service providers.

All of the above factors also contributed to the fact that in the case of Mexico there are practically no remittances sent through informal channels, such as relatives, friends, couriers, messengers, and transportation companies. According to Banco de México, in 2022, remittances in cash and in kind, which some analysts might consider as informal, only represented 0.7% of the total.

Percentage Structure of Mexico's Remittance Income by Funding Instrument: 1995-2022

Chart 12 shows the significant changes in the composition of Mexico's remittance income by funding instrument—which has implications for the cost of remittances. In 1995, as measured by Banco de México, 0.71% of remittances were collected by check, and this instrument disappeared in 2004. Likewise, in 1995, remittance inflows by cash and in-kind, and by money orders represented 8.14% and 39.65%, respectively, but in 2022, such shares were reduced to 0.7% and 0.3%.

Chart 12: Structure of Remittance Income by Funding Instrument (percentages)



Source: Elaborated by the author with data from Banco de México.

"Directo a México"

Together with the U.S. Federal Reserve, Banco de México made a significant effort to reduce the cost of remittance services by implementing the program known as "Directo a México". This service has been operating since 2004 to send money from an account at an institution subscribed to the service in the U.S. to any bank account in Mexico.

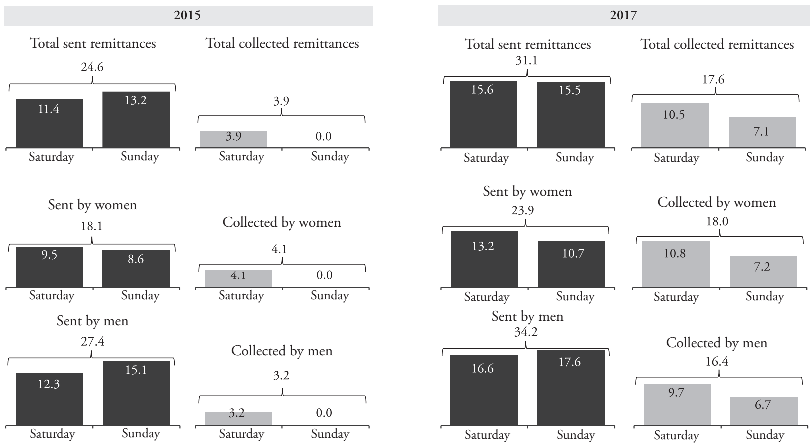
According to information from Banco de México, there are close to 300 financial institutions in the U.S.—mainly banks and credit unions—that provide the "Directo a México" service, and in Mexico the transfer is received in a bank account or in L@Red de la Gente. The latter was an alliance between Banco del Bienestar and 159 Sociedades de Ahorro y Crédito Popular, which made up the largest financial network in Mexico, with more than 2,400 branches in more than 930 municipalities throughout the country, until Banco del Bienestar's exit from the remittance market in March 2023. The commission charged by "Directo a México" for remittances was around $3 dollars. The money was available before 2:00 p.m. the next bank working day after the remittance was sent, and the recipient received it at the FIX exchange rate of the day minus a 0.21% commission.

Despite the attractiveness of sending remittances from the U.S. through the "Directo a México" program, after 18 years of operation, this option did not play a significant role in remittance transfers to Mexico. The reasons for this are, among others, that it was little known, there was little inclination of Mexican migrants to send remittances from a limited number of banks that may be far away, with restricted hours and not operating on weekends. A significant number of migrants are paid by the hour, so going to a bank can be burdensome in terms of opportunity cost. In addition, a significant percentage of remittances are collected on the same day they are sent and, as we will see in the next section of this chapter, there are other factors that Mexican migrants consider when sending their remittances. There is also a certain perception among them that the cost of sending remittances is already low, so the relevance of this option was secondary.

Remittance Industry Services and the Needs of Remittance Senders and Recipients

Over time, the remittance industry has shown flexibility and capacity to adapt to the needs of remittance senders and recipients. An example of this is the possibility of sending and collecting remittances on weekends, when financial institutions are generally closed in both the sending and receiving countries (see Chart 13).

Chart 13: Percentage of Remittances Sent and Collected on Weekends



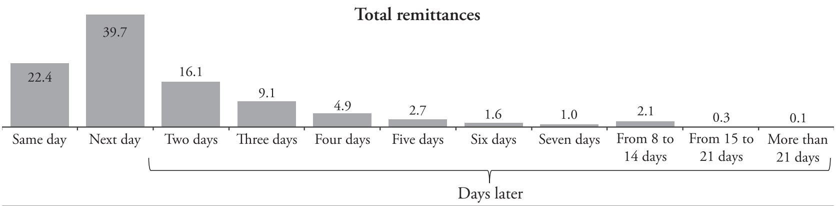
Note: Refers to remittances paid in cash.
Source: Cervantes González, 2015 (for 2015), and Cervantes González, 2021 (for 2017).

Speed of Remittance Collection

The flexibility of the remittance industry to adapt to the needs of senders and recipients is also noticeable in the speed with which remittances are collected and, consequently, in the possible need to urgently dispose of those resources. For these estimations with 2017 data, only remittances that were collected in cash (7,714,051 remittances) were considered, and not those deposited in an account (1,776,157 remittances), since for the latter the day on which the resources are withdrawn is not known. It is to be noted that 22.4% were collected on the same day they were sent, suggesting that these funds were already expected. Likewise, 39.7% were collected the following day, and an additional 16.1% on the subsequent day. Thus, 78.2% of the remittances sent were collected in 2 days or less (see Chart 14).

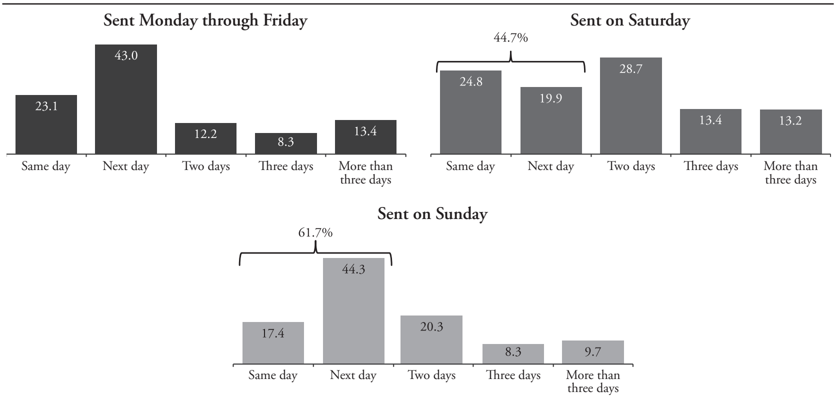
It was noted that 22.4% of remittances are collected the day they are sent, but if we consider only those sent Monday through Friday, 23.1% are collected the same day they are sent, and an additional 43.0% the following day, such that almost two thirds of those transfers were already collected the day after they were sent. An important change in the remittance industry is that 44.7% of remittances sent on a Saturday are collected that same weekend. In fact, 17.4% of those sent on Sunday are collected that same day (see Chart 15).

Chart 14: Difference between the Day of Sending and the Day of Collection of Remittances to Mexico Paid in Cash in 2017 (percentage frequency distribution)



Source: Cervantes González, 2021.

Chart 15: Difference between the Day of Sending and the Day of Collection of Remittances Paid in Cash According to the Day of the Week on Which They Were Sent in 2017 (percentage frequency distribution)

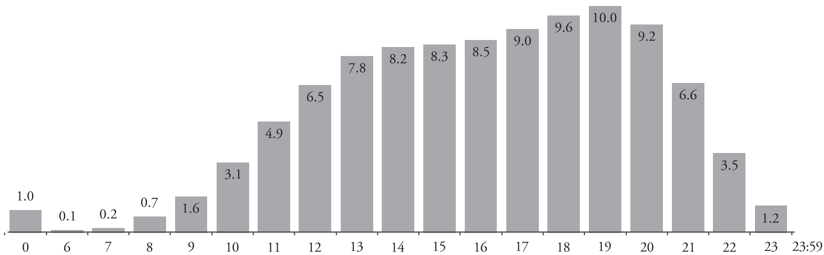


Source: Cervantes González, 2021.

Time of Day Remittances Are Sent

Another example of the U.S. remittance market's flexibility to adapt to the needs of its customers is the time of day remittances are sent. The results of a study by CEMLA and Banorte (Cervantes González, 2020) indicate that the time of day with the highest percentage of remittances sent is between 7 and 8 pm and, in fact, 48% of remittances are sent between 5 p.m. and 11 p.m. Thus, almost half of remittances are sent after the sender has left work (see Chart 16).

Chart 16: Time of Day Remittances Were Sent, 2017 (percentage of remittances)



Source: Cervantes González, 2021.

Factors Considered in the Selection of Remittance Transfer Services

Results of a survey collected by Banco de México in the 2015 holiday season on Mexican migrants (Cervantes González, 2018) identified the factors they consider when selecting the provider to send remittances to their relatives in Mexico. The most important variable is the speed of money availability. Such a result is consistent with evidence from the previous charts that a significant percentage of remittances are cashed the same or next day of sending. Overall, as shown in Table 1, the variables reflecting the comfort or convenience of sending the money absorbed 95% of the responses, while the cost variables (the direct cost of sending and the exchange rate) accounted for the remaining 5% of the responses.

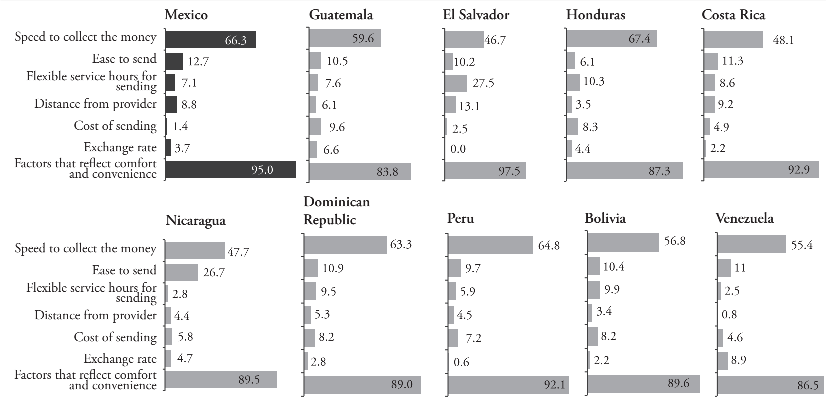
Table 1: Important Factors Considered When Selecting the Remittance Service (percentages)

Remittance sender by gender	Speed to collect the money	Service hours to collect the money	Distance from the provider	Ease of transaction	Cost of remittance sending	Exchange rate	Factors reflecting comfort and convenience for sending remittances	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7= 1+2+3+4)	(8)
Total	66.3	7.1	8.8	12.7	1.4	3.7	95.0	100
Men	66.1	7.2	8.6	13.0	1.4	3.6	95.0	100
Women	68.5	5.7	9.9	10.6	1.2	4.0	94.8	100

Source: Cervantes González, 2018.

Survey results of Mexican migrants are very similar to those obtained in surveys of migrant groups from nine other countries (see Chart 17). In the ten surveys, the main factor considered by migrants when selecting the provider and the modality for sending their remittance was the speed with which the money was available, followed in some cases by the ease of the transaction and in others by the flexibility of service hours for sending the remittance. Overall, the variables reflecting the comfort or convenience of sending the money absorbed close to 90% of the responses in most of the surveys.

Chart 17: Important Factors Considered in the Selection of the Remittance Service Used (percentages)



Source: Cervantes González, 2022.

Perception of Remittance Costs

In the aforementioned survey of Mexican migrants, 82.3% of the senders surveyed considered the cost of sending remittances to Mexico to be low or very low. The average cost per remittance sent was $8.94 dollars and was higher in the case of remittances sent by men, $9.10 dollars, than those sent by women, $8.15 dollars. One result shown in Table 2 is that men and women who considered remittances to be expensive or very expensive actually paid more for such transfers.

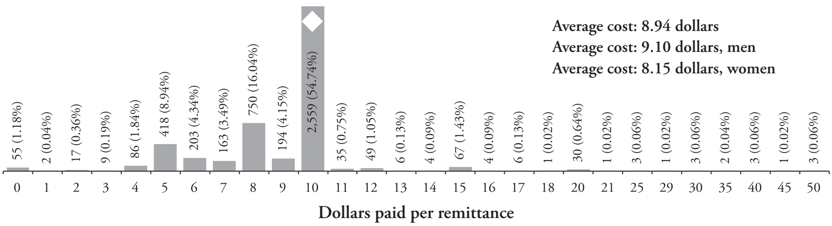
Table 2: Opinions on the Costs of Sending Remittances and Amount Paid per Remittance

Remittance sender by gender	The cost of sending remittances is (percentages):				
	Very low	Low	Expensive	Very expensive	Total
Total	5.6	76.7	16.3	1.4	100
Men	5.7	76.9	16.0	1.4	100
Women	4.7	76.0	18.1	1.2	100
	Dollars paid per remittance				
Total	7.04	8.97	9.92	12.57	8.94
Men	7.18	8.99	10.00	12.31	9.10
Women	5.93	8.82	9.46	14.71	8.15

Source: Cervantes González, 2018.

It is possible that the costs actually paid are slightly under those obtained from the responses to the Banco de México survey, since there was a tendency for respondents to round the cost, for example, to $5, $10, $15 and $20 dollars, possibly rounding upwards (see Chart 18). It should be noted that the costs captured by the survey do not take into account the exchange margin. The costs in relation to the value of the average remittance were 3.17% for total remittances, 3.11% for men's remittances and 4.12% for women's remittances. The higher percentage paid by women, despite the lower average amount paid, is due to the fact that men's average remittance of $293 dollars was higher than women's average remittance of $198 dollars.

Chart 18: Distribution of the Number of Questionnaires According to the Amount in Dollars Paid by Senders for a Remittance



Source: Cervantes González, 2018.

Final Considerations

The cost of remittances is an important variable for international migrants who send these resources to their relatives in their countries of origin. However, remittance-sending migrants do not only consider the costs, but also a series of transfer characteristics. The relevance of the above in the case of Mexico derives from the fact that remittance income is mainly used to finance the living, health, and education expenses of almost 5 million recipient households. The majority of adult recipients are women, and a high percentage of recipient households are headed by women. In this context, it should be noted that the cost of remittances from the U.S. to Mexico fell sharply at the end of the 1990s and in the first decade of the 21st century, stabilizing in recent years at around $6 to $7 dollars for a remittance of $300 dollars. Likewise, in the World Bank statistics, remittances sent from the U.S. and those received by Mexico stand out among the cheapest.

The decrease in the cost of sending remittances to Mexico has been due to several factors, but mainly to the fact that this market has become more competitive, partly because the large volume of remittances has led to an increase in the number of remittance service providers; remittance senders have gained information about the costs and different methods of making such transfers; the disappearance of exclusivity agreements that gave monopoly power to some remittance companies, and remittances have become more homogeneous, with cheaper electronic remittances predominating. In fact, there was a structural change in remittance instruments, with the virtual disappearance of money orders and the reduction of cash and in-kind transfers to almost nothing.

A characteristic of remittance services for Mexican migrants is the great flexibility that this industry has adopted to adapt to the needs of senders and recipients, such as the possibility of sending and collecting remittances on weekends, when financial institutions are generally closed, as well as service hours for remittances, considering that nearly half of them are sent between 5 p.m. and 11 p.m. In this context, the results of surveys of Mexican migrant remittance senders show that the cost of sending remittances is now of secondary importance, given its significant reduction.

The main factors that Mexican migrants take into account when selecting which remittance service to use are the speed in getting the money sent; the ease of carrying out the transaction; the distance from the service provider, and flexible service hours. The cost is of secondary importance. In fact, survey results indicate that more than four-fifths of the number of remittance-sending migrants indicate that the cost of sending remittances to Mexico is low or very low.

All of the above finds that a competitive market—such as the remittances industry between the U.S. and Mexico—is efficient, inexpensive, and suits the needs of senders and recipients of remittances, without requiring significant State intervention.

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Financial Inclusion of the Remittance-Receiving Population during the COVID-19 Pandemic

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Over the last 2 decades, the flow of remittances to Mexico has increased significantly. Between 2000 and 2019, Mexican migrants in the world grew by 23%, while the amount of remittances received increased by nearly 450%. In the course of this 20-year period, the importance of remittances has gradually been growing in the public discussion, the official measurement of this monetary flow has improved, and the work and sacrifice of migrants who send these resources to their communities of origin has gradually been recognized.

Due to the severe global economic effects caused by the COVID-19 pandemic, it was expected that the remittances worldwide would contract significantly. This was not the case: on the contrary, they increased during 2020 and 2021. Mexico was no exception. Remittances rose significantly in these years, reaching an annual amount of $51.6 billion dollars in 2021 and $58.5 billion dollars in 2022. These figures were higher than earnings from crude oil sales, Foreign Direct Investment, and tourism; in other words, remittances are clearly the main source of foreign currency income for the country.

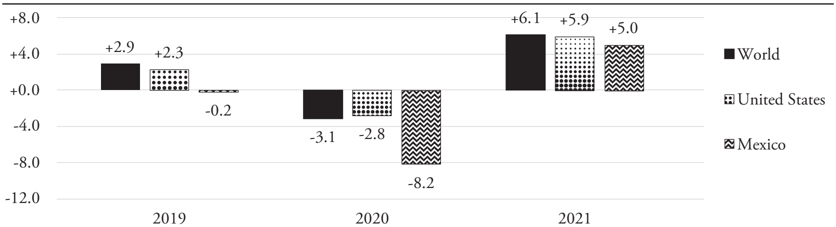
Despite the fact that many remittances recipients receive this resource on a regular basis, with which they could prove a stable income, and use the international financial system to receive it through electronic transfers, the low level of formal financial inclusion among this group is a cause of concern. It is also possible that the economic impact of the coronavirus pandemic has played a role in reducing the progress achieved in the financial inclusion of the Mexican population in recent decades, particularly among remittance recipients. Financial inclusion is a fundamental tool for reducing poverty in its multiple forms and is a key element for the fulfillment of the 2030 Agenda and the Sustainable Development Goals (SDGs). Several studies have found that financial inclusion can contribute to eradicating extreme poverty (SDG 1), reducing hunger and promoting food security (SDG 2), achieving good health and well-being (SDG 3), fostering quality education (SDG 4), and promoting gender equality (SDG 5) (Klapper et al., 2016).

This chapter seeks to analyze the behavior of the main variables of financial inclusion for the population who received remittances in Mexico during the first 2 years of the COVID-19 pandemic (2020-2021), as well as to understand the context that drove the growth of these flows in the midst of a complicated economic environment. The first section describes the behavior of remittances globally and to Mexico during the first 2 years of the pandemic and analyzes their importance at the national and state level. The second section seeks to answer the question of why remittances to Mexico did not decrease during the coronavirus pandemic, even if this event significantly reduced economic activity worldwide. The third section contrasts the main findings on financial inclusion of the remittance-receiving population based on estimates from the National Survey of Financial Inclusion (ENIF) 2021, looking for possible economic effects of the COVID-19 crisis. Finally, we close this chapter by presenting the conclusions and final reflections yielded by the research.

Remittance Flows Globally and to Mexico during the Pandemic

In the first quarter of 2020, most countries were experiencing health emergencies due to a new coronavirus called SARS-CoV-2. By March 2020, the World Health Organization officially declared a state of global pandemic, given the spread of this coronavirus in a large number of countries and the alarming levels of infection and mortality (WHO, 2020). In that same month, many countries rushed to impose mandatory home confinements and the closure of what were considered non-essential economic activities or activities which involved a high concentration of people, such as offices, schools, hotels, restaurants, movie theaters, theaters, sports centers, tourist destinations, shopping malls, among others.

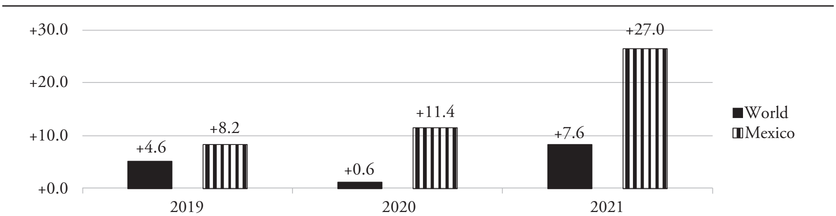
Chart 1: Gross Domestic Product (GDP) in Real Terms (annual percentage change)



Source: Elaborated by the authors with data from the International Monetary Fund (IMF), the U.S. Bureau of Economic Analysis (BEA), and Mexico's National Institute of Statistics and Geography (INEGI), 2022.

As these sanitary measures had a profound negative impact on people's economies, including the migrant population, a contraction in global remittance flows was expected. According to estimates by the World Bank, it was predicted that, due to global actions to contain COVID-19 infections, worldwide remittances would contract by almost 20.0% (World Bank, 2020). Indeed, economic activity in most countries experienced a slump not seen since the Great Depression of the 1930s, as shown in Chart 1. Contrary to initial forecasts, remittances to Mexico not only did not fall as estimated but increased by 11.4% during the first year of the pandemic, and by 2021, with the recovery of the U.S. economy, they increased by 27.0% at an annual rate (see Chart 2).

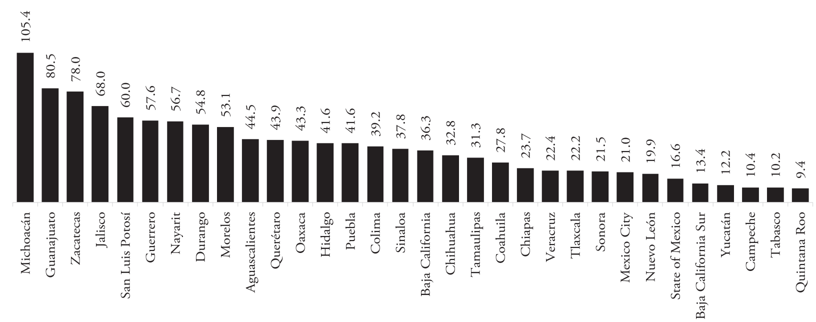
Chart 2: Income from Remittances (annual percentage change in current dollars)



Source: Elaborated by the authors with data from the World Bank and Banco de México, 2022.

These significant increases in remittance inflows during 2020 and 2021 added to the contraction of the Mexican economy during the first year of the pandemic (-8.2%, the highest on record), and caused the country's dependence on these resources to increase from 2.9% of the national GDP in 2019 to 3.7% in 2020, and to 4.0% for 2021 and 2022. Mexico is very heterogeneous: there are regions that depend heavily on the arrival of these resources, and others that have low dependence. There are six states in the country in which remittances represented 10.0% or more of the state's Gross Value Added in 2021: Michoacán (16.6%), Guerrero (15.8%), Zacatecas (14.4%), Oaxaca (13.3%), Nayarit (10.4%), and Chiapas (10.0%) (BBVA Research et al., 2022).

Chart 3: Remittances as Percentage of Public Income by State, 2020 (percentage)



Source: Elaborated by the authors with data from the INEGI and Banco de México, 2022.

Another way of quantifying the importance of remittances for the states is to compare them in terms of their annual budgetary income. The revenue that states receive from the federation is used to cover payroll and administration services, governance, education, health, security, justice, and social programs that the state governments must provide to its inhabitants, as well as to finance infrastructure projects such as streets and highways, public lighting, drinking water, sewage, among others. As shown in Chart 3, in Michoacán, remittances represented 105.4% of the total public revenues received by this entity in 2020, which in other words means that remittances represent a greater economic amount than the monetary resources available to the state. In eight other Mexican states, remittances represented more than 50.0% of annual public income: Guanajuato (80.5%), Zacatecas (78.0%), Jalisco (68.0%), San Luis Potosí (60.0%), Guerrero (57.6%), Nayarit (56.7%), Durango (54.8%), and Morelos (53.1%).

Why Did Remittances to Mexico Increase During the Pandemic?

Two questions have troubled academia, governments, and the media: why did remittances to Mexico grow so much in 2020 if the economy of the U.S., the country of origin of 95.0% of these resources, contracted by 2.8% in that same year, as reported by the U.S. Bureau of Economic Analysis (BEA, 2022)? And why did they increase so spectacularly during 2021?

We believe that the answers to these questions depend on a large number of factors linked to the tight economic, geographic, political, and migratory relationship between Mexico and the U.S. Among these factors, we highlight two, namely: *1)* the important fiscal policy stimuli and unemployment supports granted by the U.S. government during the COVID-19 pandemic, which also benefited the Mexican population in that country, and *2)* the relatively rapid recovery of the U.S. economy which, coupled with a reduction in the labor participation rate, caused a relative shortage effect of native labor that was possibly covered in part by migrant population, both documented and undocumented, and which resulted in above-trend increases in nominal wages. This phenomenon was most clear in the service sector, which employs a high percentage of Mexican migrant workers.

Tax Incentives and Unemployment Support

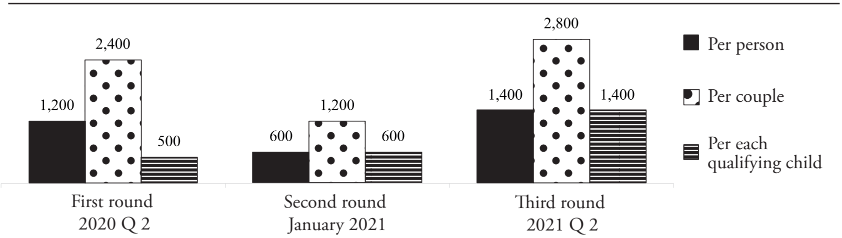
Since the onset of the pandemic in March 2020 through the first half of 2021, when many of the health restrictions were no longer mandatory and highly efficient vaccines were made available to the population, three major fiscal support packages were approved in the U.S. in response to the COVID-19 emergency: *1)* Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law in March 2020 with a budget of $2.2 trillion dollars; *2)* Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), signed into law in December 2020 for an estimated amount of about $870 billion dollars, and *3)* American Rescue Plan Act (ARPA), signed into law in March 2021 with an estimated budget of $1.9 trillion dollars. The first two laws were signed by President Donald Trump, and the last was signed by President Joseph R. Biden.

Among many other aspects, with these three economic packages the U.S. government approved unprecedented measures to support people who lost their jobs, had their work hours reduced, or were unable to work due to pandemic-related causes. It extended the duration of federal unemployment insurance from 26 to 49 weeks, and then to a maximum of 53 weeks (Pandemic Emergency Unemployment Compensation, PEUC) (Nagle, 2021), granted a weekly supplement of $600 dollars to all unemployment insurance beneficiaries between April and July 2020, and $300 dollars per week between January and September 2021 (Federal Pandemic Unemployment Compensation, FPUC). Additionally, it extended unemployment insurance coverage to self-employed and freelance workers, as well as other workers who usually do not qualify (Pandemic Unemployment Assistance, PUA) (CARES Act, 2020; CRRSAA, 2020; ARPA, 2021).

Thus, from an average amount of $320 dollars per week that a worker would receive for unemployment insurance, between April and July 2020 an average of $920 dollars was paid per week (almost triple), and an average of $620 dollars was paid from January to September 2021 (almost double). PEUC, FPUC, and PUA supports represented an outlay to the treasury of $665 billion dollars (DOL, 2022).

In addition, direct supports were approved for U.S. households, called Economic Impact Payments (EIPs), which excluded those with higher incomes. Chart 4 summarizes the maximum EIP amounts delivered in each round. According to the Internal Revenue Service (IRS, 2022), the three rounds of EIPs accounted for federal government outlays of about $815 billion dollars between 2020 and 2021. It is estimated that more than 85% of the entire U.S. resident population received support in the three rounds of EIP subsidies.

Chart 4: Direct Coronavirus-Related Economic Impact Payments to U.S. Households (in dollars)



Source: Elaborated by the authors with data from the CARES Act, 2020; CRRSAA, 2020, and ARPA, 2021.

Of the approximately 12 million Mexican migrants residing in the U.S., more than 4 million already have U.S. citizenship and 3 million are Lawful Permanent Residents (holding a Green Card). Thus, it is estimated that at least 7 million Mexican migrants could have benefited from unemployment benefits and direct transfers to households during the pandemic. Benefits were granted to people with gross annual incomes of less than $75,000 dollars or $150,000 dollars if they applied as a couple. It is estimated that 90% of the Mexican migrant labor force earned up to $60,000 dollars in 2019 (BBVA Research et al., 2020). Thus, the vast majority of Mexican migrants with citizenship or permanent residency in the U.S. were among the beneficiaries of these programs. U.S. citizens whose parent(s) were born in Mexico (second-generation Mexicans) or with Mexican ancestry (third- or higher-generation Mexicans) must be added to these figures. Ultimately, the sum of these three groups indicates that the population of Mexican origin in the U.S. amounted to about 39.5 million in 2021.

Between the onset of the pandemic and the first half of 2021, these fiscal packages contributed to maintaining the income level of the Mexican population in the U.S. We believe that a portion of these resources were sent to Mexico in the form of remittances to support their families, who may have been relatively more vulnerable to the pandemic, given that Mexico was one of the economies with the largest contraction in GDP (-8.2% in 2020) and that took the longest to recover to the level it had before the pandemic's outbreak. In addition, from a list of 67 countries analyzed by the International Monetary Fund (IMF, 2021), Mexico was the country that spent the least in terms of fiscal policy to support individuals and businesses during this contingency—only 0.65% of its GDP. The average fiscal policy support was 7.0% of GDP among the countries analyzed. In Brazil, Chile and Peru, it amounted to at least 9.0% of GDP, and in the U.S. it was more than 25.0% of GDP. Thus, these measures may be one of the explanations that contributed to the growth of 11.4% in remittances to Mexico in 2020 despite the contraction of the U.S. economy.

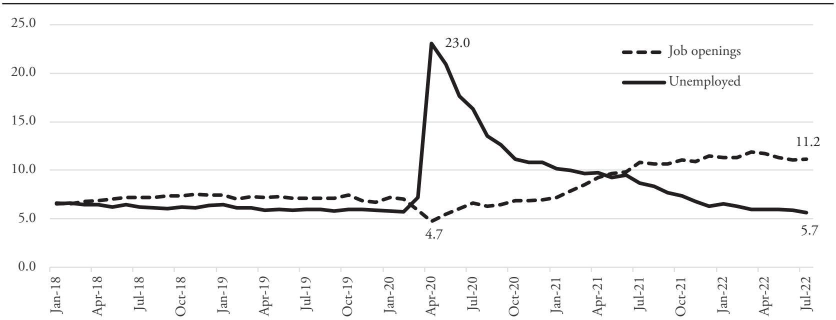
An article published by the IMF also finds that fiscal and unemployment benefits granted by the U.S. government explain the increase in remittances to El Salvador during the pandemic. In addition, the authors conclude that states that granted support complementary to that of the federal government, which also benefited the undocumented population, had greater increases in remittances (Babii et al., 2022).

Labor Demand in the U.S.

In early 2021, the rapid reopening and reactivation of the U.S. economy led to a recovery of labor demand in businesses, who were surprised to see that many vacancies were not being filled. This unexpected and unprecedented episode in the U.S. labor market, which continued through 2022, generated a relative labor shortage that drew the attention of academia, authorities, and the media (Whittaker & Isaacs, 2022).

The Bureau of Labor Statistics (BLS) estimates of total job openings and unemployed population in the U.S. are shown in Chart 5. Prior to the pandemic, job openings averaged about 7.1 million between 2018 and 2019, while the number of unemployed hovered around 6.2 million. In April 2020, at the height of the COVID-19 confinement, as many as 23 million persons were unemployed. As the economy recovered, the volume of the unemployed population decreased and new vacancies were created. But since the beginning of 2021, an unexpected growth was observed in the number of job openings that were not being filled. From mid-2021 to mid-2022, these vacancies reached more than 11 million, while by 2022 the volume of the unemployed population was already at pre-pandemic levels.

Chart 5: Job Openings and Unemployed Population in the U.S., January 2018-July 2022 (in millions)



Source: Elaborated by the authors with data from the U.S. Bureau of Labor Statistics (BLS), 2022.

Concerned about this situation, by mid-2021 about 26 governors—mainly Republican—decided to end the federal government's unemployment support earlier than planned, arguing that it was discouraging the return of workers (Charisse, 2021). There is no strong evidence to support the relationship between these variables; by the end of 2022 these supplemental supports from the federal government had ended and relative labor shortages still continued. For every unemployed person, there were two vacancies.

There is currently no consensus on the reasons for this relative labor force shortage in the U.S., a debate that goes beyond the scope of this chapter. Among the factors and/or causes put forward we can cite:

1) excluding 2020, the year of the onset of the pandemic, 2021 saw the lowest labor participation rates among the population aged 16 years and older in nearly 45 years; *2)* 2021 also saw a decrease in desirable working hours among those not employed or in part-time jobs, which increased their reservation wage (Faberman et al., 2022), and *3)* changes in the demographic structure of the population (lower birth rate and more retired population) coupled with the lack of a comprehensive immigration reform to supply the needs of people in working ages. Alex Domash and Lawrence H. Summers (2022) estimate that the U.S. economy will have a relative shortage of 6.9 million workers in 2022, of which 1.4 million are attributed to restrictions during the pandemic that prevented the arrival of documented migrant workers.

The issue of relative workforce shortages in the U.S. has become politicized among the government, the business sectors, and the workers themselves, all of whom are looking for culprits (Schweitzer, 2021). A report prepared by the U.S. Chamber of Commerce details that the sectors most affected were transportation, health care, and food and lodging (Ferguson, 2022).

In economics we know that as long as there are no price or quantity controls or market failures, there can be no shortage of any good or service. This also applies to the labor market. The current situation only evidences that no one wants the wages and working conditions of the open vacancies. A wage of $15 dollars per hour is not attractive to a U.S. native, but it is a high enough income to encourage millions of mainly undocumented migrants from developing countries to make the journey to the "American dream." After the sharp decline in apprehensions of undocumented migrants at the U.S. southern border during the second and third quarters of 2020, due to mobility restrictions in Mexico and increased border control in the U.S., the reopening of economic activities also reactivated the flow of undocumented migration, including that of Mexicans. From a public policy and economic efficiency point of view, in order to reduce pressures in the labor market, the U.S. should allow more documented migration, especially to fill vacant jobs in the sectors most affected mentioned above.

Data from the U.S. Customs and Border Protection (CBP, 2022) indicate that from January to December 2021, 677,000 apprehensions and expulsions of Mexican migrants were reported, which represented 1 out of every 3 encounters with immigration authorities in that country. This is equivalent to an average of 56,000 apprehensions and expulsions of Mexican migrants per month. Unfortunately, it is impossible to make a proper comparison with pre-pandemic figures, since President Trump activated measures of immediate expulsion of migrants due to public health issues (Title 42), and therefore many of the encounters with U.S. immigration authorities no longer ended in an apprehension (Title 8), but with the immediate expulsion of the migrant to the Mexican side of the border. Despite not being able to make the comparison, the almost 2 million apprehensions and expulsions of migrants from many different countries during 2021 show the steadfast intention of the undocumented migrant population to reach the "American dream," in the context of a very tense labor market and with increasing nominal wages.

According to the Annual Social and Economic Supplement of the Current Population Survey (CPS), it is estimated that between March 2021 and March 2022 the volume of the Mexican migrant population employed in the U.S., both documented and undocumented, increased by 7.0%, while their total average nominal income grew by 5.4%, which translated into an increase of 12.8% in their wage bill. This indicates that the demand for workers in the U.S. labor market and the government's fiscal support programs allowed the Mexican migrant population to acquire more economic resources. We believe that this, in turn, was the main reason that drove remittances to Mexico to grow by 27.0% during 2021.

This increase has been the largest recorded since 2003, when the Banco de México made several changes to its methodology to improve the recording of remittance inflows to the country. Compared solely to historical records, the growth of remittances to Mexico in 2021 appears atypical.

This led the media to spread the idea that the recent growth in remittance flows was linked to illicit activities. We believe that these claims are unsubstantiated. Accepting this hypothesis as true would seem to indicate that the pandemic and the confinement actions and policies to contain the spread of the coronavirus allowed people involved in illicit activities to find a channel to transfer money that, for some reason, they had been unaware of in the pre-pandemic period, which seems illogical.

Additionally, considering that in 2021 remittances increased by 25.3% in Latin America and the Caribbean (World Bank, 2022), the increase observed in Mexico is only slightly higher than the regional average. According to official information from the respective central banks, in 2021 remittance inflows to El Salvador increased by 26.8%, while to the Dominican Republic they increased by 26.6%—variations very similar to those observed in Mexico. There are even countries in the region where increases in remittance inflows surpassed Mexico's in that same year: in Guatemala they increased by 34.9%, in Ecuador by 30.7%, and in Honduras they had a growth of 28.7%. If the former supposition were true, are illicit activities in Guatemala, Ecuador, and Honduras greater than those in Mexico? Or, on the contrary, would this indicate that there are almost no illicit activities in Paraguay, where remittances only increased by 0.3%?

The common pattern in countries such as Mexico, Guatemala, El Salvador, Honduras, Ecuador, and the Dominican Republic, unlike Paraguay, is that they have a relatively large migrant population residing in the U.S. that sends remittances to their countries of origin. In other words, the strong growth of remittances to Mexico can be explained by common features shared by several countries in the region added to the economic performance of the U.S.

Now, in the context of the importance of remittances for the Mexican economy and acknowledging the reasons why their flow increased significantly during the first 2 years of the COVID-19 pandemic, we can move on to analyze the characteristics of the financial inclusion of remittance recipients during this period of health emergency.

Financial Inclusion of the Remittance-Receiving Population in Mexico during the Pandemic

Financial inclusion refers to a situation in which all working-age adults, including those currently excluded from the financial system, have effective access to the financial services granted by formal institutions, such as credit, savings, payment systems, and insurance. As noted in a report sponsored by the G-20[1] Global Partnership for Financial Inclusion, "effective access" implies providing services in a convenient and responsible manner, at a cost that is affordable for the client and sustainable for the provider, with the result that financially excluded clients use formal financial services rather than existing informal options (CGAP, 2011).

In Mexico, the first ENIF was carried out in 2012 to "generate information that allows the design of public policies regarding the use of and access to financial services and products" (INEGI & CNBV, 2012). Since then, the ENIF has been conducted every three years by the National Institute of Statistics and Geography (INEGI). There is therefore information regarding 2012, 2015, 2018, and 2021. This last edition is of great

[1] International forum integrated by 20 of the main world economies.

interest, given that it compiles information on the state of the financial inclusion of the Mexican population a little more than a year after the beginning of the COVID-19 pandemic.

The ENIF 2021 was conducted between June and August of that year on an effective sample of 13,554 people aged 18 and over. It is representative at the national level, segmented into urban and rural areas in six geographic regions. In question 7.5, respondents are asked if they have received money from relatives or acquaintances living in another country from July 2020 to the date of the interview, which allows us to identify those who received remittances from abroad. This chapter contrasts variables and indicators of financial inclusion of people who did not receive remittances against those who did. In order for the study not to be solely cross-sectional in nature, similar variables and indicators from a previous period were estimated to provide a baseline for comparison. Unfortunately, the ENIF 2018 omitted to include a question to identify the remittance-receiving population, so we chose the ENIF 2015 for the intertemporal comparison of the results.

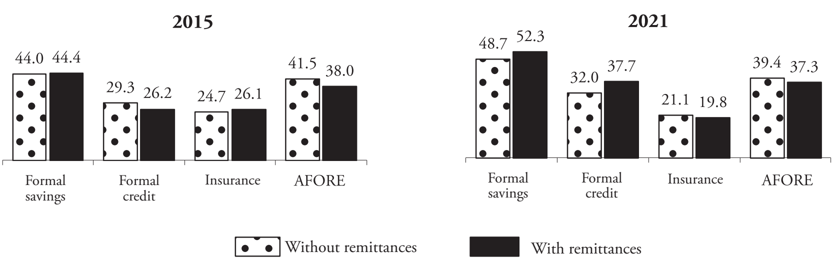
Holding of Financial Products

Regarding the holding of formal financial products and services, the data indicate that, at the national level, there is a visible increase in the holding of formal savings accounts and formal credit products between 2015 and 2021, but insurance coverage and ownership of individual retirement accounts (AFOREs) has decreased. We believe that the contraction in the holding of these financial products is directly explained by the COVID-19 crisis, which had important impacts on the volume of formal jobs. People had fewer economic resources to take out insurance, and the young population had to start or continue working in informal activities, preventing some from having access to an AFORE.

In both years, but more noticeably in 2021, the ENIF indicates that a greater proportion of the population receiving remittances has at least one formal savings account, compared to the population that does not receive this resource (52.3% vs. 48.7% in 2021). Remittance recipients can allocate part of the money received to open a formal savings account, which facilitates better management of these resources. These results coincide with Rodrigo Carrillo and Pablo Cotler (2021) and Juan José Li Ng et al. (2015), who find that receiving remittances increases the holding of savings accounts in Mexico. Regarding access to formal credit, a change in behavior is observed in the period analyzed. In 2015, the remittance-receiving population had less holding of formal credit (26.2%) compared to the population that did not receive remittances (29.3%), while by 2021 this situation was reversed (37.7% vs. 32.0%, respectively). A possible reason for this correlation between formal credit and remittance reception in 2021 will be discussed later.

Compared to those who do not receive remittances, the remittance -receiving population have lower proportion with AFOREs in both 2015 and 2021. This is due, among other reasons, to a higher rate of labor informality among the population that receives remittances, as can be seen in the same survey with the indicator regarding access to medical services provided by employers, which is lower by more than 12 percentage points in the population that receives remittances compared to the population that does not receive remittances (30.7% vs. 43.2%). It could also be suggested that remittance-recipients have a lower level of labor participation and therefore less access to AFOREs. However, the survey data indicated that the economic activities of people who did and did not receive remittances were similar, so this last argument is not supported.

Chart 6: Holding of Formal Financial Products in Mexico, 2015 vs. 2021 (percentage of people aged 18 to 70)



Note: The comparison of indicators between years may not be accurate due to changes in the survey questionnaire items and/or modifications in its concepts over time.
Source: Elaborated by the authors with data from the INEGI and CNBV, ENIF 2015 and 2021.

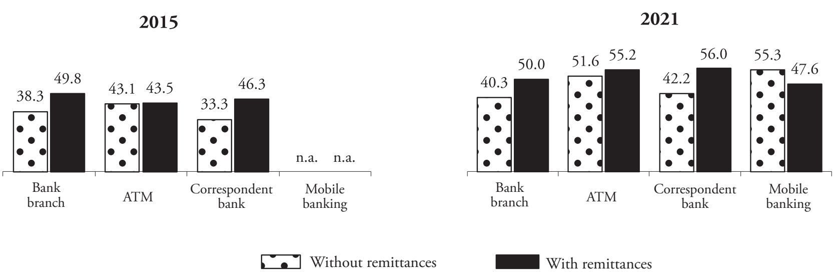
Use of Financial Channels

Between 2015 and 2021, the main indicators of the use of financial channels increased. The rapid adoption of mobile banking technology in Mexico stands out: in 2015 around 6.0% of adults were mobile banking users, while by 2021 close to half of this population used this service. Also striking, albeit to a lesser extent, is the growth of more than 10 percentage points in the ATM-using population over this 6-year period.

When contrasting the use of financial channels between the two populations analyzed, we can observe that, both in 2015 and 2021, half of the people who received remittances used a bank branch, a proportion that is nearly 10 percentage points higher than the proportion of people who did not receive these resources. Similarly, for the same 2 years, remittance recipients used banking correspondents more than those who did not receive remittances. In 2021, 56.0% of adults who received remittances used a banking correspondent, compared to 42.2% among non-recipients. For the latter year, the use of ATMs was also comparatively higher among remittance recipients. A relevant data to analyze is the penetration of mobile banking, which can be estimated with the ENIF 2021 through the people who use it as the main means to make inquiries or movements in their account. It was found that only 47.6% of remittance recipients used mobile banking in 2021, a lower figure than among non-recipients, which was 55.3%, as can be seen in Chart 7.

Thus, the data analyzed suggest that remittance reception incites greater use of financial channels that are more directly related to remittance collection, administration, or use, such as bank branches and correspondent banking, but may not extend to other channels that are less related to remittances, such as the use of mobile banking. This makes it clear that there is a challenge for both public policies and financial institutions to get the remittance-receiving population to use more efficient financial channels, such as mobile banking.

Chart 7: Use of Financial Channels in Mexico, 2015 vs. 2021 (percentage of people aged 18 to 70 years)



Note: The comparison of indicators between years may not be accurate due to changes in the survey questionnaire items and/or modifications in its concepts over time.
n.a.: not available.
Source: Elaborated by the authors with data from the INEGI and CNBV, ENIF 2015 and 2021.

Economic Impacts of the COVID-19 Pandemic

If we fail to take into consideration the important economic effects of the COVID-19 crisis, the analysis of the financial inclusion of the remittance-receiving population in 2021 will be out of context, and possibly incomplete. Section 12 of the ENIF 2021 includes questions on the economic effects of COVID-19, which allows to cross-check this information with financial inclusion indicators.

The ENIF 2021 results indicate that 61.8% of remittance recipients were economically affected by COVID-19, a higher figure than that of non-recipients, which was 57.9%. Among those affected in both groups, more than 90.0% indicated that they suffered a decrease in their income and 43.5% incurred additional health or funeral expenses. In addition, 43.5% of those affected who received remittances lost their jobs or source of income, while among those who did not receive remittances this figure was 39.0%. Thus, the data indicate that people receiving remittances in 2021 were more affected economically by COVID-19 than those who did not receive remittances.

But how is it possible that the population receiving remittances was more affected by the pandemic, if the arrival of these resources to Mexico in 2020 increased by more than 20% in real terms? The income of remittance-receiving households is less sensitive to changes in Mexican economic activity since part of their income comes from abroad. The greater informality of the remittance-receiving population may be a factor, but fails to explain this situation convincingly.

The hypothesis that emerges after analyzing the ENIF data suggests that, at least in 2021, the relationship between receiving remittances and holding of formal credit and indebtedness presented a bidirectional causality. That is, in addition to formal credit holding among people who received remittances, a segment of the population economically affected by the pandemic who did not regularly receive remittances prior to this event resorted to requesting support and resources from various possible sources, such as formal credit, informal credit, pawning, delayed payments, and requesting support or loans from friends or relatives living abroad—i.e., remittances. Thus, people who had family or friendship ties used remittances as a resource in the face of the economic crisis caused by the COVID-19 pandemic.

The ENIF 2021 indicators on credit holding and other measures taken to cope with the economic impact of the pandemic provide evidence that supports this hypothesis. When comparing the population that received remittances and the population that did not receive remittances from July 2020 to approximately July 2021, we find that the former resorts more to formal credit (37.7% vs. 32.0%), contrary to the situation 6 years earlier. In addition, as a measure to face the economic emergency, a greater proportion of the population receiving remittances borrowed money from relatives or acquaintances (44.4% vs. 39.4%), used the money they had saved (82.4% vs. 79.5%), sold or pawned an asset (21.7% vs. 18.1%), and/or worked overtime, resorted to temporary work, or requested an advance on their salary (44.1% vs. 38.3%). Among remittance recipients with formal credit who reported having been financially affected by the pandemic, 35.7% responded that they were late in paying a bank or financial institution loan, and 32.1% accepted the interest payment extension terms offered by financial institutions; both figures are almost 9 percentage points higher compared to the population that did not receive remittances, with percentages of 26.9% and 23.1%, respectively (see Table 1).

Table 1: Percentage of Population Economically Affected by the COVID-19 Crisis, 2021

Indicators	Without remittances	With remittances
Population aged 18 to 70		
Economically affected by COVID-19	57.9%	61.8%
Economically affected by COVID-19		
Wage or income decrease	90.1%	90.2%
Health or funeral expenses	43.5%	43.6%
Lost their jobs or income source	39.0%	43.5%
Economically affected by COVID-19		
Borrowed from relatives or acquaintances	39.4%	44.4%
Used their savings	79.5%	82.4%
Reduced their expenditure	95.3%	95.2%
Sold or pawned an asset	18.1%	21.7%
With formal credit and economically affected by COVID-19		
Used their credit card, or applied for credit from a bank or financial institution	30.5%	29.8%
Fell behind in the payment of a bank or financial institution loan.	26.9%	35.7%
Accepted an extension in interest payments offered by their financial institution.	23.1%	32.1%
Occupied population economically affected by COVID-19		
Worked extra shifts, took temporary jobs, or requested an advance on their salary	38.3%	44.1%

Source: Elaborated by the authors with data from the INEGI and CNBV, ENIF 2021.

The hypothesis is consistent with the theory of remittances as an insurance mechanism in the face of adverse events: remittances are sent or their amount increases as household income in the communities of origin decreases (Rapoport & Docquier, 2006). In the article by Jaime Lara (2016), empirical evidence is found on this mechanism for insuring remittances in the face of job losses in Mexico through the National Survey of Occupation and Employment.

Thus, the data from the ENIF allows to suggest that an additional effect derived from the economic crisis due to the pandemic was the increase in remittance recipient households in Mexico, at least during 2020 and part of 2021, as a resource that helped mitigate the economic impact of the health crisis.

Conclusions and Final Remarks

The analysis of the relationship between financial inclusion and remittances is neither simple nor straightforward. The gap between the proportion of remittance-recipients who have access to health insurance or AFOREs via their jobs compared to the population that does not receive remittances shows that labor informality is greater in the first group. On the one hand, it could be thought that, given this greater informality, remittance-recipients would have worse indicators of financial inclusion; but, on the other hand, receiving monetary resources on a generally recurring basis brings them closer to the financial system as a whole. In Mexico, more than half of all remittance recipients reside in rural or semirural localities (with 15,000 inhabitants or less), and have therefore limited access to formal financial branches. However, in order to collect remittances, they travel to urban areas where they interact with financial and non-financial institutions, such as correspondent banks, to receive these resources. It is estimated that almost 70% of remittance recipients will collect and manage these resources in cash in 2021, but 95% of all this monetary flow arrives in Mexico by means of electronic transfers, that is, through settlements and compensations in the international financial system.

These premises are at the basis of the dichotomy in the financial inclusion variables of the remittance-receiving population. It is not clear which of the effects or conditions is more prevalent, so it is not evident to infer a priori whether they have better or worse indicators in terms of access, use, and financial health compared to the population that does not receive remittances.

The study of the current situation of the interaction between the reception of remittances and financial inclusion would be out of context without considering the health crisis caused by the COVID-19 pandemic, which led governments around the world to implement measures of personal distancing, restrictions on internal and international mobility, and suspension of economic activities considered non-essential. This brought about an unprecedented contraction in aggregate supply and demand. As expected, the world's GDP contracted in 2020, but remittances did not. Remittance flows to Mexico were no exception: they increased by 11.4% in 2020. This growth is explained by multiple factors, including strong fiscal policy stimulus in the U.S. that supported the unemployed, households, and businesses. The more than 7 million Mexican migrants with citizenship or permanent residency in that country also benefited from this support, and possibly used part of these resources to send remittances to Mexico. In addition, it is important to consider that second- and third- generation Mexicans also benefited from this support and sent remittances.

In 2021, with the rapid reopening of the U.S. economy, many businesses faced problems to fill their job vacancies, which caused a phenomenon of relative labor shortage. This growing labor demand not filled by the native population in the U.S., in a context of declining labor participation rates, triggered a significant flow of migrants, mainly undocumented, from Mexico and many Latin American and Caribbean countries in search of the "American dream." This can be noted in the considerable increase in migrant encounters with U.S. immigration authorities. This also benefited migrants' families in their communities of origin, who received more remittances. In Mexico, in 2021, remittances measured in dollars increased by 27.0%, in Guatemala 34.9%, in Ecuador 30.7%, in Honduras 28.7%, in El Salvador 26.8%, and in Dominican Republic 26.6%.

Immersed in this context, the ENIF 2021 details that remittance recipients had greater holding of formal financial products such as savings and credit during that year, but less holding of insurance and AFOREs, compared to non-recipients. It is also found that a higher percentage of the remittance-receiving population uses bank branches, ATMs, and correspondent banking, although they use mobile banking to a lesser degree, compared to the population that does not receive remittances. Thus, the data suggest that remittance recipients have financial products and use financial channels that are related to the activity of receiving and managing the funds they receive. The lower ownership of insurance and AFOREs and the lower use of mobile banking provide evidence that remittance recipients have a lower level of financial depth, possibly explained not so much by personal or cultural issues, but by the more informal work environment and the infrastructure of the communities where they reside.

Additionally, the ENIF 2021 results suggest that remittance recipients were also those who were most affected economically by the COVID-19 crisis, compared to those who did not receive remittances. This seems counterintuitive because the remittance-receiving population is generally less exposed to the effects of local economic dynamics and because in 2020 remittances to Mexico grew by more than 20% in real terms. First, these results can be explained by the high degree of informality among remittance recipients, which means that in many cases they did not receive any income in the face of economic activity closures, unlike salaried individuals who retained employment and were able to continue receiving income flows and retained access to the public health system. Second, it is not that the entire population that regularly receives remittances was more affected by the pandemic crisis, but the other way around. The evidence in this article points to the fact that the people who were most affected economically by the COVID-19 crisis resorted between 2020 and 2021 to all possible sources available to them for support, including remittances. Thus, the hypothesis of the use of remittances as an insurance mechanism is very useful to explain this result. It is possible that remittances may have been a replacement protection mechanism in the absence of insurance and effective access to health services.

In addition to the fact that the relationship between financial inclusion and remittances is not direct, the data suggest that this link may be variable over time, depending on very specific conjunctural characteristics. That is, there may be periods in which the remittance-receiving population has better financial inclusion indicators than the national average, and other times when they are worse. If there is a major structural change, the relationship between financial inclusion and remittance reception could become unequivocal.

Remittance recipients are a group that, due to their characteristics, have a high potential for bancarization. As long as they remain outside the formal financial system, their savings and financing capabilities will be severely diminished. Different levels of government, academia, civil society, and the business sector must implement and adapt strategies to broaden financial inclusion for the entire population, including remittance recipient households. Because many remittance-receiving households are located in rural and semirural communities, public policy actions to expand internet coverage in Mexico could encourage greater access to the formal financial system for this population. The large-scale implementation of digital and/or cell phone-linked accounts could be explored, which could become a way to provide them with opportunities to access formal savings and credit. In addition, this should be complemented with strategies that discourage the use of cash, which in the short term would increase security in the payment of remittances and, possibly, in the medium term would encourage a higher level of savings among this population and more productive projects with these resources.

Financial institutions could use the data on the resources sent to remittance recipients to estimate their income and thus be able to offer them credit products. In addition, savings products could be provided so that people do not immediately withdraw the funds they receive in remittances but can save part of them. In recent years, much progress has been made in reducing the costs of sending remittances and making them more secure through electronic transfers. In the coming years we must work to achieve greater financial inclusion for remittance-receiving families; this will be a joint task for authorities and financial intermediaries.

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Section III:
Financial Inclusion Initiatives

Financial Inclusion for Mexican Migrants and Trans-Border Commuters: Access, 'Workarounds' and 'Lean-Ons'

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I have undertaken multiple research projects involving Mexican migrants in the United States. One of my main interests has concerned the ways in which migrants and border commuters manage their everyday lives in the receiving country. I was able to contrast this with my research regarding their daily lives in the communities of origin (Villarreal, 1994, 2008; Villarreal & Niño, 2016). Stories they told and literature on migrants gave me quite a good idea of what life was like on the North American side of the border, but I was still shocked to find two room buildings housing sixteen people, homes inhabited by three or more families and people sleeping in their cars, particularly since I knew some of these families owned a house in Mexico. This was evident in 2006, when I carried out my initial fieldwork in the United States, but it continues to be the case to this day, as I found out in further investigation over the past years. Many migrants do not speak of themselves as poor. They welcome having the possibility of buying a hamburger and a beer, yet, they must share housing in order to make do, and are obliged to borrow money to keep up with the American Way of Life.

I was also surprised at how much they resorted to *reverse remittances* from Mexico. Those who had engaged in the process of buying a house often needed a bit extra to "pull through" to pay their mortgages, as did those who were, for one reason or another, forced to return to their home country. Money was also sent as part of the yields from a joint enterprise or to support those pursuing higher education—particularly from middle classes, who, it is important to mention, also form an important part of the (often undocumented) immigrant population—. Most of the transfers from the United States were sent using companies such as MoneyGram and Western Union, as well as personal carriers, with whom an envelope containing cash was sent. The latter is a common strategy to send reverse remittances, as is sending money to a Mexican intermediary shop such as OXXO in the border and have a friend or relative cross over to cash it.

In this chapter, I will discuss the strategies migrants use to access financial services and the decision-making processes they undertake in this effort. I have come to realize that financial inclusion is not a black and white scenario. Rather, it is a process with multiple entries and exits, where human infrastructures and access to technology play important roles.[1]

In discussing these issues, I will start with a brief description of the conditions under which migrants and transnational commuters live, spelling out their financial practices, their needs, and their frameworks of calculation, after which I will review key issues, such as their modes of access and workarounds, technology and the human infrastructure involved.

These issues are key to reaching a better understanding of low-income migrants and trans-border commuters' financial practices and find ways to improve their access to better services.

Financial Conditions of Migrants, Commuters, and their Families

In the past decades, the makeup of rural towns and villages in Mexico has suffered transformations. In some regions, the proliferation of horticultural companies geared toward export entail, on the one hand, increased incorporation of women into wage labor and, on the other, stifled traditional subsistence agriculture. The reconfiguration of labor markets, the dynamics of migration (both immigration from other regions and out-migration, mainly to the United States), and processes of diversification wherein both men and women engage to some extent in activities related to commerce, transport, tourism, and so forth, has implications for the nature of financial practices. Also relevant are remittances and social compensation programs oriented to "the poorest," as well as drug traffic, with its extravagant splurges on drink, food, and music. All have spillover

[1] This became all the more evident in a recent study we carried out as an independent 2022 research project on central bank digital currency and financial inclusion, in collaboration with Maiden Labs, the MIT Digital Currency Initiative, and the Institute for Money, Technology and Financial Inclusion, and funded by the Gates Foundation.

effects on different sectors of local communities. Levels of poverty have not decreased, but rural areas can no longer be visualized as oriented solely to agriculture.

In the process, the demand for money has followed an upward spiral. Both urban and rural economies have become increasingly monetized. Despite the prevalence of a large number of households whose per capita income is less than $3 dollars per day, the flow of monetary resources in the form of cash or debt that circulates in low-income sectors is not inconsequential. It is quite common to find expensive electronic devices in some of these households, and there is a considerable amount of petty consumption—people buy a few eggs or tomatoes at a time, shampoo in small sachets, and ham by the slice, even if that is more expensive and requires visiting the shop several times a day. Such consumption patterns provide employment—however precarious—for locals, and juicy profits to intermediaries and usurers.

Microlending and microfinance organizations have blossomed, mostly in response to the increasing demand for financial services. But the supply of monetary resources also opened up to private nonbank financial intermediaries, and bank cards have multiplied, many of which were issued for government money transfers linked to social policy. Yet, the mushrooming of new financial agents and intermediaries entails a significant diversification of access mechanisms. The kind of warranties required is changing, and with them, the value attributed to different forms of assets and capital, including property, knowledge, social networks, stability in employment, credit history, and so forth.

Thus, financial practices are forged through arrangements that involve relations, responsibilities, complicities, and dependencies. Recourse to one practice or another, and the effectiveness of that practice in resolving the requirements of a social group in the short, medium, or long term, depends on a series of interrelated factors, such as group configurations (i.e., nuclear or extended family, domestic cycle, type of cohabitation, etc.), dependency linkages (including relations within the group and external to it), features of the sources of income, economic and financial arrangements, family history (including places of origin, ethnicity, and special needs), and the incidence of different forms of violence (be it intra-household violence, wherein the woman might be strangled for cash and/or deprived of her income, or community and regional violence, including that wielded by big men—caciques—local power holders or large economic stakeholders). The particular combination of these and other factors intervenes in the forging of frameworks of calculation through which one can assess the mechanisms used in people's daily transactions in Mexico. Such frameworks, within which certain information processing schemes are enabled or disabled, entail monetary and nonmonetary considerations and are generated and reproduced within social relations.

Problems related to debts, insecurity created by the actions of drug cartels and unstable incomes are among the issues leading to migration to the United States. There is also the conviction that life is better "up north": better jobs, accessibility to consumer goods (particularly variety of food and drink, vehicles, phones, and television sets that migrants show off in their communities of origin) and lots of dollars.

Those who have landed with friends and kin often have a job as soon as they arrive in the United States. Paying back the initial debt to the relative or employer from whom they borrowed to cover the costs entailed in crossing the border can take up to 6 months, depending on the job they have and the amount discounted each week. After that, the migrants—particularly males (women tend to be anxious to support family left behind)—rush to indulge in food, drink, clothes, and as soon as possible, a car. At the beginning it is only cash that they use.

Some, like María from Guerrero, who was living in the Californian Central Valley and working in the fields, say they prefer to be paid in cash, because when they get paid with checks, taxes and "other things" are discounted. Although as an observer, one might not think that María is better off in the United States than in Mexico (she shares a wooden house with eleven people—a house infested with rats and cockroaches—and sleeps on a blanket on the floor), she speaks with enthusiasm of the American Dream and believes her present condition is transient. She says that now, as a woman, she can earn a wage. She loves having money in her pocket, being able to spend, own a car, eat out, organize parties with music, a big cake and lots of meat. "All this," she says, "is worth the hard work and endless efforts." The expectation of getting ahead, of making it in the U.S., pushes her forward. In addition to being able to consume "good things" and allow herself small privileges, she can aspire to social mobility.

María takes on the role of head of the "composite family" she lives with: her sister and her small child, the son of her compadre in Guerrero and his friend, three men she met in the house she lived in when she arrived in the United States, and another two young boys from Oaxaca who are friends of a friend, plus a lad who arrived recently looking for a place to live. They are all relative newcomers to the country. It is convenient to have many people because they can share costs. She helps them find a job since she is often hired as a *mayordoma* (squad leader) and has multiple friends in the agricultural fields. She sometimes foregoes the rent for one who has been sick, allowing him or her to pay later, but advises them to behave in the United States so that they are not deported, which they all live in fear of. She makes sure everyone has a small, private space to store their things: phone, clothes, but particularly cash. None of them have a bank account, but several of them have bought a card from the convenience store.

Most of them send money to Mexico, although it is often irregular. María sends money home for her nephews, who she sees as her sons. For this, she resorts to Western Union when there is no one travelling to her hometown to carry the cash in person. Depending on the wage she is earning, she sends up to $300 dollars every 2 months. Her sister sends $100 dollars to her husband when she can, claiming that she has to cover the expenses of her child, but her husband has to pay the plot of land they have in Mexico. Two of the young men send remittances to their mothers, and one of the older ones sends cash to his wife and two children. María bought a van on installments from a friend so as to go to work in the fields. She claims to feel accomplished because her family is doing well.

Like María, migrants face the need to juggle different financial scenarios, each of which has its own rules, meanings and values following inexplicit economic scripts that have everything to do with social life. On the one hand, the stated purpose of their hard work and sacrifices is to earn money for their families in Mexico. Most send money home at one point or another, but obligations are as much social as they are monetary. They have to show that they care for their kin in the community of origin, where it tends to be considered disgraceful to show themselves as poor—it is as if they have failed in their big migration enterprise—. They are obliged to send money for the family. The latter are classified as "poor" and "needy" even though this is not always the case. The amounts of money sent, the periodicity and the ways in which they are remitted are estimated within these frameworks.

In contrast to María and the members of her composite family, Tomás, a resident holding a green card who lives in a nearby town and owns a car repair shop, speaks with bitterness concerning life in the United States. Despite his two jobs, he has not been able to save enough money to go back home. He is a good mechanic, but he could never get an upgrade in the company he worked for, which is why he opened his own shop. He married and had a family, and expenses were ever increasing. Although he has a bank account and uses a credit card, he finds it hard to keep up. He cannot not go back home because, as he explains, “I cannot go back empty handed. It would be as if I had failed.” “We come here to make a fortune,” he said, “and end up leaving it here. This is the way we fulfill the American Dream: we get into debt.”

Debt is, in fact, part of the American Dream. María dreams of being eligible to access formal credit. At the moment, she has not acquired formal debt, although she did buy her car in installments. She borrows a bit here and there from friends and relatives, and also lends them money when they need it, but she does not have a proper credit history or an account. “Previously it was easier to open a bank account, but now you need to make an appointment and they ask you a lot of questions,” she says. She finds banks intimidating. Yet her financial activity is nowhere near static. She makes ends meet with earnings from her job, from the rides she gives workers to the agricultural fields, from the extras she earns when she lands a good opportunity in the fields and by sharing living costs with other migrants. But, like many other Mexicans, she is a good consumer, which contributes to keep the economy moving, which in turn, is key to the American way of life.

Car ownership plays an important role in making the American Dream real, as does the possibility of purchasing a wide range of products from electronics to clothes, beverages, food and particularly meat. María sleeps on a blanket on the floor, but she perceives this as provisional. The “real dream” will come soon, as it has for some of her friends, whose offspring acquired good education and can now speak English.

Financial Exclusion: Borderlines and Calculations

María lives on the borderline of financial exclusion. Although she does not have a bank account, she bought a card at Walmart. She only uses it to receive payments, which she immediately cashes out to pay debts and cover urgent needs. The rest she saves at home. She also participates in a ROSCA (rotating savings and credit association, wherein a group of friends and kin give an agreed weekly amount to a joint kitty, and they take turns receiving the whole sum). This has been useful to make payments towards her car, as well as to send money home.

She sometimes “leans on” a good friend who has a bank account and asks him to receive deposits that are sent to her. Once or twice, she has asked him to pay for something online. “Leaning on” others is a common practice by people who need access to financial services and cannot open their own account. Some say they feel safer this way because they find banks intimidating. But they claim that it has become more difficult to open an account because they have to provide an address in the United States, a phone number, and an American identity card.

Migrants do save, invest, get into debt and manage monies. Financial services to which they have access are limited, highly fragmented and unequal. But it is common to acquire goods in installments at shops and department stores and get hold of debit or credit cards from these stores or on the internet, as well as obtaining loans. There is a rapid process of adaptation to new systems, infrastructures, and technologies.

This is also evident in the case of Mexicans living in the area bordering the United States. Many commute regularly between the two countries, seeking to connect their financial and social livelihoods. Some of them live in Mexico and work in the United States, others live on the American side of the border, but their extended families are in Mexico and their economy is framed in Mexican social and cultural contexts. Many women work within agricultural circuits *(corridas)* that operate between the two countries following particular crops. The efforts of these women generally involve important contributions to the diverse household economies. In previous studies (Villarreal, 2008, 2009, 2011, 2014a, 2014b, 2014c; Villarreal & Guérin, 2013; Villarreal & Niño, 2013), we have been able to observe the differences in the frameworks of calculation commonly used on both sides of the border.

The management of their finances generally combines labor in the rural areas, as well as domestic help in private houses, employees in stores, and peddling cosmetics, clothes and other retail sales to friends or in neighborhoods from house to house. Some of them organize garage sales in the Unites States, others sell their wares on improvised tents set up on the streets of Mexicali. More than a few have had to pawn their gold and silver jewelry that had been treasured for years and whose value exceeds monetary criteria. The *gold parties* start to multiply: instead of selling cosmetics, Tupperware or domestic products as usual, the women organize gatherings to sell their jewelry. People also resort to ROSCAs that include members on both sides of the border. These tend to be organized in U.S. dollars due to the instability of the Mexican peso.

Occupational segregation has been a major feature of the U.S. labor market for Mexican migrants. Unstable and precarious jobs are most prevalent in rural scenarios. A significant number of workers in this sector take part in the crop circuits *(corridas)* in the United States, which they alternate with circuits in the Valley of Mexicali. Those who are au fait with the ropes of the trade might also receive unemployment compensation in the United States in non-harvest seasons. On the other hand, immigrant women work in the secondary segment of the labor market, in less prestigious activities considered feminine: the so-called proximity services, linked to the reproduction of work force and maintenance of the family and home (cleaning, cooking, taking care of aged people or children, etc.).

In the case of transborder women, this effort takes place in an arena wherein Mexicans must manage monies and economies in contrastive financial scenarios. We are here speaking of women who, in Mexico—on one side of the border—, are considered middle class: they have had the means to travel and pay (in one way or another) the costs entailed in migrating, send money back home and generally come back to visit in good vehicles and carrying dollars. But in the U.S.—on the other side—, they form part of the contingent of "the poor." Those working in the fields, as assistants to mechanics or washing dishes at a restaurant are commonly perceived as poor, whatever their real income might be.

Petra, for example, owns a house in Tijuana and commutes to clean houses 3 days a week in San Diego. At 62, she feels confident to have organized her life and her family's. She owns two houses and a small health joint in Tijuana, which has helped her family make ends meet. But it has not been easy. Her saga started in Michoacán, where she lived until her mother died in childbirth. Being the eldest, she had to look after her siblings, particularly the youngest, who was left in the incubator for 3 months. Petra was only 18, but she had a partner and a child of her own. Her brother, who was living in Los Angeles, sent her father some money, but the latter took to drinking, which made everything more difficult. After two years, she could no longer handle the burden and decided to "go north" to the United States with her partner. She reckoned her sister was old enough to look after the eight siblings, and Petra could send money to help out. They sold their belongings and hopped on a bus. It was a long journey to Tijuana, where Petra had a friend, although she did not know her surname and was unsure about her address. But people are nice in Tijuana, she says, they help migrants. She asked around, leaving her child and husband at a curb, until she found her friend. They crossed the border with the help of a coyote, whom they paid with their small earnings. He charged $700 dollars per person and they were delivered to the house where her husband's brothers lived in Chulavista. It was a big house and they shared a room, a kitchen and a bathroom. Petra worked picking nuts and later harvesting grapes. She says it was not a problem because she has always been a hard worker. But her husband became violent towards her, and living as she was, in the same house as her in-laws, was not easy. In addition, she received word that her siblings were left unfed and uncared for, and she decided to return to Mexico. Her partner soon followed. After 4 years, two more children, and a separation from her partner, she again decided to head north.

She had found a new partner who was working in construction, and they had managed to save some money. They carried the cash with them all the way to Tijuana as they did not have an account. By then, Petra had given birth to another child. They joined a group of homeless families who invaded plots to build their makeshift houses. Petra says her plot was really a garbage dump on the hillside, but she cleaned it well and used old tires that she covered with soil to make a terrace and extend the flat surface on which they built their small shelter. But her partner could not find a job and they decided that he cross the border, which he did. As soon as he could, he sent Petra remittances, but because they did not have an account, they leaned on a neighbor's account so that Petra's partner could send remittances. The neighbor accepted, but after a while, they discovered the lady was keeping half of the money for herself. Their problems increased when Petra's youngest child developed pneumonia and died. Her partner returned to Mexico, promising never to go back to the United States. "Children die when you go up North," he said.

They found jobs in Tijuana, he in the construction industry and she in the maquiladoras, so at least they had regular incomes. The factory that hired her opened bank accounts for their workers, so Petra became acquainted with having a bank card. However, she hardly used it as a means of payment. She extracted all the cash as soon as she received it and kept it, as usual, in a safe place in her now more developed house. She started small businesses, such as buying and selling jewelry, and joining a Herbalife wellness club, where clients would come and have shakes and consume their products. But she would see her neighbors bringing groceries from the United States. Her children would look at them longingly. Petra would say: one day I will do that. So, she started to organize ROSCAs and saved enough money to pay for a visa. She did not keep the money in the bank, but the debit card was useful to show she was mobilizing money, and this was necessary to obtain a visa. She was so excited when it was accepted that she nearly fainted. She had to sit on the stairs to get some air. With the visa, she was able to cross the border legally to buy clothing and blankets to sell in Mexico. She also helped her youngest sister out when she could. Her sister had been adopted by an aunt, who was by then a legal American citizen living in Chulavista. The young orphan had received an education in the United States and was doing well, but she had a disabled child that needed a lot of attention.

However, Petra had a negative experience with her account: she managed to save $20,000 pesos, which she now decided to deposit in her account, and when she went to the bank, she discovered that she only had $18,000. She angrily asked the teller what had happened to her money and was told that there were bank fees she had to pay. This infuriated her, so she withdrew all her money. Since then, she is distrustful of banks and mostly uses cash. But when her father died, her brother sold the piece of land they owned and needed to send Petra her share. She opened an account in the department store Coppel, where she was able to receive it.

By then, one of her clients in the Herbalife club had suggested she come to work in San Diego with her mother cleaning houses. Many people in her neighborhood, most of whom came from other parts of the country and had previously resorted to invade land, now commuted regularly to the United States, so Petra found it natural to accept. Her client's mother was an American citizen who had an informal cleaning business. She hired women to clean houses. Petra liked her very much. She took her to whichever house needed to be cleaned, provided all the necessary appliances and showed her what needed to be done. At one point, Petra found herself cleaning the house of a border patrol officer. She froze when he said he was a *migra* since she did not have a work visa. But the officer smiled warmly and said that she should not be scared, that he was not against people who cross the border to work, only against those who came to give trouble.

Petra is happy with this job because in 3 or 4 days she can earn as much as $400 dollars. These she takes home to pay electricity and other bills, as well as cover her debts. She lives in a garage that she rents with another woman and travels back to Tijuana every weekend, carrying her dollars in cash. She changes them to pesos in Mexico. She claims that is good for the Mexican economy.

It is not uncommon for people to work "up north" and live in Mexico, even if they possess documents to live legally in the United States. A family can inhabit two homes (one on each side of the border), each of which might also host other relatives. Thus, household configurations have diverse forms. Parents send their children to study to Calexico or San Diego "to learn English." Others decide to give birth to their offspring in the United States in order to acquire double nationality, a strategy useful for children later in life for future work or study.

The purchase of a house in the U.S. is a turning point in the lives of migrants. Buying a home illustrates a major adaptation to the receiver society. Actually, a great number of Mexicans have purchased houses in Calexico or the Imperial Valley. More than a few of them resorted to selling their properties in Mexico to make the down payments in the U.S. With the 2008 crisis, some lost their houses; others still struggle to keep them. But the role of networks —national and transnational— is also important in the home acquisition process. Capital flows in both directions for the purchase: from Mexico to the United States or vice versa. During the recent U.S. housing crisis, monetary flows from Mexico increased. People sold their belongings in Mexico in attempts to salvage mortgages and homes in the United States.

Those individuals and families who were able to keep their homes in the U.S. did so through a range of strategies. And, in view of the foreclosure of homes at Imperial Valley, an important percentage of families returned to live in Mexicali, where there was an oversupply of houses and ample credit facilities for workers.

Border women carry out financial calculations in dollars as much as in pesos. In Mexico women calculate the exchange rate of pesos to dollars, and in the U.S. from dollars to pesos. Rather than rely on official exchange rates, women mentally process the rates of exchange utilizing a range of information. It is almost inevitable that calculations are carried out with biased information. These frequently rely on rumors, public knowledge and speculations. However, the importance of the exchange rate is crucial in everyday life. Giving birth in the United States (which is of critical importance since the child could then be born an American) without having medical insurance, for example, is considered expensive and financially risky. A woman explains that when her baby was born 8 years ago, a normal birth would cost around $5,000 dollars, and a cesarean could be as much as $8,000 dollars. The hospital bill must be paid within the first 14 days after giving birth. If the family failed to do so, the amount was doubled. It is legal for children of Mexican parents to be born in the United States as long as the services are paid. However, some "well informed" women might take the risk of using public services.

In addition to unemployment and *corridas,* U.S. tax refunds also enter the calculations. Andrea, for example, married an American and decided to register their marriage in the United States as well as in Mexico. First, they were married in Las Vegas, and soon after the wedding, the couple declared her two children as dependents which provided a greater source for a tax refund from the American government. The tax refund paid their wedding expenses in Mexicali. In a similar way, Mariana, who has two adolescent daughters from her first marriage, is planning her wedding. First, she will get married in the United States, and then her husband will register her two daughters as dependents. With the money that is refunded from taxes, they will wed in Mexicali and will finish refurbishing the bride's house in Mexico because it is important for the couple to have addresses in both Calexico and Mexicali. Mariana works as an employee in Mexicali, and occasionally plays with a musical band on weekends, both in Mexicali and in Imperial Valley in the U.S.

But Guadalupe turned out to be the most expert in tax usage, recovering a debt from a tenant in Mexicali by turning to a tax refund ('taxis' as they locally call them, referring to the tax refund). She mentions:

> He was my friend; we've known him for about 15 years because he got his papers (his migratory documents) in order and sometimes we used to do each other favors. Sometimes I would go over there with my son and he would do my unemployment. I filled out the forms and sent them to him and he cashed the checks. But then he started to become lazy. He didn't want to work anymore and it was my fault because I would tell him not to rush: "you can pay me later." […] He lasted about one year without paying me rent. I lent him some jewelry and he pawned it, but it remained pawned for about 5 years. One day I told him: "Know what? I am going to help you with the 'taxis' so you can pay me. We will collect all the check stubs, account statements, etc." He owed me around $40,000 pesos, jewelry and money. I did all the paperwork because I signed for him; he said he was my husband. After checking all the paperwork, the lady told me to come back on Monday and I…, hell, but he had never done the "taxis" because he didn't have any dependents! He said I was his girlfriend and well, he got me involved. They gave him $4,500 dollars and I told him: "Don't get excited about that check because it is going to be for me." I had taken note of all that he owed me. I had even made him sign a blank paper because it had been a long time since he had paid me. We made calculations and everything turned out right.

> Guadalupe finishes explaining that when

> someone is going to make an expense, well, our mind has to work, and you make calculations. In the calculation process, nonfinancial elements weigh heavily. When they gave the "taxis" ($4,000 or $5,000 dollars), then I got the pen: What can I manage to do with this? I was building in Mexicali. I made calculations and changed my dollars to pesos.

But people complain that having a permanent address in Mexico makes it difficult to continue holding an account in the United States. The bank needs a permanent address of the account holder in order to keep track of them. Thus, commuters living in Mexico must cover rent in the U.S and pay the costs of keeping a phone. Hence, many border inhabitants resort to convenience store cards where they are able to receive unemployment benefits or money from child support. They also "lean on" close friends or relatives that have a card.

The levels of well-being that are generated in the transnational life vary. In a study carried out in Mexicali (Sández et al., 2009), the levels of well-being among the Mexican population living and working in the United States were compared to those of Mexicali households. It was found that those who work in the United States, mostly in Calexico and the Imperial Valley, have more income, but such monetary resources only allow them relative advantages considering the costs of residential positioning.

Cash availability and the quality of certain purchased appliances and equipment were among the noticeable differences observed. Those looking to cross the border into the U.S. to obtain additional income tended to have access to a wider variety of consumer goods that satisfied their needs—particularly in terms of electrical appliances—, even though their needs were not entirely solved (Sández et al., 2009, p. 204). People working and living in the United States see their incomes diluted in the high cost of rent necessary to fulfill the requirements of residence in that country.

In the United States, the services that rely on the proximity of the border also have an important demand. Individuals with passports are recruited in the classified ad section in the Mexican newspapers for elderly and childcare in Calexico and the Imperial Valley. These activities are made under extremely precarious conditions where individuals work up to 12 hours a day for a small pay, which they find very good, however, when contrasting to their pay in Mexico.

Transborder women, as we have seen, combine different types of investment, savings and debt, in dollars and in pesos, and manage to obtain government support in Mexico as well as in the United States. But financial matters are closely interwoven in social, cultural and legal processes. Economic processes do not exist in isolation. Thus, women's economic strategies include the use of monetary and nonmonetary practices to ensure their children's future and their own stability.

We are now talking about a "financial culture" hardly analyzed, in which the measurement of risks as well as the social categories and differentiations (particularly gender, class, ethnicity, generation and nationality) come into play. People turn to calculations or "estimates" based on attainable information, in which considerations and conjectures about possible costs are involved—social as much as monetary—in addition to the probability of success or failure. It is not that women are freely choosing between a range of options, as proposed by a "rational choice" perspective. Their decisions are subject to the economic, but also social, cultural and emotional relations in which they interact. There is a certain degree of flexibility to maneuver and strategically utilize the normative, financial and social elements of one system to make up for the deficits in the other.

Access, Technology and Workarounds to Financial Inclusion

As we have seen in the cases of María, Petra and those that have recently arrived in the United States, a large proportion of migrants do not have bank accounts. Their finances are carried out mostly in cash and, if necessary, using a card purchased in a convenience store, where money can also be transferred from one account to another. Credit and saving usually involve ROSCAs or friends and relatives. Their identity as an "outsider" directs them away from formal institutions such as banks.

But the system pushes and pulls. Those who want to receive unemployment benefits, child support or a tax refund need at least a card. One of the issues with commuters and new migrants is that, in order to hold an account or a card in the United States, they need a proper address and a phone number from this country. Many Mexicans from Mexicali and Tijuana had their accounts closed because they did not have an address in the U.S. And having an address is not easy. A significant number of people living in California are working on their residence or citizenship documents and do not want to get into trouble by allowing undocumented migrants to use the address. This is often the case even among family members. It is also difficult to pay phone bills in the U.S. if you are living in Mexico. Commuters need a proper address in the U.S. and to pay the monthly rent to the phone company if they are to keep their American account.

In view of this, more than a few migrants and commuters "lean on" people who have a bank account. They mostly use it to receive payments, but this is a slippery arrangement, as we can see in the case of Petra, whose neighbor stole part of her remittances. There must be a large amount of trust in the possessor of the card, who is generally a close relative. Transparency is also necessary, albeit difficult, since not all are willing to show their bank statements. Yet, people do strive to acquire a card. The most accessible is a department store card. They take on clothes or an electronic device on credit to start their credit history. Another is to acquire a car from a company. That way they can build a credit history and be considered for a larger loan and an account. A young Mexican commuter narrates that he paid his mother's groceries with his credit card and his mother gave him back cash to strengthen his credit history.

People who receive government money in a debit card, however, tend to take it out completely as soon as possible, partly because they need the money but also because they do not trust banks and are afraid the government will take the cash back under the consideration that they do not need it. This is mostly the case in Mexico, wherein government money comes from social policy programs oriented to the poor, to young students or the elderly.

Technologically savvy commuters, particularly young students who also undertake diverse jobs (such as caring for the elderly or working in a restaurant) in the United States, use their cell phones to make transfers, check bank accounts and learn more about their financial options. But people who do not have a smartphone, lack internet or simply do not feel comfortable using technology often have to depend on others to access bank accounts or cards. These young students tend to trust technological devices and procedures more than they do people in institutions. They claim that people are corruptible, which is not the case, they say, with digital transactions.

Older people, however, prefer to have direct contact with a person. They do not trust themselves with a device, arguing that they might insert a wrong number and their money will go to limbo. Mexican migrants and commuters who are not technologically savvy tend to ask their offspring for help with the operation, but they prefer to go to a convenience store where the person in charge will register the transaction with ease, even if they have to pay a surcharge.

Money orders are also commonly used, particularly to avoid using cash for big payments such as buying a car or paying in a platform. These are convenient because this way people avoid traceability in their transactions.

But once and again we encounter human support as critical to carry out financial transactions. On the one hand, different forms of solidarity play a crucial role, as do social constraint and recrimination. Friends, neighbors and kin are important assets when there is need, but they also structure practices in accordance with accepted moral and cultural codes. Thus, the possibility of leaning on someone who has a card and a bank account is an important resource, but it is not without costs.

On the other hand, accessing information is key, and forms of valuation are configured within circuits of meanings in which social, ethical and cultural dimensions play an important role. As we can see in the cases of María and Petra, people do not necessarily calculate solely in terms of monetary profit or loss. Understanding how these calculations are made is part of the necessary comprehension of financial practices. These include social and cultural expenses that sustain their precarious economies.

Financial Inclusion as an Open, Changing Process

Based on these considerations, it is important to pinpoint that financial inclusion cannot be defined simply as bancarization. As we have seen, a significant proportion of the Mexican migrants and border inhabitants do not possess bank accounts, yet have access to bank financial services in an indirect way, by leaning on relatives or close friends who do.

They also resort to intermediary institutions, such as convenience shops or money transfer businesses to remit money, pay bills or buy a temporary card. Users of such intermediary institutions can also include higher class business owners or more elderly people who prefer to carry out transactions via people, not machines, or who want to avoid traceability. They might have a bank account, but are weary of long queues and other hassles, and prefer to carry out transactions close to their home. Others who use such services are distrustful clients who are unwilling to use facial recognition in their phone applications, under the conviction that they are stealing personal information.

On the other hand, factories open accounts for their workers, which facilitates the payment of salaries. But many only use the card to take out the total sum of their wage once every week, not to pay in shops. They do not qualify for bank loans. The same goes for low-income dwellers who receive government transfers via bank cards. Their trust in bank institutions is low, but the institutions trust them less under the calculation that they are unreliable, lacking proper identity as profit-makers. Deficient information on both sides reproduces this belief. Bank workers do not know the possibilities these clients have, and the latter are not able to discern the financial opportunities that might be available for them.

Yet more than a few migrants and commuters have received cards from department stores, particularly Walmart, as well as Coppel and Elektra in Mexico, which they do use to acquire loans and pay for different goods and services. They tend to use mostly cash for their everyday transactions, but also resort to credit and debit cards.

More technologically savvy users are able to use their phones or computers to check their accounts and transfer money. One would think that those using YouTube or Facebook, which most migrants and commuters do, would also be able to use these gadgets for their bank accounts, but this is not the case. Fear of making a mistake in digitalizing numbers is perhaps the most important factor but, except for young people, there is also a tendency to trust people, rather than machines, with money.

In this way, one can document a subjective dimension to financial inclusion that concerns perceptions, emotions and values. Although there is a rapid process of adaptation to new systems, including financial institutions, the dependence on human infrastructures that have proven reliable to their financial lives is important. Thus, financial inclusion has multiple entries and exits. It is a very dynamic process. And it is clear that these processes do not progress in a linear way. We encounter processes that we could identify as "moving up" in the social scales, but very soon these go down, they become blocked, go back or go in opposite directions. In this sense, it is more important to identify the moment of change and transformation than to try to characterize a process in a generalized way.

It is clear that Mexican migrants in the United States, as well as border area inhabitants in Mexico, are in need of better access to financial services. Although people have found ways of "leaning on" others and working around the issue, these solutions are transient and do not cover all of their needs. It is necessary to create new financial systems that are accessible to this population.

Such systems will need to win over the trust of these clients and make their language accessible in such a way as to provide admittance to more formal financial systems that take into account social, cultural and subjective dimensions to finance.

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Beyond Financial Inclusion: A Financial Citizenship Framework Centered on the Lived Experiences of Immigrants

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In 2007, Mission Asset Fund (MAF) was born out of a dream to envision a brighter economic future for low-income immigrants in the Mission District of San Francisco, California. Critically, it was our approach that would set us apart. In this chapter, we discuss the origins of MAF and how our community-centered approach has paved the path for the financial inclusion of low-income immigrants in the United States. By meeting people where they are, respecting people's experiences, and building on their strengths, MAF has designed financial products and services that have helped immigrants across the country build financial security over the years. From "Lending Circles" and "Ventanillas de Asesoría Financiera" (VAFs) to COVID-19 cash assistance, we showcase how MAF has leveraged the best of finance and technology to show up for immigrants time after time, with respect and dignity.

We build on our learnings to also offer a policy framework that transcends common notions of financial inclusion and calls for a more comprehensive ecosystem of accountability: financial citizenship for all. For immigrants in the United States, financial exclusion is not a one-dimensional problem, and as such, requires a multifaceted response. We make the case that we need to recognize that everyone has inherent financial citizenship—a right, duty, and obligation to participate in the financial marketplace—as the starting point for realizing their full economic potential. We argue that in order for this inherent right to be exercised by an individual, we need the banking industry, government, and civil society to work together to fulfill everyone's economic potential with dignity. This is how we help immigrants feel not just financially secure, but like they belong.

Rooted in Community: A Dream Is Born on the Mission

My love for food began as a young girl, when I was living in Mexico City, where I was born. So, when my family moved to San Francisco in 2001, I began cooking from my home in the Tenderloin. We decided to call our business "El Buen Comer." At first, it was hard. I had to invest so much—first in a truck, then in paying for permits for my business—that I didn't have any profits at all. I felt discouraged.
Isabel, owner of "El Buen Comer"

Deep in the colorful and vibrant streets of the Mission District in San Francisco, California, there is an air of hope and a sense of possibility. From the taquerias and *panaderías* to the tropical fruit markets at every turn, the streets are filled with entrepreneurship and creativity. Along the alleys, murals blaze boldly in color and rich history, inviting visitors to wonder about the Mission's past, challenges, and aspirations that have made it the community it is today. The Mission is full of food, art, life, and many dreams.

From its origins as the land of the Native American Ohlone people to the arrival of the Spanish in the 18th century, the Mission has a long history of resistance, adversity, and transformation. In the mid-20th century, the Bracero Program brought a large number of Mexicans into the neighborhood, markedly reshaping the cultural landscape of the Mission. In the 1980s and 1990s, immigrants and refugees fleeing civil war from Central and South America joined Mexicans, further cultivating the strong Latino identity of the Mission (San Francisco Planning Department, 2005).

By the time Isabel arrived in the Mission in the early 2000s, the neighborhood had solidified itself as one of the most diverse and entrepreneurial districts in all of San Francisco. After a friend's recommendation, Isabel visited La Cocina, a community-based organization that supports women and immigrant food entrepreneurs. With their support, Isabel was able to open a stand in a local food market, fulfilling her life-long dream.

Starting her own business was hard. Isabel used all her savings to invest in a truck and pay for business permits. She worked day and night but did not make any profits. Her family encouraged her and kept her going.

They believed in her, so she believed in herself. She kept her commitment to her food stand, showing up every day to continue fulfilling her dream. But then she needed to buy an industrial steamer to sell tamales in the market: it cost $1,400 dollars and she just did not have enough savings left.

Isabel had no access to a safe and affordable way of borrowing money for a tamale steamer. She had limited interactions with financial institutions in the U.S.; she did not think she knew how to manage this foreign financial system. She did not trust them. If she wanted to scale her business, though, she would need to find a way to borrow quickly. She felt stuck.

Isabel's experience is the reality that many MAF clients face as they try to make their financial dreams come to life in this country. Immigrants like Isabel actively participate in the informal financial system every day, saving their cash at home or borrowing from friends and family. Yet, there comes a point when having more options is necessary, when the formal financial system is needed to participate fully.

In the U.S., credit reports are like passports in the financial mainstream. Without this basic tool, families are barred from opportunities to realize their goals, like starting a business, owning a home or, in some states, even getting a job. This was the challenge MAF faced in 2007. At that time, 44% of Mission households had no credit histories and over 50% of recent immigrants in the neighborhood had no bank accounts (Quiñonez et al., 2010). Instead, there were more check cashers and payday lenders on Mission Street than taquerias—a staggering actuality considering the entrenched role of taquerias in the identity of the Mission. Without access, Latino households are 3.1 times more likely to use payday loans than white households, loans that carry expensive fees (Greene et al., 2021).

The reality, then and now, is that immigrants experience financial exclusion at multiple levels. Like many immigrants across the country, Isabel's passion alone could not overcome the systemic barriers keeping her from accessing the most basic of financial tools. She could not access loans to build up her business because of a lack of credit history. Instead, she only had expensive options, like payday loans, to fall back on. Yet, even when there are more affordable financial products, they are often not available to people without Social Security Numbers (SSNs). Undocumented immigrants are left to navigate a marketplace full of financial companies ready to exploit them, offering abusive and predatory products that deplete their assets and entrap them in cycles of debt (Paulson et al., 2006).

How can we help immigrants improve their financial lives when they do not have access to the most basic of financial tools? That was the question that shaped our work. With the support of the Levi Strauss Foundation and a dynamic group of community leaders, MAF was founded in 2007 to envision a brighter economic future for low-income immigrants in the Mission. We aimed to help low-income and immigrant families to become visible, active, and successful in their financial lives. Critically, it was our approach that would set us apart.

At the time, there was an implicit assumption underlying most financial and social policies that low-income people were poor because they were somehow unsophisticated or otherwise deficient, lazy, or just doing everything wrong (Davis & Museus, 2019). It was their fault. This ran contrary to what we knew was true, from our own lived experiences to what we saw every day in the communities surrounding us. We assertively rejected this "deficit-based model" because it robs people of both agency and dignity. Instead, we embraced a "strengths-based approach" that would lean into immigrants' strengths, honoring their traditions, and meeting them where they were in their financial journeys. Deep in the colorful and vibrant streets of the Mission District, a new dream had begun.

Building on What's Good: Culturally Relevant Financial Products

In Mexico, if you're not wealthy, you see loans as digging yourself into a hole. […] In the U.S., credit gives you the ability to build something that can help you build your future.
Boni, MAF client

When he was 27 years old, Boni moved to California from Puebla, Mexico to find better job opportunities and build financial security. At first, it was all about the basics for Boni: food, housing, clothing. As a construction contractor, he was quickly able to find a job when he arrived. But, slowly, the need for a credit history began to creep into his life. As the scope of his construction projects increased in scale, he had to rent more equipment. And in order to rent equipment, he needed a positive credit history.

Just like Isabel, credit was new for Boni. In his experience, only the wealthy and large-scale business owners used credit in Mexico. He had heard horror stories growing up about neighbors opening up savings accounts with local banks, only to have their money missing weeks later and no bank accountability. To him, financial institutions were not reliable or trustworthy, so Boni's family generally stayed away.

But in the U.S., it was different. Boni could not stay away if he wanted to scale his small contracting business. He started to explore options around him to build credit. He learned of an installment payment plan that his neighbors were using: representatives from different companies would go door-to-door selling household items, which community members could then buy on installment and their monthly payments would be reported to credit bureaus. But to Boni, there were core problems with this set-up: very high interest rates, no financial education to actually learn how credit worked, and a gut feeling that taking on debt was not good. Everything changed for Boni when he attended a MAF Lending Circles program presentation at a Mexican consulate in San Jose, California.

In 2008, when the global financial crisis brought our financial system to the edge of collapse, the recession shrunk more than 50% of available consumer credit, pushing low-income workers toward high-cost debt (Quiñonez & Robinson, 2012). Yet, despite the unnerving crisis, immigrants were saving and lending with one another through a time-honored tradition of mutual support and trust. Our Lending Circles program is rooted in this tradition.

Lending Circles formalizes a global tradition of social lending into an opportunity to step out of the financial shadows. Across the world, people have come together to borrow and lend to one another. Known as *tandas* and *cundinas* in Mexico, *paluwagan* in the Philippines, and *susus* in West Africa, communities are leveraging their social capital to meet their financial needs. In the same way, Lending Circles brings people together to form zero-interest, small-dollar loans based on pooled resources that rotate to members of the circle.

The transformational impact of this practice hinges on three critical aspects: first, all participants sign a promissory note, making an informal activity formal and visible to the financial institutions. Second, MAF steps in to make the circle whole if a participant is unable to pay. This takes the risk and uncertainty off of participants, ensuring that the loan capital will be available when it is their turn. And finally, MAF reports payment activity to the major credit rating agencies. Lending Circles also provides an added incentive for unbanked clients to open checking accounts, opening up access to many more financial services and resources.

Boni joined a Lending Circle when he saw how similar they were to *tandas*. After participating in two Lending Circles, Boni was able to build a credit history that allowed him to rent equipment for his construction work. By the end of the program, he had brought up his credit score to an impressive 699 (a solid "good" rating) and had gotten approved for his first credit card. All while also building community, and without incurring debt.

For 15 years, we have seen first-hand how Lending Circles helps low-income immigrants establish and build credit, enabling them to step out of the financial shadows. Working in collaboration with nearly 80 nonprofit partners across 18 U.S. states and D.C., MAF has serviced more than 14,500 Lending Circles loans worth over $13 million dollars. We have supported people at every stage of their financial journeys: four out of five clients who join MAF's Lending Circles without a credit score established a score during the program, opening the door to larger loans and other mainstream financial services. Across all borrowers, clients increase their credit score by an average of 120 points, with nearly 80% completing their Lending Circle with prime or near-prime credit. Most impressively, 99% of loans are repaid.

Not only are clients building credit, but they are also saving money: compared to high-cost loans from a payday lender, clients save an average of $154 dollars on fees and interest when they join a Lending Circle. In an external evaluation of MAF's Lending Circles, researchers found that participants reduced their debt by an average of $2,400 dollars, in comparison to an average increase of $2,700 dollars in debt among similar people who did not participate in the program (Reyes et al., 2013).

Just as critical to the program's success is the coupling of timely and relevant financial education to help clients navigate the multitude of traps and barriers along their long path. MAF clients draw from a library of culturally relevant financial education modules, giving them an opportunity to build personalized learning plans that meet their needs and realities. By pairing safe financial products with relevant financial education, MAF clients report feeling more in control of their financial lives, and in turn more confident about achieving their goals.

MAF has also stepped up to offer other credit-building loans that are responsive to immigrants' needs. In a country where anti-immigrant rhetoric never fails to make the news, MAF launched a diverse set of Immigration Loans that remove financial barriers keeping people from applying for U.S. citizenship, green cards, Deferred Action for Childhood Arrivals, Temporary Protected Status, or U-visas as well as from petitioning for a relative. These zero-interest loans have provided nearly $1.7 million dollars in funding to over 3,600 immigrants applying for affirmative relief, opening doors into a world of financial opportunity.

As for Isabel, she was able to buy an industrial steamer to make tamales after joining several Lending Circles that helped increase her credit. After several more years of hard work, Isabel realized her ultimate dream of opening her own restaurant, right on Mission Street.

> *Lending Circles were our first financial door—they gave me access to loans to open my own restaurant, which is something I could never have imagined. But more important than that, they helped me learn to manage the financial system to open even more opportunities in the future.*
> *Isabel, owner of "El Buen Comer"*

Isabel's and Boni's success stories are no accident but highly unusual in a financial system where people in marginalized communities are relegated as secondary users of products designed for other people. Where financial institutions failed to meet the needs of low-income immigrants, MAF showed what was possible through a community-centered approach. Lending Circles is centered on the lived experiences of immigrants through culturally relevant product design and program delivery, making people feel seen and respected.

Leveraging Trust with Technology: Timely and Meaningful Financial Education

> *I wish my parents would have had the opportunity to go to a Ventanilla [de Asesoría] Financiera when they just arrived in the U.S. They would have saved a lot of money, time, and energy. There are so many resources that sometimes we are not aware of in our day-to-day life. It is not until we go to places in our community where we learn about those resources and services.*
> *Diana, MAF Financial Coach*

When Boni walked into that Mexican consulate in San Jose, California, Diana was leading the Lending Circles presentation that would change his life. At the time, Diana was working as a financial coach for MAF's VAFs program in Mexican consulates. For Diana, leading financial education presentations was very personal and reminded her of her own family's journey navigating the financial system in the U.S. after immigrating from Mexico.

For the nearly 37 million Latinos of Mexican descent in the U.S., building community in trusted environments is foundational (Noe-Bustamante, 2019). In 2017, MAF and the Mexican consulates of San Francisco and San Jose joined forces to support the economic empowerment of Mexican nationals across northern California. Through this partnership, MAF was able to extend financial education services to Mexican immigrants at a broader scale than ever before.

The VAFs program has offered a convenient way for Mexican nationals to learn and access financial resources. While they wait in line for their appointment at the consulate, MAF financial coaches, like Diana, host financial education presentations, from credit and savings to budgeting, in the waiting room. If they want to learn more, they can schedule a free, hour-long, coaching session to dive deeper into their financial planning.

Through our community-centered approach, we engage clients, build with them, scale for them, and mobilize them into financial action. In this way, we have transformed the ways we have provided financial services and education over the years, so it is always timely and relevant.

Just like Diana sat with Boni to listen to his story at the consulate, MAF listens deeply and with intentionality. By listening, Diana recommended that Boni learn about Lending Circles to see if it was a good fit for him. In fact, by meeting clients in these trusted environments, we are able to get more honest responses and questions from the community. It was this kind of feedback that led MAF to develop a new curriculum on financial emergencies to help community members better prepare for moments of crisis, from earthquake preparedness to deportation proceedings.

By showing up with respect, we scaled our reach in just months, mobilizing Mexican immigrants into financial action. Since the start of the program in 2017, MAF has provided financial presentations, workshops, and coaching sessions to approximately 2,000 individuals per month at each site. By the end of the first year of the VAFs program, MAF had served over 30,000 clients—more than double our initial goal.

Just a year after beginning our work at the Mexican consulates, we took our engagement with clients to another level. We heard from clients that time was an important issue for them. As much as they wanted to come to the consulate and learn these resources, they often could not just leave work in the middle of the day; their available time to engage was scattered throughout the day, with the uncertainties of daily life taking precedence.

In partnership with clients, we launched MyMAF, a mobile application that would allow clients to carry a "financial coach" in their pocket at all times. We designed a culturally relevant app that was timely and relevant, one they could access at any point in their days when they had time to plan their finances. The app reflects clients' diverse financial strategies, no matter where they are in their respective financial journeys. Our financial tool reflects the totality of their financial lives, recognizes their different realities, and respects their decisions.

Putting immigrants at the center also means designing products that look like them. MyMAF's avatars reflect the faces of the diverse communities we serve. For many MAF clients, seeing those images—their own brown faces reflected back at them—is the first thing they notice. They feel represented, motivated, and included.

This is how community-based organizations can support immigrants along their financial journeys. By showing up in trusted places, and cultivating that trust, MAF has created windows of opportunity for Mexican immigrants who have been excluded from the financial mainstream. By embracing innovative partnerships and investing in agile technology, we have reached thousands of Mexican immigrants in search of access and affordability. By listening and co-creating with immigrants, we have made them feel like they are a part of something bigger, like they belong. At the end of the day, as Diana firmly believes, "This work means helping someone set a goal and know that it is within their reach. It is no longer just a dream."

Excluded Yet Again: Showing Up When No One Else Did

A Broken Social Safety Net

> *I feel so lost. I don't want to lose the only place that I have for my kids. I don't have money to even pay my rent, that is more important than the money that I owe right now. We never were late on any bill and now I owe everything. I called several shelters that maybe can receive us but they are all closed. Our family never needed this situation.*
>
> *Mayra, MAF client*

On Friday, March 13, 2020, the world turned upside down. As news of an emerging pandemic jolted the country, the Mayor of San Francisco swiftly issued stay-at-home orders, sending the city into lockdown. Businesses shut their doors, schools closed their classrooms, and everyone was sent home to shelter and wait. These orders were extended, and extended again, as the uncertainty of the crisis showed no end in sight.

We immediately heard from our clients. Many, like Mayra, were anxious about losing their jobs, income, and ability to pay rent, the bills, and buy food. Unlike many Americans, the people we serve could not work safely from home; when everything shut down, they lost their jobs overnight. People were scared. It was our sense of deep mutuality and solidarity that propelled us into action.

We listened and we heard the deep financial pain our clients were facing. Unlike other Americans also experiencing the impact of the pandemic, the immigrants we serve had no safety net. Despite paying more than $23.6 billion dollars in federal taxes alone annually (American Immigration Council, 2022), more than 11 million immigrants and their families were excluded from federal stimulus checks and unemployment benefits because of their immigration status (Gelatt et al., 2021). State and local governments dragged their feet as they waited for federal funding to support hurting communities—funds that would nonetheless remain inaccessible to immigrant families.

Our clients felt betrayed and alone. With so much at stake, how could we help?

In a moment like this, we had to meet our clients where they were: by giving them cash. What they needed most was unrestricted money to spend as they saw fit. We had the tools to make it happen: the relationships, the technology, and the financial infrastructure. But there were still important questions to resolve: How do we turn our loan servicing platform into a grant disbursal system? How do we design a quick and user-friendly application? Which funders can we bring on board to support this new program? Importantly, timing was critical.

Responding in Real-Time

In the early moments of the crisis, philanthropy rallied to meet this challenge. With no income and no government support, clients like Mayra were desperate for a helping hand. We immediately partnered with foundations to support communities that were excluded from relief: low-income college students, members of the creative economy, and immigrant families.

Setting up the COVID-19 Rapid Response Fund was like a live impromptu staff-wide concert, with each team playing a different instrument to the same melody of urgency. Our long-time allies got us money quickly, recognizing the urgency of the moment. While the fundraising was ongoing, our finance and technology teams were repurposing our systems and infrastructure to disburse cash grants at scale. Meanwhile, our programs team was quickly building an entirely new application process for each of the communities we set out to support. We made sure to ask questions with care and respect, taking the time to understand each applicant's financial reality, strategies, and resources. Within a couple of weeks, we launched the Rapid Response Fund.

Within minutes of launching the fund, our systems crashed. Nearly 1,000 people applied during the first few minutes and overwhelmed our system. We quickly updated the website, taking down the application and adding a waitlist sign up instead. The next day, over 67,000 applicants had signed up for the waitlist. Never before had we received such overwhelming interest in such a short period of time, further testament to the devastating impact of the pandemic.

This challenge humbled us and reminded us that even with the best in-class technology and the best of intentions, serving an unprecedented number of clients can still test our agility. So, we took a step back to reassess and restructure a more thoughtful process. How do we decide who to help? How can we focus the most precious of grant dollars to families who can make the most of $500-dollar grants?

In this moment of crisis, we considered our values, and ruminated on our roots as an organization that serves those "left last and the least." Given the overwhelming need, we recognized that if we continued our fund selection process through a "first-come, first-serve" basis, we would leave behind the people we had always sought to serve: people who face barriers to access, who may not have the time or resources to apply first, and the people at the end of the line.

We rejected the default process that would have resulted in deeper inequities in favor of something more meaningful. In order to meet people where they were, we asked more questions. We dug into our own research—our learnings of serving low-income and immigrant communities—to add more nuance to our application questions. Going beyond loss of income, something many experienced during the pandemic, we went deeper: Do you expect to receive financial support from other sources? Do you have family members who depend on you financially? Has someone in your household contracted COVID-19?

This is how MAF's Financial Equity Framework was born. We created data assessment frameworks based on our previous client learnings that helped us evaluate people's complex financial lives to prioritize need more strategically. Through this framework, we prioritized people who stood to benefit the most from our cash assistance: people facing structural barriers with the fewest income streams and most financial strains (Mission Asset Fund, 2021). In this way, we captured more fully the experiences of the immigrants we serve: people with fewer supports, who instead have family members to support and do not have access to health insurance.

By focusing on financial equity, we reached people at the margins, people excluded from federal relief in the midst of a global pandemic. After receiving more than 280,000 applications for our Rapid Response Fund, we ultimately funded 65,000 grants for families in 48 states.

This is how we kept thousands of immigrant families from falling deeper into a spiral of financial loss, extending a breath of fresh air while everything else appeared to be going underwater. But we quickly learned that the tide was only just turning.

A Devastating Pandemic

> *We are all human and need to be treated the same. It is upsetting because we also pay taxes. Although we are not from here, we still pay taxes, but never qualify for anything. We deserved that help too. But that's not how things are and what's left for us to do but accept it? We are strangers. We are invisible. That is how we see it—we are invisible.*
>
> *Francisco, Rapid Response Fund grant recipient*

Before the pandemic, Francisco and his wife were saving to finally take a vacation with their four young children. Because he often worked weekends and holidays, they were all anxiously awaiting their trip to visit family from Yucatán in Oregon. The day the San Francisco shelter-in-place orders went into effect, that dream quickly faded.

Francisco's wife lost her job. His children were sent home from school. As a local chef, Francisco was considered an essential worker, so he was still able to go to work. Soon after, he had a fever. He had become infected with COVID-19.

This was a new reality for many immigrants at the height of the pandemic. For immigrants without legal status who were excluded from government support, COVID-19 created an impossible situation: show up for work and risk getting sick or miss work and risk going hungry. With few lifelines available, immigrants did not think twice about showing up for work.

The government's response during COVID-19 brought to light deep existing inequities in this country's social safety net. Despite paying billions in federal, state, and local taxes annually, immigrants without legal status are not eligible for food or housing subsidies, health insurance, or Social Security benefits (American Immigration Council, 2022).

During the COVID-19 pandemic, 11.5 million immigrants and their family members were excluded from three rounds of federal stimulus checks.[1] Undocumented families were not eligible for expanded Child Tax Credit (CTC) cash assistance—a program that ultimately lifted 40% of American children out of poverty during the pandemic (Parolin et al., 2021). Immigrant workers were not eligible for unemployment benefits, a program that reduced the poverty rate by another 14% (Traub, 2021).

What exactly did this mean for Francisco's family? It's estimated that an undocumented family of four was denied more than $11,000 dollars from COVID-19 federal stimulus checks alone (Anderson, 2021). An estimate that would have been significantly higher for his larger family.

This exclusion carried a heavy cost. At the height of the pandemic in fall 2020, MAF conducted a national survey to learn how the pandemic and economic crisis had impacted our grant recipients, collecting 11,677 responses from immigrants excluded from federal relief (Mission Asset Fund, 2020). What we learned was devastating.

More than six in ten immigrants could not meet their basic needs, from putting food on the table and paying their rent to covering their medical bills. To put this into a broader perspective, immigrant families were four times more likely to be unable to pay their rent compared to American households at the national level (Mission Asset Fund, 2022). Even after making all of these sacrifices, immigrant families had to dig deeper. Nearly one in two immigrant families had to deplete their life-long savings or sell their assets in order to stay afloat. But this was still not enough.

Among the two-thirds of immigrant families who were unable to pay their monthly bills in full, the median respondent accumulated $2,000 dollars in unpaid bills. This was at the height of the pandemic. Even as businesses reopen and people work again, this debt will not go away so easily. Immigrant families will deal with this looming debt for

[1] For more information, see the chapter by Serrano & Li Ng (pp. 99-120) which analyzes the federal stimulus check program and unemployment benefits during the COVID-19 pandemic in the United States.

years as they try to rebuild their financial lives. As for Francisco's family, they will have to pay down their piling debts before they can begin to save again for that trip, or for those other financial dreams.

Being excluded yet again makes the climb up out of the shadows even steeper. Without social safety net protections, immigrants in the U.S. are treated as second-class citizens who consistently contribute but do not get the same protections as other working Americans. Even when an individual feels financially secure—because they have saved and budgeted—when crisis hits, a person's financial life can be overturned in an instant. Being excluded from government support—which everyone else receives—makes an immigrant's position in the broader financial system more tumultuous; it makes belonging feel even more elusive.

A Path Forward: Building Financial Security for Immigrants through Financial Citizenship

Financial security is foundational to every dream realized. It is neither a final destination nor a one-time occurrence in people's lives. Financial security is a state of being where people are able to meet their financial needs and obligations, which vary depending on their circumstances and the context of their lives. It is not a fixed state but relative. It does not solely depend on the behaviors or actions of individuals themselves. Instead, it is largely influenced by the political and economic forces that shape individuals' lived experiences. More specifically, the perception of who belongs—who is included in the social fabric of the nation as a real American, who is and who is not deserving of help—is the largest determinant of who lives a financially secure life.

Immigrants in the U.S. know this better than anyone else. Isabel had enough personal savings to start selling her tamales but could not borrow affordable loans from financial institutions to get to the next level. She was stuck. Boni was working and building his construction business, but he did not have access to affordable credit-building tools to rent equipment to keep up with demand. He lost out. Francisco was working until COVID-19 wiped away his family's income and savings, but he was excluded from pandemic relief and could not access support from social safety net programs. He lost ground. Just like them, millions of immigrants experience similar obstacles, excluding them from opportunity, limiting their financial options, and consequently hampering their financial security.

For immigrants, financial exclusion is not a one-dimensional problem. It is complex and layered with varying degrees of barriers and pitfalls. As such, a multifaceted response is needed to ensure that immigrants can achieve financial security.

We need to move beyond the idea that financial inclusion happens by simply opening accounts for unbanked consumers. Instead, we need to recognize that everyone has inherent financial citizenship—a right, duty, and obligation to participate in the financial marketplace—as the starting point for realizing their full economic potential.

Once this inherent right is recognized, we can apply a framework that can help sustain this financial citizenship. A framework that relies on multiple players in the financial ecosystem to make it succeed. An ecosystem that supports an individual on their financial journey toward financial security.

The Role of Financial Institutions: Affordable and Culturally Relevant Financial Products

In the U.S., low-income families are marginalized in the financial marketplace by design. Financial products are largely for people who earn higher wages and have steady cash flows, baselines that do not match the realities of the people we serve. Some checking accounts, for example, require high minimum daily balances in order to waive monthly maintenance fees. Consumers who cannot afford to keep $500 or $1,000 dollars sitting idly in their checking accounts are forced to pay the $20 or $30 dollars per month fees.

Adding to these layers of exclusion is immigration status. Without a SSN, it can be nearly impossible to even open a checking account, much less take out a loan or access other financial services. This exclusion carries high costs. In 2020, Americans spent $303 billion dollars on interest and fees for everyday financial services, the vast majority of which was paid by low-income households (Greene et al., 2021). To put this into perspective: low-income families in the U.S. pay over 10% of their annual income in interest and fees (Office of Inspector General, 2014).

To address these exclusionary practices, financial institutions should offer affordable and accessible financial products and services to low-income customers. This can include offering free checking accounts and eliminating account minimums and ATM withdrawal or overdraft fees. Increased flexibility by accepting different types of identification would also help immigrants access these services. Further, credit bureaus should also do more to consider the full context of low-income households in their credit ratings. This can include using more inclusive metrics in their credit assessments that reflect their financial realities, from rental and utility monthly payments to TV and phone bill payments.

Banking institutions should ultimately aim to use a strengths-based approach in the design of their financial products and services. The success of Lending Circles has shown that designing culturally relevant products that meet people where they are and trust them as the experts of their own lives goes a long way. Banks need to reassess their risk-based pricing for loans that are overcharging low-income customers. As we have seen with Lending Circles, clients fully repay on time, they just need products that are designed for their success. By designing culturally relevant financial products, the financial industry can serve immigrants as primary users and enabled financial citizens of a financial system full of possibilities.

The Role of Government: Consumer Protector and Social Safety Net

The government has a unique role to play as the protector and advocate of the people. Consumer financial protections are fundamental to enabling an equitable and just environment where everyone's financial citizenship is respected. In the U.S., the creation of the Consumer Financial Protection Bureau has been transformational in protecting consumers from bad actors in the financial marketplace (Kirsh & Squires, 2017). The federal government can do more in the financial marketplace by ensuring access to financial services for low-income and immigrant families. One way to do this is by allowing the U.S. Postal Service to provide checking and savings accounts at local branches, which could go a long way in closing the access gap for unbanked communities. Postal banking has a long track-record of promoting financial inclusion across the globe—its feasibility only depends on sufficient political support to make it happen (Office of Inspector General, 2014).

Additionally, in order to truly promote financial citizenship for all, the federal government could explore new technologies that can provide efficient and secure IDs for the sole purpose of transacting in the financial system. Currently, SSNs and Individual Taxpayer Identification Numbers are the default IDs used to validate identities, which were never created to serve the financial industry's need for unique identifiers and are highly vulnerable to fraud and identity theft. A modernized financial ID system, delinked from the SSN, could serve as a standardized financial ID, offering greater protections and providing everyone the same opportunities to engage in the financial marketplace.

While such a policy might be too far in the future, in the near term, providing access to U.S. government-issued identifications could help immigrants navigate not just financial transactions but broader societal systems. Recently, the state of California became the first state in the U.S. to allow all undocumented immigrants access to state identifications. While driver's licenses for undocumented immigrants have been available for a few years, state IDs for those who don't drive unlock even more access for all immigrants. Often, immigrants are stigmatized or worried of being "outed" when they use their foreign-country identifications. Now, all immigrants in the state of California will be able to use their standard government-based ID to obtain work, open a bank account, and access social services in the state—just like everyone else. Having the same ID as all other residents helps create an equitable and inclusive path to financial citizenship.

But we need to go beyond consumer financial protections to really harness the potential of the government in enabling financial citizenship. The pandemic showed us the incredible impact of strengthening our social safety net programs. From stimulus checks to the expanded CTC and unemployment benefits, these temporary interventions have been transformational: poverty in the U.S. is expected to be cut in half once all these measures take full effect (Wheaton et al., 2021). Investing in policies that strengthen the social safety net has helped millions living in poverty—and could help even more if we choose to invest in more permanent and inclusive ways.

For a more inclusive recovery, we need to help immigrants pay off their piling debt so they can save and plan for the future again. Even as people get jobs and start putting food on the table again, paying off old debts will slow their financial recovery. Government programs can reduce this debt burden by repurposing unused funds from other pandemic relief programs or as part of public-private partnership matching funds.

For a more permanent recovery, we ultimately need to expand access to social safety net programs so that immigrants can help cushion financial shocks, from health and unemployment insurance to food and housing support. Critically, we need federal policy changes in order to remove the largest barrier to inclusion that immigrant communities face. We need to pass comprehensive immigration reform so that more than 11 million undocumented immigrants can have access to benefits and services that can help them rebuild their financial lives. Legalization offers the best chance to give people better jobs with better pay and more financial resources so they can better tackle future crises. The government has an essential role to play in protecting and strengthening financial citizenship for immigrants.

The Role of Civil Society: Community-Based Trust and Support

While the financial industry needs to show up and the government needs to do more, civil society can further support immigrants' financial citizenship. Civil society organizations—nonprofits, philanthropy, schools, and community organizations—harness local community trust in order to reach people who need additional support. They help fill in the gaps left by the private and public sectors, helping support cultural practices, values, and binding people together. They are the ultimate connectors.

From VAFs in Mexican consulates to the design of our MyMAF mobile application, our position as a nonprofit allowed us to leverage the trust with the people we serve to support them better. Through our community-centered approach, we were able to co-create financial education products that were timely and relevant to their financial lives. During the COVID-19 pandemic, when the government excluded millions of undocumented families from relief, we partnered with philanthropy to reach immigrants with a financial lifeline. We were able to disburse cash fast not just because of our technology, but because communities trusted us.

Nonprofits, in particular, can play a role in ensuring that their communities have the resources and tools to understand and participate in the financial system. Yet more than half of nonprofits nationally suffer from frequent or chronic budget deficits, while 40% have fewer than 3 months of reserves to cushion an emergency shortfall (Etzel & Pennington, 2017). We should invest in nonprofit capacity with strategic technological investments to facilitate rich community-centered engagement with immigrant communities. We can further support nonprofits with their financial education efforts by refurbishing funds from fines and fees levied against bad actors in the financial marketplace and using them to provide community-based financial education (Hernandez, 2019).

Other civil society players can also do their part in better supporting members of their communities. Schools can include financial education course requirements to better prepare young people earlier on in their lives. Philanthropy should continue investing in low-income immigrant communities who continue to be left behind beyond the pandemic. Local community organizations should continue ensuring all members of their communities are supported as they recover from the pandemic, and as they seek to rebuild their financial lives. Civil society can help expand this culture of connection with immigrant communities so that their financial citizenship is strengthened and sustained.

Financial Citizenship: A Shift in Mindset

At MAF, we believe that financial citizenship is an inherent right of every member of society. Everyone, by virtue of their human existence in the world, has the right to participate and contribute to the economy, to make a living for themselves and their families, and to fulfill their financial potential. Recognizing this right—not as politicized or alien but as innate, equitable, and just—is an essential step towards treating everyone with dignity and respect, and away from divisive forces that keep immigrants from fully participating in the financial marketplace.

With this mindset, we can create structures and norms where everyone feels like they belong; where consumers are well informed, where they can exercise their rights, and fulfill their duties to one another. We can build expectations and practices that hold financial institutions to high standards of providing responsible products to help people meet their financial needs and obligations. We can demand that regulators protect the most vulnerable consumers from predatory and exploitative practices, and that they include everyone in a social safety net for all. We can lean on civil society to provide financial education and other community support that helps immigrants navigate this whole system.

At MAF, we found a path forward by centering on immigrants, listening to their experiences, and building on what is good and working in their lives. Our community-centered approach has allowed us to see through the complexity to create viable and elegant solutions to meet their financial needs. Our vision for an inclusive and equitable financial system is grounded in this approach: where everyone's innate strengths and individual lives are recognized and respected, where we put the best of finance and technology in the service of low-income immigrants. We envision a world where immigrants are offered products and services that meet them where they are, that treat them with dignity. A world where they are free from exploitation, where they can create freely, and where they are the primary users of the financial system.

In this world, the banking industry, government, and civil society work together to fulfill everyone's economic potential with dignity. In this world, immigrants feel financially secure. They are included and respected for their inherent financial citizenship. It is where they belong.

Deep in the colorful and vibrant streets of the Mission District in San Francisco, many dreams have been fulfilled, and many more stand unwavering in the face of limitless potential.

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Financial Inclusion: A Holistic, Transnational Approach, with Migrant Communities and Their Families

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Financial inclusion is a fundamental issue for the well-being, mobility, and freedom to live a dignified life for migrants and their families on both sides of the border. Lack of access to banking institutions, lack of information on and distrust of private banks and the government regarding financial management, savings, access to credit and mortgages, investment funds, or retirement plans, all reflect deeper structural problems. Unequal opportunities and discrimination against migrants and other marginalized groups add to the lack of governmental and institutional willingness to invest political and economic capital in enabling full access to rights and to address the structural causes of migration. The inclusion of migrants in the social, political, and economic spheres impacts not only their well-being and social mobility at the individual and family level, but it also has repercussions on their communities and the societies to which they belong both in the origin and destination countries in terms of their economic, political, and social development. Financial inclusion is one of the fundamental pillars to be able to benefit from opportunities and rights.

Although the issue of financial inclusion is generally addressed from an economic perspective and focused on individual or collective remittances, in this chapter I highlight the need to tackle it from a holistic perspective, related not only to economic, but also to political and social rights. There is already an institutional structure within the Institute for

[1] Some parts of this article are based on my previous publications: Délano Alonso (2011, 2018).

Mexicans Abroad (IME) and the consulates through which these issues are dealt with, although they are generally treated as separate areas. A holistic approach would allow to respond to the structural conditions that limit access to opportunities by connecting access to education, health, housing, and financial inclusion with economic and political participation. Thus, the resources and access reached in one area, be it health, education, or another, open up opportunities to strengthen other aspects that impact the well-being and social mobility of people in terms of housing, financial inclusion, or labor rights. This also helps to understand the structural conditions that affect migrants beyond a single issue or program. This holistic approach—contrary to many government-designed programs focused solely on economic development for or with migrants—also shows the need to include migrant communities themselves and their organizations in the design, implementation, and monitoring of programs, considering the impact of economic development and financial inclusion both on migrants and on the society in which they reside, but also on their families and communities in the origin country, through a transnational perspective.

Remittances and the Origins of Diaspora Outreach Programs

The importance of remittances and investments by migrant communities in their communities of origin has been widely recognized in Mexico and other countries and, from an economic development perspective, has been a pillar of diaspora outreach strategies. Clearly, given the impact of remittances in Mexico, as well as the potential of development projects in which migrants invest through matching funds programs such as the "Programa 3x1 para Migrantes" or other community initiatives, there is an economic and political interest in maintaining ties with diasporas. The economic power of the Mexican diaspora is also clear to the U.S.: as entrepreneurs, consumers, and taxpayers, their presence is critical to the economy of the country in which they reside.

The magnitude of remittances to Mexico has increased considerably over the last 30 years (from $2.494 billion dollars in 1990 to $6.573 billion in 2000, $26.059 billion in 2007, and $58.497 billion in 2022). The importance of these remittances as a source of development and the fact that they are one of the main sources of income for at least 1.8 million Mexican households (5.1% of the total) has undoubtedly led to increased interest from federal, state, and municipal governments, as well as other groups, such as the financial community, in establishing ties with migrants. Today, foreign currency remittances represent approximately 4% of Mexico's Gross Domestic Product (GDP), but in some of the main states of origin this figure is higher. For instance, in Michoacán they reach 12.2% of the state's GDP, and in Zacatecas, 10.6%.[2]

Historically, Mexico has been dependent on the continuity of migration flows—through formal or informal channels—as an escape valve for economic and political pressures and, especially since the 1990s, as a key source of income for millions of remittance-receiving families.

The social and economic contributions migrants make through remittances have long been recognized by the Mexican government as one of the positive aspects of emigration. For example, in 1942, a commission appointed by President Manuel Ávila Camacho (1946-1952) to study whether Mexico should negotiate the Bracero Program with the U.S. argued that Mexican agriculture would benefit from the skills acquired by the braceros and the economy would grow with the flow of dollars from their wages (García y Griego, 1990, p. 103).

With the passage of the Immigration Reform and Control Act, known as IRCA, in 1986, the Mexican population in the U.S. increased from 2.2 million in 1980 to almost 4.4 million in 1990 (Gibson & Jung, 2006; Conapo, n.d.). With the extension of periods of stay and the increase in emigration, remittances also grew and became an important component of the total magnitude of foreign exchange inflows to Mexico. In 1980, such remittances represented an inflow of $1.8 billion per year (almost as much as tourism revenues). At that time, some specialists and government officials expressed concern that families should be helped to use remittances as a source of development instead of spending it all on basic consumer goods, but no action was taken then (Alba, 1985; Lozano Asencio, 1992, p. 70).[3]

The change in how Mexican society and governments saw migrants, from *pochos*[4] or traitors to "national heroes," was largely due to the increase in remittances (the second largest source of foreign exchange in the

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2 See García Zamora and Gaspar Olvera in this book, pp. 57-77.

3 See García Zamora and Gaspar Olvera in this book, pp. 57-77.

4 "Pocho" is a pejorative term used to refer to Mexican migrants in the U.S. The definition of the word refers to a rotten fruit; when used to designate migrants, it refers to Mexicans who have adopted the American way of life.

country) and development projects promoted by hometown associations, such as the "Programa 3x1 para Migrantes" (Délano, 2011).[5]

In response to the growing activism of Mexican organizations in the U.S. and their interest in funding development projects in Mexico, many municipal and state governments developed closer ties with these organizations. Since the 1980s, several states established State Migrant Assistance Offices (known as OFAMs, Oficinas Estatales de Atención a Migrantes). By 2010, 29 states had one such office, while some states, such as Michoacán and Zacatecas, created secretariats for migrants with greater institutional weight within the state government. The active participation of migrants in the improvement of their communities of origin, their collective organization in the U.S. to develop projects and demand rights on both sides of the border, as well as the increase in remittances sent to Mexico, caused a shift in the discourse and perception of migrants regarding the responsibility of the government to enforce their rights, as well as the political and economic interest in strengthening ties with them.

Promoting relations between the diaspora and their origin country gradually brought about more demands from some migrant organizations and leaders to participate in the Mexican political process and to obtain government support in the defense of their rights in the U.S. In 1990, President Carlos Salinas de Gortari (1988-1994) created the "Programa de Atención a las Comunidades Mexicanas en el Exterior" (Program to Assist Mexican Communities Abroad) to provide services and strengthen relations with migrant organizations in the U.S. In turn, during this period, and particularly in the context of the negotiation and eventual approval of the North American Free Trade Agreement (NAFTA), the government drew closer to organizations of Mexican-Americans in the U.S. Responding to the demands of these communities, President Ernesto Zedillo (1994-2000) presented the Mexican Nation Program in his government's National Development Plan, in which he put forward the idea that "the Mexican nation is not limited to its territorial borders," and recognized the need—and the constitutional mandate—to develop policies in support of the Mexican population living abroad (Secretaría

[5] The "Programa 3x1 para Migrantes," originally established in 1992 as the 2x1 Program between the Zacatecas State Federation in California and the government of that state, was a program under which federal, state, and municipal authorities matched funds sent by hometown associations in the U.S. for development projects in their communities in Mexico. I will return to this example later.

de Relaciones Exteriores, 1996, p. 39), including access to political rights, such as the right to vote and dual nationality.

In the mid-1990s, and again in 2000, Banco de México improved its methods for calculating the magnitude of foreign currency remittances sent to the country and made this data public (Lozano Asencio, 2004; Banco de México, 2007). Likewise, the "Programa 3x1 para Migrantes" grew significantly by 2005 and was extended to almost every state in the country, with wider media coverage, which influenced the shift in the Mexican public's perception of migrants and led the government to respond with more active policies. The government of Vicente Fox (2000-2006) created the Presidential Office for Mexicans Abroad, which in 2003 became the IME, an institution that has developed programs and services to respond to the needs and demands of the Mexican diaspora regarding economic, political, social, and cultural issues.

In the economic sphere, for example, the Mexican government established programs and implemented policies to facilitate and reduce the costs of sending foreign currency (such as the "Directo a México" program, the remittance calculator, and the establishment of high security *matrículas consulares* valid in banking institutions). Later, other programs were created to promote investment in housing and productive projects, as explained below.

In response to the demands of Mexican communities in the U.S., the most recent initiatives have recognized the importance and the need to promote financial education and banking for migrants and their families to support not only the sending of remittances and their investments in Mexico, but also their own individual and family savings projects, access to credit, payment of taxes, and possibilities to buy housing.

Despite the priority given to this issue, and the undoubted impact it has had on the economies of Mexico and the U.S., many of the programs that have sought to support remittances, productive projects, and financial inclusion have faced problems of continuity and transparency that have generated distrust among migrants, the government, and the financial institutions involved. Access to these programs is also limited due to the lack of accessible and adequate information suited to the different education levels of the people who could benefit from them. In turn, one of the main challenges of these projects is the need to move from an individual or productive remittance investment focus to a development approach that addresses the structural issue of lack of opportunities in the origin country, which is the background to economic dependence on remittances and emigration.

With each change of administration in the federal government, the states, the consulates, or the IME, new visits are made to migrants and community consultations are carried out. At a recent forum in New York, one of the participants said: "We need to follow up. It is not just a matter of listening. There must be spaces to work together, constantly, and accountability mechanisms. It should not be a matter of reinventing the wheel every time a new government or a new consul comes in. We must evaluate what already exists and build on that."[6]

With regard to this call for continuity or policies aimed at the diaspora as a State policy, in the following sections of this chapter I give a brief account of the programs that have existed in the field of financial inclusion, their scope and limits, and what can be learned from these and other initiatives designed to respond to the needs and interests of migrants, actively involving them in the formulation of programs and policies, not only in the design but also in the evaluation and continuous adaptation of these initiatives. As expressed by others at the same forum: "The community is the expert on these issues. It does not need intermediaries. Consulates should work much more closely with the organizations and with the community. Let them talk to the people directly instead of imposing their issues and agendas."[7]

Economic Development and Financial Inclusion Programs

Directo a México

The "Directo a México" program, created in 2005, stems from an agreement between the governments of Mexico and the U.S. to reduce the costs of sending money using the payment systems of the central banks of both countries. It is operated by the U.S. Federal Reserve (FED) and Banco de México. More than 60 banks and financial institutions in Mexico and the U.S. have subscribed to "Directo a México." Also, users in the U.S. can send payments to any L@ Red de la Gente branch for their beneficiaries in Mexico to collect them at any of the participating branches (Banco del Bienestar, 2021). As of February 28, 2023, the Banco del Bienestar was

[6] Comment from participant in the IME's Mexicans Abroad Consultation Forum, New York, April 13, 2019.

[7] Comment from participant in the IME's Mexicans Abroad Consultation Forum, New York, April 13, 2019.

replaced by Financiera del Bienestar (formerly Telecomm-Telégrafos) for government participation in the remittance market.

The low fee per transaction charged by the FED to financial institutions allows banks or credit unions to significantly reduce the amounts they charge to customers. Each bank or credit union that subscribes to "Directo a México" establishes its own commissions, but generally charges less than $5 dollars per transfer (regardless of the amount transferred), unlike money transfer companies that charge up to $20 dollars per transfer, depending on the amount. As part of this initiative, fifteen alliances between financial institutions in specific regions of Mexico and the U.S., known as financial corridors, have been established at different times.

The operation of this program has proved that its reach is limited because the participating banks and institutions are not always located close to the communities. In addition to the lack of information about and access to the institutions, the absence of participation also revealed distrust towards these programs, and the need to educate and train these same institutions to the situation of migrants and their families. Their inaccessibility has to do with distance, but also with the absence of an intelligible language to explain the operation of these initiatives and the lack of sensitization and education of the staff working in these institutions to facilitate access. This is where the perspective of community care and outreach programs call for a holistic approach that considers, for example, the challenges faced by communities in terms of education, as well as the need to translate materials into indigenous languages, as in other programs. One of the participants in a community forum expressed, "Information about consular services needs to be spread more widely, not just on the website, and in a language accessible to all."[8] After all, it has been a very restricted program, with few banks participating, and people generally prefer to send money through companies they already know, even if costs are higher. So far, "Directo a México" is a laudable effort that has achieved only a partial impact due to its limited coverage and lack of connection with broader financial education initiatives.

Remittance Calculator

One scheme to make remittance cost information more accessible to users and encourage accountability on the part of remittance companies is the

[8] Comment from participant in the IME's Mexicans Abroad Consultation Forum, New York, April 13, 2019.

Remittance Calculator. The complexity and inconsistency in price calculations by remittance companies, as well as the fluctuation in exchange rates they take into account and the lack of first-hand information for customers on transaction costs prevent consumers from efficiently comparing prices between different companies.

To address this situation, the Consumer Protection Federal Agency (Procuraduría Federal del Consumidor) publishes its weekly "Who's Who in Money Transfer" (https://qqed.profeco.gob.mx/Calcular.php). The site has a calculator to check the commission, the exchange rate at which the remittance is paid, the delivery time, and the amount of pesos received in Mexico, comparing each company and bank participating in "Directo a México" in order for customers to make an informed decision. The tool also has a complaints and guidance phone line and e-mail service in case companies do not comply with the services or terms they claim to offer. As with other financial tools, one of the challenges of this type of service is the lack of information and the difficulty in accessing and understanding its use for people who do not know its financial language.

Currently, the remittance market is the only financial market that is not regulated at the U.S. federal level to protect consumer rights. Initiatives that have been introduced in Congress in this regard have not moved forward, and there have even been proposals at the state level to tax remittances.

Non-profit organizations, such as Appleseed (2006), have suggested that one of the solutions to the problem of lack of information about costs in the remittance market requires, first, greater federal and third-party regulation of these companies, and second, accessible and culturally relevant information for the populations that use these services in each establishment and institution that participates in remittances.

Productive Projects and Investments

Although productive investment projects have had problems in terms of continuity, transparency, and corruption, collaborations between the Mexican government at different levels (federal, state, and municipal), hometown associations, and in some cases private initiative, have yielded some positive results and provide important lessons for future projects oriented towards financial inclusion and development.

Rodolfo García Zamora (2005) has explained how some of the projects of the "Programa 3x1 para Migrantes," led by migrants and their organizations, fostered the transnational organization of migrants, made it possible to carry out social projects for the benefit of their communities of origin, and promoted local development.

The "Programa 3x1 para Migrantes" went through different stages of institutionalization, from the first collaboration between the Zacatecas Federation in California with local governments in Zacatecas, to the 2x1 that integrated state governments, and later the federal government, at some point also promoted as 4x1 with the participation of private companies, such as Western Union. The adoption of the program as an initiative administered by the Secretariat of Social Development sought to orient its scope towards long-term investments to foster local and regional development and to channel and improve the use of collective remittances. However, the poor performance of the government-administered program created distrust among migrant organizations. The program is now managed by the Secretariat of Welfare, but the Mexican Congress has not provided it with resources and it is currently suspended. In response to demands for greater transparency in the use of the program's resources, in January 2023, the National Institute for Transparency, Access to Information, and Protection of Personal Data demanded that the Secretariat of Welfare hand over the list of beneficiaries of the "Programa 3x1 para Migrantes" from 2002—when it began operating—to October 2022. The Secretariat of Welfare only provided the list corresponding to 2018.

Despite its limitations, the 3x1 model has been an important reference both nationally and internationally on the possibility of collaborations between migrant organizations and actors at different levels of government, as well as on the type of initiatives that migrant collectives developed within this scheme, some more focused on local economic and social development than others. In its original design, it is an example of the participation of migrant communities in the creation of a program that responded directly to their needs and interests. The limits and challenges that this program presented once it was institutionalized are also important precedents to think about how programs focused on economic development and financial inclusion can be created with structures that involve governments, private institutions, and organized migrant communities in a horizontal and transparent manner.[9]

In 2003, the "Invierte en México" program ("Fideicomiso Programa de Migrantes Invierte en México") was created under the direction of Nacional Financiera (NAFIN), in coordination with the Inter-American

[9] For more information, see García Zamora and Gaspar Olvera in this book, pp. 57-77.

Development Bank and the governments of the states of Hidalgo, Jalisco and Zacatecas. The goal of the program was to attract investments from Mexican citizens living in the U.S. to their place of origin in order to create productive projects that would generate employment.

By 2006, "Invierte en México" operated 63 projects with $21 million dollars in investments and 1,773 jobs created. The program ended in 2011, when the trust of NAFIN was changed to the "Fideicomiso de Capital Emprendedor" (Entrepreneurial Capital Trust), with the objective of allocating resources to innovative projects through private investment funds. The IME has continued to seek collaboration options with NAFIN, BANSEFI (now Banco del Bienestar) and the Secretariat of Finance and Public Credit to grant loans to Mexicans abroad seeking to invest in productive projects in Mexico.

In August 2011, the "Estrategia de Inclusión Financiera para Migrantes de Financiera Rural para Apoyar Proyectos Productivos en México" was launched (Financiera Rural's Financial Inclusion Strategy for Migrants to Support Productive Projects in Mexico). In its first year of operation, it channeled $14 million pesos to agricultural product marketing and transportation projects in Guanajuato, Michoacán, San Luis Potosí, the State of Mexico, Tlaxcala, and Zacatecas. The program operated on the basis of a partnership between migrants outside the country and a co-accredited person in Mexico (an individual or legal entity residing in Mexico) to jointly process the Financiera Rural loan. The productive projects supported could be new or existing projects, with the condition that they were linked to the rural sector in livestock, fishing, agricultural, pig or poultry activities, among others, as well as any legal activity in towns of less than 50,000 inhabitants. The amount allocated by Financiera Rural could be up to 80% of the total cost of the project, or 90% if it was supported with resources from the "Programa 3x1 para Migrantes" or from the Secretariat of Agriculture, Ranching, Rural Development, Fisheries, and Food. The rest of the money would have to be provided by the migrant and the co-creditor in Mexico. The program's termination date is unclear, but no evidence was found that it continued to operate as such after 2016.

Additionally, the "Tu Vivienda en México" program was created in 2007 as an initiative to promote and facilitate the acquisition of property in Mexico for Mexicans living in the U.S. by providing mortgage loans that they could pay from their place of residence.[10] According to the pro-

[10] A predecessor of this program was "Mi Casa en México," which was also discontinued.

gram description, one of its goals was to contribute to the productive use of remittances to help build and increase the family assets of Mexicans abroad. The program was made up of the National Housing Commission, the Federal Mortgage Society, the IME, the Limited Purpose Financial Institutions, and housing developers.

The IME supported this program, as well as other investment projects, through outreach campaigns in consulates in the U.S. and Canada, including information brochures and short videos to be broadcast in the waiting rooms of consular offices. In addition, housing fairs were organized in the larger consulates. So far there is no information on its results. The operation of the program was suspended in 2021 following the transfer of the shares of the financial institution that offered the loan in the U.S. to another bank.

Most, if not all, of these initiatives have been discontinued, and there is not much information on current activities. According to the recommendations made by Rodolfo García Zamora (2005) and the experiences yielded by other programs, one way to make these endeavors sustainable is following up through multi-sectoral collaboration between educational institutions, non-governmental agencies, international institutions, and organizations of migrants and families in the communities of origin. We need to encourage migrant communities to guide the projects according to their needs, to make information accessible and complemented by educational projects to support the people who participate, to manage funds in a transparent manner, to ensure continuity regardless of the government or administration in office (at any level), and to channel the projects towards sustainable development activities. Once again, we insist on the need for continuity and for the institutionalization of these programs in trans-sexennial policies.

Banking and Financial Inclusion

The analysis of all these programs reveals recurring issues of lack of continuity and transparency on the part of governments and distrust and misinformation on the part of migrant communities, as well as structural barriers to access institutions, including migratory status, discrimination faced by migrants in public and private institutions, and difficulties due to education levels. Consequently, civil society institutions, migrant organizations, the government, and private institutions have created initiatives to support banking and financial inclusion.

In the aftermath of the September 11 terrorist attacks, policies and structures to increase control and security were created, clearly revealing the link between migratory status and financial inclusion. Migrants, especially those without documents, were deeply affected by the new measures. Documentation requirements became stricter at all levels, and while it had previously been possible for a migrant to open a bank account with a passport, without having a state or city resident ID, most banks changed their conditions in this regard. Concomitantly, the Mexican government began to promote a new, more secure version of the *matrícula consular* to facilitate the identification of persons of Mexican origin and to prevent them from being detained or discriminated against for not having an ID when dealing with public authorities or institutions. As an essential instrument of consular protection, the Mexican government intensively and actively promoted the acceptance of this document as an official ID by local police, schools, hospitals, and other institutions. Likewise, consulates worked with local banks to have them accept the *matrícula consular* as a document for opening bank accounts. One of their arguments was that this would not only facilitate savings, but that access to banks is also an instrument of consular protection, as it prevents people from carrying their money in cash or keeping it at home. By 2006, more than 400 institutions accepted the *matrícula consular* (IME, 2006).

As of 2005, the Mexican government signed agreements with some banks to allow them access to the consular premises in order to publicize their services and allow migrants to have first-hand information in their language and in a space they recognize as safe in terms of their immigration status. Several of these banks have reduced the costs of bank transfers or provide current accounts and cards that can be used by family members in another country.

The acknowledgement of financial education as a central element of consular protection and access to rights and opportunities for migrants led the IME to hold a series of Information Days dedicated to the topic, to organize educational workshops in consulates, and ultimately to establish the Financial Education Week, which has been held every year since 2012 in all the consulates. During that week, activities and workshops are organized inside and outside the consulate in coordination with banks, credit unions, and community organizations, on topics ranging from paying taxes to opening savings and current accounts, accessing or restructuring credit, financial management, debt reduction, and savings and investment plans.

Following a trajectory similar to that of healthcare issues, which began with a week of activities and later became a permanent space within the consulates, the “Ventanillas de Asesoría Financiera” (VAFs) started operating in the consulates in 2014, supported by the philanthropic branches of financial institutions, such as Citi Community Development. According to information from the IME, the goals of VAFs are: *1)* to improve the Mexican community's knowledge of available banking and financial services; *2)* to foster financial security for Mexican families; *3)* to establish a nearby and reliable center for the financial education of Mexican families at the consular premises; *4)* to improve the economic stability of Mexican individuals by increasing their use of financial products and services; *5)* to empower families and individuals to know their rights as consumers and learn to identify predatory practices in the marketplace; *6)* to increase participation in and use of low-cost financial products, and *7)* to support the community in their tax filings, and educate on the importance of paying taxes year after year, regardless of immigration status. In 2022, the vast majority (47 out of 51) of Mexican consulates in the U.S. had a VAF, although their service capacity and resources vary considerably.

In recent years, the proportion of unbanked Hispanics has decreased, but the percentage remains high. In 2021, 9.3% of households of Hispanic origin were unbanked, compared to 14.4% in 2017; this percentage increases to 26.5% for households with an income of less than $15,000 dollars. Only 60% of Hispanic households have a credit card or personal bank loan, and the percentage decreases markedly for populations with incomes below $30,000 dollars (FDIC, 2022). Remittances have continued to increase despite economic recessions or the pandemic, but the majority (about 83% in 2019) are still sent through money remittance companies rather than banks, regardless of the costs (Li Ng & Serrano, 2020).

Given their direct contact with the population within the consulates and the advisory services dedicated to migrants, VAFs have proven to be an instrument with a potentially strong impact on the financial inclusion of the migrant community in the U.S. However, some of their limitations, as explained by my colleagues in other chapters, is that they have a limited reach, both because the consulate might be located far for many migrants and due to the predominance of exclusionary language, especially for indigenous communities, LGBTQI groups, rural populations, and agricultural workers.[11] Migrant communities have long insisted that consular services could be improved, and organizations working with migrant communities could be more fully and sustainably supported if a portion of the resources gen-

[11] See Mendoza Sánchez, pp. 183-203; Torres Mendivil and Mendoza Durán, pp. 205-219; Chait Auerbach and Díaz Izquierdo, pp. 221-230; Cámara Pérez, pp. 231-249, and Fernández Calleros and Fernández de Castro, pp. 251-271 in this book.

erated at consulates were earmarked to collaborate more closely and share resources. On the other hand, there is a lack of continuity, resources, and investment in programs that work with remittance-receiving communities in Mexico, leaving financial inclusion mechanisms limited to only part of the family or community on the northern side of the border.

The consular network in the U.S., with 51 offices throughout the country, represents an opportunity to offer a holistic approach that recognizes how financial inclusion cuts across different issues (e.g., education, health, labor rights, women's rights, indigenous people's rights), and can be linked more closely to other projects and programs, both in the U.S. and in Mexico. One possibility to achieve this can be through the coordination between the different community service desks in consulates and consular protection services, as well as with the civil society organizations with which they collaborate and which can be extended to both sides of the border (Délano Alonso, 2018).

The Role of Civil Society and Community-Based Organizations

Beyond government and bank initiatives, non-profit organizations, community groups, and schools have developed projects to promote financial education among the Latino community. These spaces are essential to overcome the barriers of distrust that exist around governments and private institutions. Non-profit organizations such as Puentes New Orleans, Conexión Américas or Qualitas of Life, among many others, have been busy providing financial education workshops, assistance in the home buying process, access to credit, and workshops for small business owners and entrepreneurs. Through individual consultation services and specialized courses, they support individuals in developing a credit history, and in some cases also provide funding for down payment loans and financing without requiring a social security number (an Individual Taxpayer Identification Number can be used for tax purposes).

These programs by the community for the community provide important lessons on the need to create financial inclusion projects that build trust, from the space in which they are provided to their continuity and the opportunity for migrants and their families across borders to develop their skills. Individual services, personal contact, follow-up and participation as part of a community are essential, as has also been seen in evaluations of the "Plazas Comunitarias" programs (Délano, 2018). Additionally, education needs to be twofold, i.e., not only focused on the individual, but also on the family, especially if the family is on the other side of the border and requires support to gain access to resources and be able to use them in the best possible way. This necessarily calls for a transnational approach and the creation of civil society networks that can support these populations. Financial education also implies information and education campaigns for government offices and consulates, financial institutions, and the staff who will ultimately interact with the people who require these services. In order to achieve structural change, the focus of financial education cannot only be kept on migrants; it must, in a comprehensive manner, recognize the different institutions, organizations, and individuals involved in these processes on both sides of the border.

The promotion process of the *matrícula consular* reveals the necessity to inform and educate financial institutions about the population they serve and the type of documents they have. This education has to be ongoing because the context and staff change. The example of the *matrícula consular* also shows the need for the approach to be transnational—with communities, and public and private institutions on both sides of the border—and translocal, based on specific work with each local community in the U.S., extending these education, information and training programs to their local communities in Mexico as well.

A clear example of this need for a transnational and translocal approach is that, although the *matrícula consular* is supposed to be accepted in all banks and public institutions in Mexico, and the government has issued notices in this regard, a large number of institutions continue to deny access to services with this identification. The discrimination and exclusion that migrants experience in the U.S. is also present in their origin country. Both the migrants and their families experience it when they return to Mexico. There are many cases of returnees or deportees who have not been able to open a bank account with passports issued by the consulates or with their *matrícula consular,* which shows the need for a wider information, education, and awareness strategy on financial inclusion for migrants and citizens who do not have access to certain documents, information, and tools to make the most of services that can contribute to improve their quality of life.

Towards Financial Inclusion Projects with Migrant Communities

There is clear evidence from all quarters that the most successful initiatives for sustainable development are those that result from the direct participation of the people targeted by these programs. The Global Compact on

Refugees emphasizes the need for and importance of integrating migrants in projects designed to respond to their needs. This participation contributes to the recognition and strengthening of migrants' capacities and to finding comprehensive and sustainable solutions. Achieving this meaningful participation requires, in this case, involving migrants and their communities of origin directly, equitably, and continuously in the design, implementation, evaluation, and adaptation of programs; supporting their training and the formation of networks to strengthen individuals, their organizations, and the institutions with which they interact and work; and offering financial and administrative support to sustain these projects and initiatives.

As can be seen in the description of the above programs, there are a variety of actors involved and interested in financial inclusion, access to banking, and economic development for various reasons. Financial inclusion is fundamental to exercise rights and achieve individual and community well-being. The continuity, transparency, and trust-building necessary to reach these objectives require a multi-sectoral and holistic approach, with different actors on both sides of the border, from banks, community organizations, philanthropic organizations, local, state and federal governments, to consulates, businesses, and schools, and of course, with migrants and their families.

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Section IV:
"Ventanillas de Asesoría Financiera"

The Past and Present of Government Financial Inclusion Programs for the Mexican Community in the U.S.

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For Carlos Sada Solana, the most diplomatic of all politicians incorporated to the Mexican Foreign Service, who dedicated his life to the defense of Mexican communities in the United States as Consul General, Ambassador, and Undersecretary for North America.

This chapter is the author's testimony on the Secretariat of Foreign Affairs' (SRE) internal process for the implementation of the "Ventanillas de Asesoría Financiera" (VAFs). As these have become the main tool of the Mexican government to implement a public policy of financial education for the Mexican migrant communities in the U.S., this chapter explains why the participation of the Secretariat of Finance and Public Credit (SHCP) as a financial partner of the Institute for Mexicans Abroad (IME) is recommended in order to overcome the structural limitations of VAFs. He also suggests a second alternative for the financing of VAFs based on consular collections.

The Importance of Financial Education for the Mexican Diaspora in the United States

One of the positive consequences of the massive migration of Mexican citizens to the U.S. for the Mexican economy has been the remittances sent by the migrants to their families. In 2021, these transactions reached $51,586 million dollars, which represented an increase of 27% with respect to 2020 (Banxico, n.d.-a). Remittances sent by our fellow countrymen have been one of the pillars of the country's financial stability in recent years. However, Mexico's response to its diaspora in terms of financial education does not match the migrants' contribution to the national economy, which represents almost 4% of the Gross Domestic Product (GDP); it is therefore urgent to improve it.

Figures from Banco de México show that, in 2021, the country's income from remittances was higher than its income from oil exports, which totaled $28,926 million dollars (Banxico, n.d.-b). Remittances were also higher than international tourism revenues, which in 2021 amounted to $19,796 million dollars (Banxico, n.d.-c).[1] Consequently, it should be in the interest of the Mexican State to solve the structural problems that have so far prevented a more successful development of financial inclusion efforts for migrants, promoted by our consulates in the U.S.

The 2020 Census shows that one out of nine people living in the U.S. is of Mexican origin. Therefore, the size of the Mexican diaspora in that country has become one of the main features of its strength and market attractiveness. This diaspora is made up of about 27 million second- or third-generation Mexicans and 12 million first-generation Mexicans. These nearly 40 million Mexicans and Mexican Americans are the majority of the 62.1 million Hispanics or Latinos who, according to a recent LLYC study (2021, para. 1), "have the potential to become the most important development force in the future, with gross income growing 72% faster than the nation's overall economy."

As is the case with other Hispanics, the purchasing power of the Mexican diaspora in the U.S. is as high as their financial literacy needs. The University of Georgia's 2021 Multicultural Economy Report shows that the purchasing power of Hispanics grew from $213 billion dollars in 1990 to $1.9 trillion dollars in 2020—more than the GDP of Italy. The Hispanic minority has 11.1% of U.S. buying power (Melancon, 2021). However, a 2018 IME-sponsored survey showed that more than 40% of Mexican migrants in the U.S. were unbanked. Moreover, a high percentage of those migrants were in need of financial education. This survey, conduct-

[1] For more information on the use of remittances in the local development of migrants' communities of origin, the current state of the remittance market, and remittance trends, we suggest consulting the chapters written by Rodolfo García Zamora and Selene Gaspar Olvera (pp. 57-77), Jesús Cervantes González (pp. 79-98), and Juan José Li Ng and Carlos Serrano Herrera (pp. 99-120).

ed in 34 consulates by the Youth Policy Institute (2018)—the national administrator of VAFs in the U.S.—found that, of the 3,111 Mexicans surveyed, 45% did not have a bank account, 54% did not budget, 66% did not know their credit score, and 82% had never spoken to a financial advisor.

Despite the positive effects of financial inclusion on Mexican migrant communities in the U.S., the comprehensive financial education initiative intended with the VAFs through Mexico's consular network has not been able to consolidate in the same way as the preventive health initiative through the "Ventanillas de Salud" (VDSs), which is the most successful model. The main obstacle has been the absence of ongoing funding from the Mexican government, specifically on the part of the SHCP, which should act as the IME's main Mexican partner in this regard. It is to be noted that the Secretariat of Health contributes every year to the permanence of the VDSs in the consular network.

A significant percentage of the Mexican migrant population needs to know the U.S. financial system and learn how to navigate it in order to improve their chances of success. Addressing this vulnerability of Mexicans in the U.S. is a responsibility of the Mexican government and can be resolved by funding the financial education programs offered by VAFs in our consulates. The most vulnerable Mexican migrants have great confidence in the consulates, hence the importance of promoting financial education for our diaspora in the U.S. as a public policy.

Background on Mexico's Public Policies Aimed at Its Diaspora

In the mid-1970s, Mexico's nationalist economic model based on the domestic market collapsed, and by 1976 the country was plunged in a deep structural crisis. The Mexican miracle, with its average growth rates of 6.0%, was gone. Despite enormous public spending and foreign indebtedness—which grew from $6 billion to $20 billion dollars—the economy barely grew 2.1%. Public investment contracted, and a growing inflationary process of 27.0% per year was unleashed (García Fonseca, 2003). The economic recession of 1976 forced President Luis Echeverría to a tragic devaluation of the Mexican peso right at the end of his administration. The country suddenly found itself facing one of the worst economic crises in its history, with devastating effects for the poorest population. For the remaining of the 20th century, all Mexican governments, without exception, faced recurrent crises and currency devaluation processes.

The recurrent economic crises that began in 1976 were the main factor for the massive migration of Mexicans to the U.S. According to the U.S. Census Bureau, in 1970 there were 759,711 Mexican-born Mexicans living in the United States (Gibson & Lenon in Terrazas, 2010).

In 1980, the migration of Mexicans to the U.S. tripled with respect to Mexicans already living in the United States in 1970, reaching 2,199,221 people; in the 1990s it doubled to 4,298,014. A decade later, that migration doubled again to reach 9,177,487 Mexican migrants in the U.S. (U.S. Census Bureau in Terrazas, 2010).

Currently, close to 12 million Mexican-born Mexicans live in the U.S., of which just over 5 million are undocumented and therefore subject to deportation.

The U.S. economy's need for labor in construction, services, and especially agriculture—which employs about 3 million workers—was the pull for Mexican migrant workers (Food Empowerment Project, n.d.). The labor-intensive, heavy, and low-paying work in those sectors makes those positions uninteresting for U.S. workers. Another important factor was the tightening of immigration controls, which broke the circularity and pushed thousands of migrants to bring their families into the U.S.

Growing Mexican migration led to an expansion of the Mexican consular network in the U.S. in order to offer them protection and consular documents such as passports and the *matrícula consular.* While the first wave of Mexicans to the U.S. was made up of rural population—mostly men—the 1980s saw the migration of urban population and women. This was followed by the arrival of families.

To deal with this huge population of Mexicans in the U.S, in 1990, during the administration of President Carlos Salinas de Gortari, the Program for Mexican Communities Abroad (PCME) was created within the SRE's Undersecretariat for North America. Its purpose was to connect Mexican migrants in the United States with their country of origin and provide them with services in the fields of community organization and education.

The growing migration of undocumented Mexicans prompted California Governor Pete Wilson to launch Proposition 187 amid the 1994 legislative elections. This proposal consisted in denying social services, medical services, and public education to undocumented immigrants. Faced with this anti-immigrant environment, the PCME developed new mechanisms to support Mexican migrant communities, until 2001, when, in collaboration with the SRE and the Secretariat of Health, and in conjunction with the Health Initiative of the Americas at the University of California, Berkeley, the Mexican government implemented a major public policy aimed at its diaspora in the U.S. by organizing the Binational Health Week. Its objective was to spread information and build a culture of preventive health to avoid migrants ending up in hospital emergency rooms. In this effort, the consulates found local partners with the same mission, which allowed them to create strategic alliances and build synergies.

In 2000, Vicente Fox took office as President of Mexico, historically becoming the first opposition candidate to win democratic elections. One of the promises of his campaign was that he would also govern for Mexicans living in the U.S., whom he considered heroes. Thus, on April 16, 2003, Mexico's increased attention to its diaspora led to the creation of the IME to replace the anachronistic PCME. The IME was incorporated into the Undersecretariat for North America as a deconcentrated body. Its mission, as announced by its creation decree, was "promoting strategies, integrating programs, collecting proposals and recommendations from the communities, their members, their organizations and consultative bodies, in order to raise the standard of living of the communities abroad" (DOF, 2003, p. 1).

The makeup of Mexican communities in the U.S. had changed over the years. By the beginning of the 21st century, these communities were no longer composed solely of peasants and workers. Tens of thousands of middle-class people and professionals had migrated. Some had done so for family reunification, others in search of a better life, and still others for security reasons, seeking shelter from the growing presence of organized crime in Mexico.

In 2003, after the success of the Binational Health Week in California, the IME developed a Fiscal Agency model, from which the first VDSs started to operate at the Mexican consulates general in San Diego and Los Angeles. This model allowed to establish cooperation dynamics with medical institutions and non-governmental organizations. It also attracted the immediate support of health authorities because, in addition to being a mechanism designed to address a key issue such as public health, it allowed for the inclusion and care of any person, regardless of their migratory status or nationality. The model expanded rapidly in the Mexican consular network, and the seed money for its operation came from the budgets of the SRE and the Secretariat of Health. Local partners greatly contributed in kind by providing specialized personnel and supplies.

Given the success of VDSs, in 2009 the first model of a "Ventanilla de Educación" emerged at the Consulate General of Mexico in Chicago and was replicated in 2011 in Los Angeles. In 2017, the IME expanded and institutionalized them as "Ventanillas de Oportunidades Educativas" (VOE) based on the successful model of VDSs.

One of the main vulnerabilities of the Mexican communities in the U.S. was undoubtedly their lack of knowledge of the financial system, despite the fact that they used it to send remittances, which became the backbone of the Mexican economy. A high percentage of migrants were unbanked, and their lack of credit history meant that their credit purchases and mortgages had high interest rates. Many had their money stolen on the way home and, with no safe place to hide their savings, were also subject to theft and fraud. To address this problem, the IME initiated financial education activities that would lead to a broad strategy for financial inclusion.

There are no founding fathers or geniuses at the IME. The list of services that the Institute provides to Mexicans living in the U.S. in terms of health, education, and financial counseling within the framework of its "Ventanillas Comunitarias" is the result of the efforts of many actors in the U.S. and Mexico, but, above all, of the experiences and requirements of our Mexican communities, as well as their needs for institutional support.

During my term as Director of the IME, I was responsible for the expansion of the VOEs and the creation of the VAFs network. The implementation of that project and the drafting of the regulations was simply the result of the experience accumulated by our communities and our consular staff. Therefore, the following account is merely a testimony of a process in which I was one of the many actors involved, including the then Undersecretary for North America, Carlos Sada Solana, whose knowledge of the needs of the diaspora and efforts on behalf of this project were fundamental to its execution.

Building the VAFs

As part of the IME's "Ventanillas Comunitarias" public policy, the creation of VAFs in Mexican consulates in the U.S. was the response given by the Mexican government to a gap in an issue of the highest priority for the Mexican diaspora. Its legal basis was the "Programa Sectorial del Programa Nacional de Financiamiento del Desarrollo 2013-2018", whose 5th objective was "To promote the inclusion, education, competition, and transparency of the financial, insurance, and pension systems to increase their reach and coverage." (DOF, 2013, p. 16). In turn, Strategy 4.2.2 of the "Objetivo de la Meta Nacional" stated its goal as follows: "Expand the coverage of the financial system to a greater number of people and companies in Mexico, particularly for segments of the population currently excluded" (p. 42). Thus, a public policy designed within the national planning system for Mexicans in Mexico was adapted to the needs of vulnerable Mexicans living in the U.S.

At the beginning of the 21st century, around half of the undocumented Mexicans living in the U.S. and earning income from their jobs did not have a bank account, nor did they have basic knowledge of the financial system (Fortuna-Chun, 2015). As from the creation of the IME in 2003, the Mexican government began to build a strategy to address the lack of financial education for Mexican migrants in the U.S. and provide its migrant communities with information and tools that would allow them to make decisions beneficial to their personal and family finances. Subsequently, in 2012, enriched with a solid experience in the field and with a significant number of partner institutions and organizations, the IME launched the First Financial Education Week in 24 consulates, in an effort to help the diaspora in their process of becoming bankable.

Conferences, counseling, and a large campaign of bank accounts openings were carried out in this first financial education exercise with the support of local institutions. Additionally, in order to protect the interests of the diaspora, advisories and workshops taught migrants the mechanisms for paying taxes without requiring a social security number. Many migrants learned how to prepare their budgets and the advantages of having a credit history for future purchases.

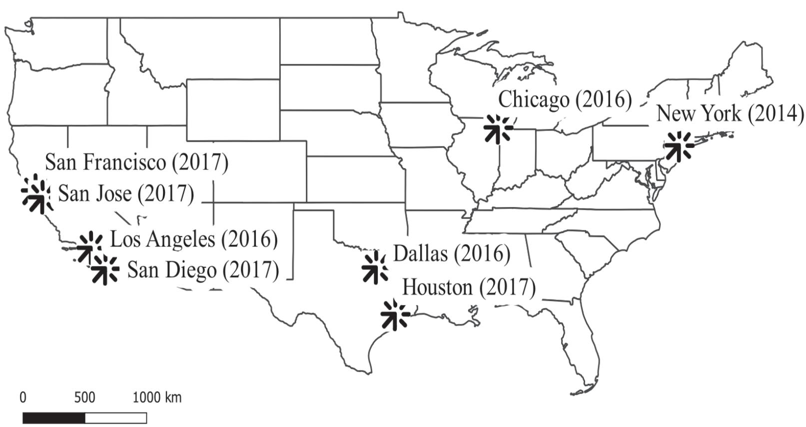
This accumulated experience allowed to make the first organizational effort towards a VAF at the Consulate General of Mexico in New York in March 2014, within the framework of the Third Financial Education Week. The latter was the result of a collaboration to create an innovative working model financed by Citi Community Development, with support from the New York City Office of Community Affairs. It was executed by Consul General Sandra Fuentes-Berain, but contacts with Citi Community Development had been initiated by Consul General Carlos Sada Solana.

According to the official report of the New York City Department of Consumer Affairs, "In the first year, the *Ventanilla* program provided financial counseling to 1,235 clients through two *Ventanilla* financial counselors. In addition, more than 16,000 visitors to the Mexican Consulate received *Ventanilla* brochures and other financial education materials. Further highlighting the contrast to Financial Empowerment Center clients, *Ventanilla* clients were predominantly male (63 percent) and spoke only Spanish (93 percent)" (NYCDCA, 2016, p. 21).

On May 12, 2016, Sada Solana took office as Mexico's Ambassador in Washington D.C., and in January 2018 he was appointed Undersecretary for North America. His arrival at the head of North American relations positioned him as the direct superior of the Mexican consuls in the U.S., which again facilitated the support of Citi Community Development. These circumstances allowed to initiate the organization of VAFs in Mexico's consular network in the U.S. while the author of this chapter headed the IME.

As illustrated in Map 1, in 2016, VAFs were opened at the Mexican consulates general in Los Angeles, Chicago, and Dallas with financial support from Citi Community Development. This support had previously been arranged between Bob Annibale and Sada Solana, then Ambassador in Washington, while the author of this chapter was Head of the Consular Section. The use of this new financial support from Citi Community Development for the VAFs was decided in a meeting with Annibale in Washington D.C.

Map 1: Ventanillas de Asesoría Financiera (VAFs) Opened with Citi Community Development Financing

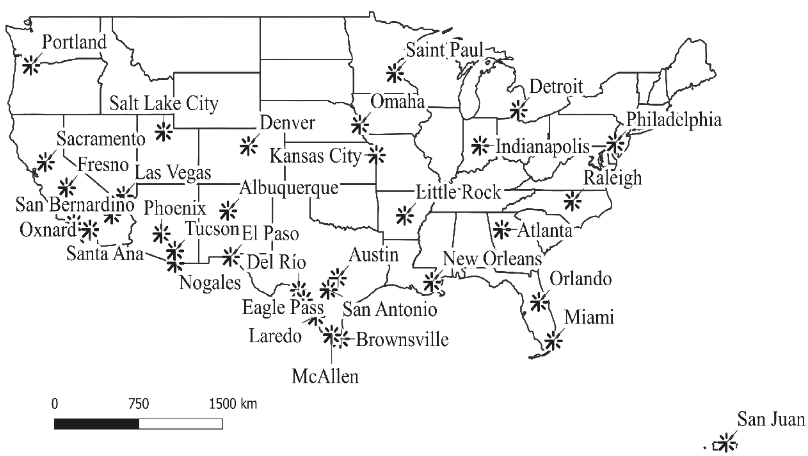


Source: Elaborated by Claudia A. Fernández Calleros with data from the IME.

The expansion of VAFs in partnership with Citi Community Development continued in 2017 at Mexico's consulates general in Houston, San Francisco, San Jose, and San Diego. It is important to mention that Citi Community Development took over the financial costs for their operation, so that the consuls, who were focused on other tasks related to consular services, did not need to receive and manage funds, nor allocate human and material resources for their management and revision. VAFs had a physical space in the consulate facilities, but the specialized personnel who operated them were not consular staff. Nevertheless, VAFs were organizationally dependent on the consuls responsible for community affairs. Their operating costs were absorbed by Citi Community Development, so there was no additional accounting work for the consulate administrator.

In 2017, the model of the Consulate General's Ventanilla in New York led by the IME was massively replicated throughout the consular network. This turned VAFs into the cornerstone of the financial inclusion efforts that materialize the public policy of the Mexican State for its diaspora in the U.S.

Map 2: Ventanillas de Asesoría Financiera (VAFs) Financed by the Estrategia de Fortalecimiento a la Atención de Mexicanos en Estados Unidos (FAMEU) in 2017



Source: Elaborated by Claudia A. Fernández Calleros with data from the IME.

As can be seen in Map 2, during the year 2017, the IME financially supported the opening of VAFs in 34 Mexican consulates in the U.S.

These service desks, added to the eight previously built under the auspices of Citi Community Development, made up a total of 42 VAFs in the network of 51 Mexican consulates. However, the resources did not come from the IME's annual budget, but from extraordinary funds allocated by the "Estrategia de Fortalecimiento a la Atención de Mexicanos en Estados Unidos" (FAMEU). The bad news was that the funding that served for opening VAFs was a one-time extraordinary funding, since it did not come from a permanent Mexican partner, which in this case should have been the SHCP.

The VDSs that operate in the Mexican consular network in the U.S. function because the Mexican Secretariat of Health annually transfers $2 million dollars to the IME's budget. This is the seed money that has ensured the continuity and success of this preventive health program, which in 2017 received the Inter-American Award on Innovation in Effective Public Management from the Organization of American States.

In 2017, as a result of the IME's efforts and after several meetings with officials of the Secretariat of Public Education, the latter issued for the first time $1 million dollars to the IME as seed money for the reinforcement and expansion of the VOEs in the Mexican consular network in the U.S. This financial support was backed by a work program that included the improvement of existing educational service desks and the creation of new *ventanillas* in several consulates. In contrast, VAFs do not have a financial partner in the Mexican secretariat in charge of this issue, i.e., they have not been supported by or integrated as partners of the SHCP.

The expansion of VAFs to almost the entire Mexican consular network in the U.S. was part of a strategy implemented by the Undersecretariat for North America to address the anti-immigrant measures taken by President Donald Trump since his arrival at the White House. The first stage of this expansion was financed by Citi Community Development. For the second stage, which also meant the largest expansion of VAFs, the IME received extraordinary federal resources.

The funds for the expansion of VAFs were allocated on February 17, 2017, when, by decision of the Mexican Congress, the SHCP transferred extraordinary resources to the SRE, which were returned by the National Electoral Institute for a total amount of $1,070,049,035 pesos. These resources were allocated to the "Dirección General de Protección a Mexicanos en el Exterior" in the framework of the FAMEU. Because these resources were not exhausted at the end of the fiscal year of 2017, Foreign

Secretary Luis Videgaray created a trust for its transfer and use in 2018, called "Mandato para el Fortalecimiento de la Atención de Mexicanos en Estados Unidos" (MAFAMEU).

In 2017, Undersecretary Sada Solana made arrangements to assign $51 million pesos of FAMEU resources to the IME to fund the expansion of the VAF network in Mexican consulates. In turn, the IME apportioned those funds to consulates based on three criteria: *1)* the size of the population they served; *2)* the degree of vulnerability of that population, and *3)* the consulate's possibility to obtain additional funds locally.

In 2018, in order to continue with the program and in the understanding that the IME did not have the necessary resources in its operating budget, Sada Solana, as head of the Undersecretariat for North America, negotiated the allocation of $511,139 dollars from the SRE' mandate created by the "Dirección General para Protección a Mexicanos en el Exterior" for the use of the extraordinary resources that were allocated to FAMEU in 2017. MAFAMEU provided the resources for the strategy called "Protección al Patrimonio y Ventanillas de Asesoría Financiera," which allowed for the permanence of the VAFs network in 2018.

Implementation of the VAFs

The IME conferred with the Mexican consuls in the U.S. to determine which were the 34 consulates where the expansion of the *ventanillas* would begin, with resources allocated by the Mexican government via the IME's extraordinary funds. At that time, the IME had recently been audited by the Superior Audit Office (ASF) for the use of more than $1 billion pesos in community projects in the consular network, and the ASF had given warning that the FAMEU resources would be audited by the end of the year. Because of this, the consuls showed no eagerness to carry out the project of building a VAFs network. Unlike the first eight VAFs, which had received direct funding from Citi Community Development, this time the administration of resources and the accountability for financial performance fell to the consuls and their staff; this implied additional work and new responsibilities that few were enthusiastic about.

Despite the lack of enthusiasm, the first VAFs began to operate. Their guidelines, regulations, and procedures were new for the consuls and consular staff. Because every Mexican consulate in the U.S. has its own reality, the guidelines for this new process had to be necessarily general and subject to ongoing modifications.

To facilitate the work of the consulates and avoid confusion in their budgetary accounting, the IME decided that the total amount allocated to each consulate would be delivered in a single payment to the partner organization. In accordance with the operational guidelines for the delivery and use of these resources, each consulate head was to sign a Memorandum of Understanding (MOU) with a local organization that would serve as the managing partner of the VAF to carry out the work program agreed upon in the MOU, with strict transparency and accountability. The aim was to create synergies through strategic alliances with organizations qualified in financial education. In this way, consular staff would not be distracted from issues other than those of the community affairs departments. The consular staff in community departments was responsible for operating the project with their partners.

It turned out that there were consulates that found it very difficult to locate a partner but could be incorporated into the VAF expansion program with activities conducted by the consular staff in community departments. Acknowledging the needs and realities of the consulates, the IME established two basic options: *1)* the possibility that a non-profit organization could directly manage the VAF under the supervision of the consulate, and *2)* that the consulate could directly use the resources allocated for financial education activities such as talks, workshops, and fairs, among others.

The General Administration of the SRE opened a transparency portal in which the progress of FAMEU fund expenditures was reported on a monthly basis, for which the partner organization had to specify goals and provide results of the population served through monthly deliverables. Not only had the VAF expenditure to be justified, but also the outcomes of that expenditure.

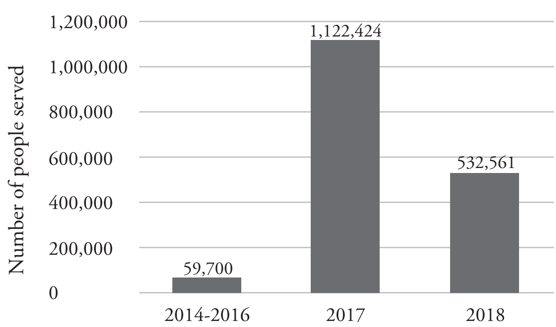
The consulates had to submit a monthly impact report and a quarterly transparency sheet within the first 5 calendar days of each month to the IME. This information was used by the IME to report to the General Administration.

The IME had achieved great success in the expansion of VAFs. The four VAFs existing in 2016 became 42 VAFs in the Mexican consular network by the end of 2017. However, the effort of the consulates had been enormous because of the strict regulations, the short timespans available to implement the project, and because it was a new work experience that the consular network carried out in record time.

In 2018, the resources for VAFs were scarcer and came from MAFAMEU. To be able to receive these resources, each consulate participating in the VAFs program had to submit proof of expenditure and, if applicable, the return of unexpended funds to the Consulate of Mexico in Milwaukee—which was the administrator of the MAFAMEU resources. This system was more complex, and fewer consulates requested funds compared to those allocated centrally by the IME in 2017. MAFAMEU resources could only be used by constituting a MOU, so the previous option of direct exercise by consulates was eliminated. This measure was taken due to the difficulties faced by several consulates in accounting for their activities and verifying their results. Therefore, consulates had to have a partner operating the VAF if they wanted to have access to mandate fund resources in 2018.

Chart 1 shows the evolution of the number of people served in the consular network from 2014 to November 2018. As can be seen, the VAFs' most successful year was 2017, when most were adequately supported financially, had more general options and a normativity that was in the process of being perfected, being a newly created initiative.

Chart 1: Number of People Served at the Ventanillas de Asesoría Financiera (VAFs), 2014-2018



Note: The number of people reported for 2018 spans January-November.
Source: Elaborated by the author with data from IME.

It is important to stress that the success in the rapid expansion of VAFs in the Mexican consular network in 2017 was made possible by FAMEU resources. With the IME's annual budget only, this task would have been impossible. The seed money allocated to the IME on an extraordinary basis ensured the operation and continuity of the VAFs. In this public policy of financial inclusion, the available resources are fundamental for success.

The decrease in the number of people served in 2018 was proportional to the decrease in the IME's financial support. Thanks to the extraordinary funding of 2017, Mexican migrants received free professional counseling and information that helped them better understand and navigate the U.S. financial system. The funding allocated by the IME was the magnet used to attract partners and organizations with similar missions or interests in financial education and bancarization. The implementation of this public policy had positive results because it institutionalized the financial training effort that, in turn, contributed to protecting the assets of vulnerable Mexicans and facilitating their adaptation to the societies in which they reside and thrive.

Since the extraordinary funding for VAFs ran out, their activities did not again reach the effectiveness showed in 2017. As of May 2022, the Mexican consular network in the U.S. had 47 VAFs. However, in several consulates VAFs have not been able to consolidate due to the lack of a financial support program to ensure continuity in partnership efforts with expert institutions, organizations, and individuals.

Opportunities Provided by the Latino Market

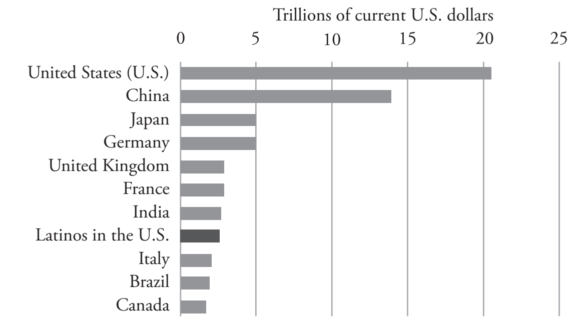
One of the strengths of the Latino community, which includes Mexicans, is its size. On January 22, 2003, the U.S. Census Bureau released post-2000 Census statistics, officially announcing that Hispanics had displaced African Americans as the country's largest ethnic minority. 29% of all immigrants in the U.S. were from Mexico, while 22% were immigrants from the rest of Latin American countries (History, 2019).

In 2020, there were 62.1 million Latinos living in the U.S. (U.S. Census Bureau, 2021). This ethnic group has become the largest minority with the greatest purchasing power, but not the most influential or the best organized. Within this minority, about 64% are people of Mexican origin. Because of its size and youth, the Latino population represents an enormous opportunity within the U.S. market. Latinos are increasingly being recognized as one of the drivers of the U.S. economic recovery. They have great capacity as entrepreneurs and would be more successful if they had more knowledge on how to properly navigate the U.S. financial system.

The 2021 LDC U.S. Latino GDP Report shows that, in 2018, the GDP of the U.S. Latino population was $2.6 trillion dollars. It also mentions that, "If Latinos living in the United States were an independent country, the U.S. Latino GDP would be the eighth largest GDP in the world" (Hamilton et al., 2021). Chart 2 shows that, in 2018, the GDP of Latinos in the U.S. was higher than that of countries such as Italy, Brazil, and Canada, which is an illustrative sample of their economic power and the importance of financial education for the empowerment of this ethnic group.

The 2019 State of Latino Entrepreneurship, carried out by Stanford University's Stanford Latino Entrepreneurship Initiative (SLEI) on Latino-owned businesses (LOBs), found that LOBs produce about 4% of the profits of all U.S. businesses, while generating 5.5% of the nation's jobs (Orozco et al., 2020). The 2020 State of Latino Entrepreneurship shows that, between 2010 and 2019, LOBs grew at a faster rate than the national average in 44 of the country's 50 states. It also mentions that the number of Latino business owners has increased by 34% in the last ten years, in contrast to only 1% of all others, making LOBs the fastest growing segment of the small business ecosystem (Orozco et al., 2021).

Chart 2: Gross Domestic Product (GDP) in 2018



Sources: Elaborated by the author with data from Hamilton et al., 2021 and The World Bank, n.d.

Latinos in the U.S. own more than 350,000 businesses that generate three million jobs in the economy and contribute nearly $2 trillion dollars to the American GDP (Velez, 2021, para. 2). However, Latino businesses are smaller than white businesses and their average revenue is also lower than that of whites. Latinos require financial literacy support to enhance their entrepreneurial potential. For example, "According to the 2017 Small Business Credit Study by the Federal Reserve Banks, of applicants denied credit, 45% of Latino applicants were turned down for insufficient credit history and 37% for having too low a credit score. (Applicants could choose more than one response.) In comparison, white applicants were turned away at rates of 33% and 26%, respectively" (Cimini, 2020).

With VAFs, the Mexican government has sought to empower its communities by providing training through its financial education programs. However, VAFs are largely dependent on seed funding that must come from Mexico. At present, such funding is very limited as it stems exclusively from the IME's budget. As shown above, VAFs flourished in 2017 thanks to the extraordinary funding raised by the IME during the author's term of office. Having a Mexican partner to provide financial resources is an urgent necessity if the process of empowering Mexicans in the U.S. is to move forward.

The financial partner that the IME requires to empower its VAF network in Mexican consulates in the U.S. is the SHCP, if we are to be consistent with the high amounts of remittances that Mexican migrants send to Mexico annually. Many Mexican migrants in the United States require only minimal training and advice to navigate the financial system and be able to start their own businesses. Therefore, the participation of the SHCP as a financial partner is important to empower these Mexicans, who have a good chance of becoming successful small business owners.

The growth of remittances sent by migrants to their relatives in Mexico will decrease in the short-medium term because a high percentage of undocumented migrants have been living in the U.S. for at least 15 years and have had children in that country, who will be the path to regularization. This phenomenon will encourage family reunifications. If Mexico does nothing to strengthen the ties of these migrants with Mexico, it is foreseeable that their ties with their country of origin will begin to dissolve, as is happening with second-generation Mexicans.

Looking Toward the Future

The 2020-2024 Foreign Affairs Sector Program raises the lack of access to services as a central issue for undocumented Mexican migrants in the U.S. Because this factor makes them vulnerable, this program proposes an approach that includes the requirements of our migrants, not only to meet their needs, but also to develop their potential to be more productive and successful. This approach also contemplates that the diaspora will support the country's development from abroad. Since around 98% of Mexicans living abroad reside in the U.S., the fourth objective of the program is to "protect and support Mexican people living abroad, so that they can fully develop their potential and contribute to Mexico's development" (DOF, 2020, "5.- Análisis del estado actual", para. 23). During the 21st century, our migrants have been a very important pillar of the Mexican economy due to the high amounts of family remittances they send each year. This economic capacity of our diaspora could be enhanced if Mexico were to support this vulnerable population with greater financial education services that not only protect their family assets, but also serve to stimulate their entrepreneurial capacity.

Unlike issues of protection, where Mexican consuls and their U.S. counterparts have conflicting missions and interests, in financial education, as in preventive health, the mission and interests of the Mexican consuls are intertwined with those of relevant U.S. authorities, institutions, organizations, and stakeholders. Thus, there are many opportunities to create partnerships and synergies with numerous U.S. actors, but this requires seed funding—such as that which the VDSs receive yearly from the Mexican Secretariat of Health. By helping to prevent people from visiting hospital emergency rooms across the country for lack of information or alternative locations, the VDSs converge with an essential interest of U.S. health authorities. The continuity of annual funding for this preventive health program has created trust and credibility, which in turn has paved the way for consolidating partnerships on a domestic issue that contributes to give a positive image to Mexican consulates. The same should be done in the area of financial education, because—given that most are of working age—Mexicans, along with other Latinos, are playing an important part in the recovery of the U.S. economy after the COVID-19 pandemic. This population deserves to be supported in the protection of their family assets and their needs as entrepreneurs, as a form of reciprocity to what they provide to the Mexican economy with their remittances.

In March 2021, the IME carried out a pilot program to open bank accounts from abroad at the "Banco del Bienestar" with the support of the consular network. The result was not very different from that obtained with the pilot program promoted at the end of 2018 by the IME with the then "Banco del Ahorro Nacional y Servicios Financieros" (now "Banco del Bienestar"): very scarce participation. In May of that year, the IME carried out a survey on the process of opening accounts and issuing Welfare Bank cards, ending on May 31, 2021. The exercise was carried out in 32 consulates, including Los Angeles, Chicago, Dallas, Houston, and New York—which generate most consular documents. The sampling concluded that "93.7% of consulates manifest some degree of difficulty in providing adequate guidance to the community" (IME, 2021). In its final diagnosis, the IME considered that the responses of the 32 consulates to the questions raised regarding the process of opening accounts with the "Banco del Bienestar" "reveal the importance of strengthening training, human and technological infrastructure, as well as strategic alliances to promote banking services in that country" (IME, 2021).

As of April 2022, the "Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero" (FND), which is part of the SHCP, launched its financing scheme in the consular network, "Paisano Apoya a Tu Gente", through which, for each dollar of remittances, the

FND grants credits for $2 dollars to cover working capital needs or machinery, equipment, and fixed assets. However, these credits, which range from $49,000 to $1,120,000 pesos, are meant for activities in Mexican territory. Even for the circulation and use of these credits, it is necessary for the SHCP to financially support the operation of VAFs in the Mexican consular network, if we really want to contribute to the greater success of Mexicans in the U.S.

Perhaps the greatest challenge Mexico faces in its relationship with the U.S. is to take advantage of the size and economic power of its diaspora, concomitant with its growing importance as a trading partner: to position their development as an issue of domestic interest to Americans. That is, to be perceived by both U.S. politicians and audiences as a force that impacts daily life in that country.

Indeed, Mexico plays an important role in the daily lives of Americans, but the latter are not aware of that situation because they do not know the ways of that positive impact. Some examples are the substantial Mexican investments that generate jobs; the small and medium-sized businesses owned by migrants; Mexican tourism in the U.S., which in 2018 represented 23.1% of all international tourists, second only to 26.9% of Canadians (OECD, n.d.); the growing bilateral trade that places Mexico as the first or second trading partner of more than half of the states of the Union and on which more than five million jobs depend; the guarantee in terms of security granted by having a 2,000-mile land border with a country that offers stability and security; being a neighboring country in which more than 1.5 million Americans live permanently; and, lastly, being a complementary economy that is strategic for the recovery of the U.S. economy, as well as for the growth of its competitiveness against other regions of the planet and against the power of China (Mendoza Sánchez & Miranda González, 2018). In this challenge, VAFs play a transcendent role because—due to their size, their purchasing power, and their contributions as entrepreneurs—Mexican and Mexican American communities play a prominent role in the U.S. economy.

If the participation of the SHCP as a financial partner of the IME in the operation of VAFs is not achieved, it would be advisable for the Mexican government to consider the possibility of allocating half a dollar of the price of each passport issued in the consular network to VAFs. This is an option that does not affect the federal government's austerity policy and would not require depriving any other priority project from its resources. Between September 1, 2021, and June 30, 2022, Mexico's consular network in the United States issued 1,326,344 passports (SRE, 2022). If an increase of $0.50 dollars was charged on the price of these passports and earmarked to fund the VAF program, the cost for migrants would not be excessive and would translate into resources of about $750,000 dollars for their own benefit. In this scenario, migrants would indirectly be the financial partner urgently needed by VAFs in the consular network to support the empowerment of our nationals and facilitate their path to a more successful life. This would also make it easier for the Mexican community to pave the way toward a greater participation in U.S. domestic politics—with a weight proportional to its size and contributions to the economy of the country where they now reside and work.

The future of Mexico's public policies in financial inclusion efforts for its diaspora in the U.S. will depend on the capacity to support them financially, as well as on the incorporation of strategic U.S. partners. In this process, the reactivation of a VAF Specialized Advisory Council to provide advice in the planning and execution of financial education activities also seems to be a necessity that cannot be postponed.

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Impact, Challenges and Opportunities of Implementing the VAF at the Consulate General of Mexico in Chicago

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The "Ventanillas de Asesoría Financiera" (VAFs), which operate in the Mexican consular network in collaboration with local partner organizations, are an important piece of the series of mechanisms and tools that connect the Mexican government with its diaspora. Like other community service desks, VAFs were created to empower the population of Mexican origin in the U.S. and address conditions of vulnerability that prevent full access to services and opportunities for development, such as immigration status, lack of knowledge regarding laws and regulations, and difficulties in the use of the English language, among others.

In order to meet this objective, VAFs are adapted to the specific dynamics, contexts, and requirements of the communities that make up each consular district. However, the demographic changes in our diaspora and the evolution of the way we relate to our fellow citizens have raised new challenges, such as the need for specific financial inclusion strategies for women, youth, indigenous peoples, or the LGBTI+ community, as well as providing comprehensive responses to the complex range of needs of a population that is increasingly defined as binational.

This chapter will report on this adaptation process by reviewing the characteristics of the VAF at the Consulate General of Mexico in Chicago. In particular—and in order to contribute to financial inclusion from a binational perspective—we will study the progress of the service provided to Mexican nationals living in this consular district in the last 3 years. This population constitutes one of the largest, most demanding, and diverse group of our diaspora.

Characteristics of the Consular District

The district of the Consulate General of Mexico in Chicago includes the state of Illinois and 26 counties in northern Indiana. The settlement of the Mexican population in this area dates back to the end of the 19th century and has been marked by several key moments in the history of our nations. Events such as the construction of railroads in the Midwest, the rise of the steel industry, the World Wars, and the Cristero War in Mexico were important causes of migration, particularly to the Chicago area and northwest Indiana.

According to U.S. Census data (America Counts Staff, 2021; U.S. Census Bureau, n.d.), from 1980 to 2020, the Hispanic population in Illinois has quadrupled, while that of Chicago has doubled in the same period. The Latino population in this state amounts to 2,280,864 people (18.2% of the total population, and the first minority). In Illinois, Mexicans represent the vast majority of the population classified as Latino: 77.5% or 1,717,252 people. In Chicago, the Mexican population constitutes 73.0% of the Latino population, or 568,935 persons.

It should be noted that, although the 2020 Census figures represent a valid approximation to the demographic reality of our community, it is estimated that the Hispanic and Mexican presence is significantly higher. Despite the efforts of the Census Bureau, community organizations, and the Mexican consular network itself, multiple variables have discouraged the participation of Mexicans and Hispanics in the census—most importantly, the fear derived from irregular migratory situations among relatives.

In Illinois, the counties with the highest proportion of Latinos are Kane, Cook, Boone, and Lake, with 32.8%, 26.2%, 24.1%, and 24.1% respectively. Cook County, which is the most populous county in the state, where the city of Chicago and its extensive conurbation area are located, registered an increase of 138,000 Latino people between 2010 and 2020, making it the fourth county in the country with the largest Hispanic population, behind Los Angeles, California, Harris, Texas, and Miami Dade, Florida.

The largest segment of the Latino population in Illinois is made up of people under the age of 18 (almost 700,000). The second largest segment is made up of people between 35 and 54 (almost 600,000 people).

According to one of the first surveys of the Mexican population in Chicago in the late 1920s (Arias & Durand, 2008), 20.0% were originally from Jalisco, 18.7% from Michoacán, 17.4% from Guanajuato and 8.0% from Zacatecas, while the rest had roots in Mexico City and northern border states. These early populations settled primarily in the industrial corridor located between southern Chicago and northern Indiana.

Currently, people from Michoacán, Jalisco, Guanajuato, and Zacatecas still represent the majority of the Mexican community in this area, in addition to Guerrero, Durango, Mexico City, and the State of Mexico. Following the COVID-19 pandemic and in response to the high demand for workers in this region, consular staff have recently detected numerous newcomers (men, women, and even entire families) from underrepresented states such as Oaxaca, Tabasco, and Chiapas. This, together with Illinois' status as a sanctuary state and Chicago's status as a sanctuary city, has contributed to the general increase in migration flows, so it will be important to fine-tune our mechanisms for obtaining statistics on the issuance of consular documents in order to monitor this phenomenon.

By the late 1920s, the Mexican population was primarily employed in railroad maintenance, steel mills and meat packing plants, as well as in agriculture, garden and fruit tree cultivation and maintenance, and mining. Currently, the main occupations of our community are in the manufacturing, construction, hospitality and food industries and in retail (American Immigration Council, 2020). Also noteworthy is the growing entrepreneurship of our community, especially among women. Of the formally established businesses in the state of Illinois, 17.5% are owned by Latinos, i.e., 125,000 businesses, of which 80.0% are located in the Chicago metropolitan area (Balta, 2021).

According to information from the Pew Research Center (2019) and the Migration Policy Institute (Israel & Batalova, 2020), undocumented Mexican individuals in Illinois represent between 16.0% and 16.5% of all Mexicans and 65.0% of all undocumented individuals in the state. Between 2010 and 2014, an estimated 817,066 Illinoisans lived with at least one undocumented family member. While Illinois is a pro-immigrant state, this mixed family composition data is highly relevant to how Mexicans make important financial decisions such as buying a home, opening bank and savings accounts, and building credit in the U.S., due to the risk of deportation and the implications of the loss of wealth that this could entail.

Illinois is therefore faced with a binational community of around two million Mexicans, 84% of whom have some type of regular immigration status or were born in the U.S., and whose assets are located in both nations. This, in addition to the one million people of Mexican origin in northern Indiana who are also served by the Consulate General of Mexico in Chicago, calls for the expansion not only of the geographic scope of the VAF's operation, but also of the supply of financial services from both Mexico and the U.S. This demand for information on a wide range of financial topics is reflected in the type of services most frequently requested: account opening, small business investment opportunities, and home buying in both countries. There is also great interest in guidance on retirement savings through "Administradoras de Fondos para el Retiro" (AFOREs) and paying taxes in the U.S.

According to information gathered by our VAF in 2021, 67% of the people it serves are between 30 and 49 years old, 45% do not have a bank account, 65% do not own their house, and the average household size is four people.

Socio-Political Context

Illinois has a long tradition of pro-immigrant policies. Only in the last 2 decades, undocumented individuals have gained the right to be granted in-state tuition at state universities (thus paying less than out-of-state students); the right to obtain a driver's license; the right to purchase housing and build credit history using their Individual Taxpayer Identification Number (ITIN); the right to have their *matrícula consular* and Mexican passport recognized as official documents in state proceedings, and, most recently, the right to have health insurance, starting at age 42. Each of these policies positively influences the ability to improve economic conditions and have greater asset security.

Likewise, the Mexican community in Chicago has a long tradition of organization, activism, and civic participation in different areas. This group is a vanguard community that has pioneered the consolidation of programs, policies, and initiatives in Mexico, such as the "Programa 3x1 para Migrantes" to support their communities of origin, voting abroad, or the election of migrant representatives. Meanwhile, in the political context of the U.S., they have been acting in defense of Dreamers, and have shown an enormous capacity for mobilization by calling for massive protests—like those that took place in 2006 demanding immigration reforms (Boruchoff et al., 2010).

Diverse organizations, such as hometown clubs and federations—which have a great philanthropic vocation towards their communities of origin, community-based organizations linked to the most emblematic Mexican neighborhoods in Chicago, national organizations such as The League of United Latin American Citizens and The Mexican American Legal Defense and Educational Fund, as well as relevant activism stemming from the Catholic and Protestant churches, have paved the way for access to health, education, housing, and financial and legal services. It is in this solid, generous, and varied network, which has experienced multiple adversities, that our VAF is located and carries out its work of receiving, channeling, following up, and resolving the different doubts and needs that arise regarding education and access to financial services.

VAFs operate through an agreement with a non-profit organization that acts as a fiscal agency. In our case, this organization is The Resurrection Project, which has been fulfilling its mission of building community power and wealth for over 30 years. The Resurrection Project grew out of the organization of a group of residents in the Pilsen neighborhood of Chicago, who in 1990 were extremely frustrated by the ongoing violence and neglect. In order to restore peace, safety, and prosperity to the community, six local parishes contributed a total of $30,000 dollars in seed money, establishing The Resurrection Project.

Initially, the organization focused on the demand for quality public services in the areas of the city in which it operated, such as street cleaning, public safety, and education, among others. With its legal and physical establishment, the organization was able to expand its services by focusing on three independent strategies: property management, real estate and service development, and financial education.

Currently, the organization has 146 affordable housing units and provides financial education services, such as credit history building, savings culture, credit counseling, and homebuyer and homeowner counseling. They also have staff specialized in immigration issues, access to health services, and domestic violence prevention.

History of the VAF in Chicago

In 2017, The Resurrection Project and the Consulate General of Mexico in Chicago signed a Memorandum of Understanding for the operation of the VAF. The VAF occupies a physical space in the consulate while also developing regular virtual activities in which the Mexican community of this district can receive the services offered by the organization.

In its first years, the VAF operated thanks to funding from Citi Community Development, which started with $200,000 dollars during the first year and decreased to $10,000 dollars in 2019, the last year in which the VAF received resources from that institution. As of 2020, the VAF has been financed directly by funds from the Institute for Mexicans Abroad (IME), which cover minimal operating expenses.

Despite the substantial reduction in the VAF's budget, our partner, The Resurrection Project, has maintained its support, and currently assigns staff to attend the service desk on site, in addition to having a telephone line, an email address, and a work program that includes virtual and on-site workshops, as well as one-on-one follow-up of the cases identified at the desk.

Thus, in the last 3 years (2020-2022) the VAF has been transformed into a hybrid space, with virtual and on-site activities, offering information and personalized advice on banking, tax payments, credit, international remittances, grants, financial assistance for the COVID-19 crisis, home purchases, and other topics of general financial interest. In coordination with the Consulate's Community Area staff, it acts as a liaison with institutions and public financial programs of the Mexican government which are available to Mexicans abroad, such as remotely opening a bank account with the Banco del Bienestar (temporarily suspended since 2023), affiliation to the Mexican Social Security Institute (IMSS) for self-employed workers, retirement savings through AFOREs, access to the Institute of the National Housing Fund for Workers Without Borders (Infonavit Sin Fronteras), and sending remittances through Telecomm-Telégrafos or "Directo a México."

While the Mexican community abroad has grown, so have the issues on which this community needs guidance. As people decide to settle permanently abroad, there is a call for expanded services such as tax assistance, credit building, or access to affordable housing. At the same time, services have been gradually and partially shifting from physical and on-site to a virtual modality, particularly in the wake of the COVID-19 pandemic.

Indeed, the pandemic changed the way the desk operates. Between 2020 and 2021, 14,300 people were attended on-site, while more than 116,000 people were reached through thirty Facebook Live sessions and five informative videos published on the same platform. The most popular workshops were on rent assistance, credit construction, home purchase in the U.S. with an ITIN, and economic support for people affected by the pandemic.

With the advice provided by the VAF in Chicago, between 2020 and 2021, 123 families purchased homes for the first time, 661 individuals recorded a positive impact on their budget—either through increased savings or improved credit scores—and 87 families were able to avoid foreclosure on their homes. During this period, The Resurrection Project distributed public funds to address the COVID-19 crisis, allocating $12 million dollars to 13,327 families. It is worth mentioning that this was possible thanks to the collaboration with The Resurrection Project, which allowed to attend the cases in which the VAF identified a need for financial assistance that required follow-up.

In an effort to increase the geographic coverage of our service desk, financial education activities have been incorporated in our consulates on wheels, with the presence of banks, government agencies, and organizations that provide information on financial topics, as well as with the presence of the VAF in the media.

The quantitative impact of VAFs varies according to the demand and service capacity of each representation. Our VAF has a physical space in the public service area of the consulate, where we provide services to more than 600 people daily, who can approach the VAF while they are carrying out any other procedure. This is where the first contact is made, which may lead to a more detailed follow-up through the partner organization or the staff of the Communities Area. Users can make remote inquiries via email, telephone, or social networks, explaining their query in detail and the way they prefer to be served. In this way, the VAF in Chicago adapts to the different modalities in which Mexican individuals need to receive information.

The "Semana de Educación Financiera Integral para Mexicanos en el Exterior" is also an important initiative to emphasize topics regarding financial education within the consulate's activities. It is organized annually by the IME and offers virtual seminars with public financial institutions both in Mexico and abroad, additionally incorporating local content and special events at the consulate or through its social networks. Virtual activities stand out for their reach to a large number of people (on average 2,000 per session in the case of the consulate in Chicago) and because in such live activities the officials of the various participating institutions explain and share resources available to the community and can resolve doubts directly, generating closeness and empathy with the concerns and financial priorities of our Mexican community abroad.

Local Strategy and Best Practices

Attention to Group Needs

The VAF acknowledges that different segments of the population have different needs, and therefore require information and services to be tailored to these needs. To this end, differentiated financial education content has been developed, mainly for women and young people.

In the case of women, the Consulate General of Mexico in Chicago has an Advisory Council for the "Ventanilla de Atención Integral a la Mujer," made up of eleven women of Mexican origin who have stood out in different areas for their leadership, commitment, and hard work in the defense, empowerment, and visibility of our community. This Council's priority is the development of actions that promote financial education aiming at achieving personal, economic, and social autonomy for women with equal opportunities. Consequently, in accordance with the alliance it maintains with the consulate and with its experience and first-hand knowledge of the needs of our community, The Resurrection Project has developed specific workshops for women, among which are: a basic financial course for small businesswomen, money management skills to transmit to new generations (a class designed for mothers), and one-on-one counseling for women.

Also noteworthy is the "Programa Consular de Emprendimiento para Mujeres Mexicanas en el Exterior" (PCEME), an IME-initiative that has provided more than seventy women with the opportunity to acquire tools and develop networks that will enable them to consolidate their business projects. Thanks to the association with local partners such as The Resurrection Project, the Illinois Hispanic Chamber of Commerce, Mujeres Latinas en Acción, and others, the locally rooted content of the PCEME has allowed us to implement the transversality that this initiative requires, given the series of challenges that migrant women must overcome in order for their entrepreneurial spirit to take off and be sustainable. Among the most important contributions of partners is the support to obtain subsidies and acquire the necessary certifications and licenses for the formalization of small businesses, as well as the registration of trademarks and protection of industrial property. A significant part of the journey with the two generations of small businesswomen who have participated in this program has been the creation of a network of solidarity among the participants. We have seen them persevere through double and triple shifts and were able to provide them with all the resources available, free of charge, to achieve their goals.

Culturally Sensitive Information and Education

Collaborating with organizations that, like The Resurrection Project, are rooted in our community has the virtue of providing financial education products and programs developed with the necessary cultural approach to function organically with people of Mexican origin. The clearest example is the *tandas* program of The Resurrection Project, which consists of a financial product that concomitantly motivates savings, the opening of bank accounts and credit building in the U.S. through a scheme that resembles the *tandas* that are customary in Mexico, but with the certainty that the money remains in a personal bank account. As it does not require a Social Security Number, this model is accessible to the undocumented population.

Tandas commit the user to allocate a fixed monthly savings amount in their bank account, which can be withdrawn within an agreed period. Compliance with this savings commitment adds up to their credit score, making it an excellent practice for those who are beginning to build their credit history or want to improve it.

Another best practice is our collaboration with Community Development Financial Institutions (CDFIs), which, unlike traditional banking institutions, offer financial products tailored to the profile of people who have difficulties in accessing financing, as well as higher yields on savings accounts. It is through these CDFIs that our community can achieve important financial goals such as buying a home in the U.S., even without a Social Security Number.

In October 2022, the Consulate inaugurated the "Ventanilla de Atención Integral a Pueblos Originarios e Indígenas de México en el Exterior". This initiative, aimed at reinforcing our ties with the indigenous population residing in the consular district, is part of a series of efforts deployed in recent years to ensure the participation of the indigenous community in all our initiatives and to adapt programs and attention schemes to their specific needs. This opens up the opportunity to provide differentiated and culturally sensitive attention at each of our community desks, including the financial counseling desk, where needs such as access to information in indigenous languages have been observed. Likewise, the need to facilitate access to banking and financial services—as well as support with the use of technology—has been identified through dialogue with various people from our indigenous communities.

Financial Education and Mental Health

A fair amount of the workshops carried out at the VAF have focused on introducing important basic concepts such as banking, personal or family budgeting, goal setting, and the habit of saving as a model for planning personal finances and building protection against crisis situations.

This model has allowed us to talk about finances from a point of view that is grounded in the circumstances of our community in times of pandemic, in which financial discipline becomes more complex due to the uncertainty of jobs and, consequently, the fluctuation of income. It has also opened the space to discuss emotions as drivers for consumption, a topic in which personal finances and mental health converge and which merits further follow-up in light of the recent Illinois state report on pathological gambling, which indicates a high risk of developing a gambling addiction in the Latino community, with the consequent impacts this could have on their wealth (Carliner et al., 2022).

Support to Hometown Organizations

Traditionally, the activities of hometown organizations *(clubes de oriundos)* have been the development of productive projects in Mexico and the organization of social and cultural activities. One of the major lessons learned from the pandemic has been the need to develop an information and support strategy for these organizations to register and operate as non-profit entities in the U.S., so that they have the legal structure to access public and private resources that allow them to expand their social activism in favor of their members.

Within the consulate, we seek to help these organizations in making the leap from being clubs organized around programs that support their communities of origin—such as the "Programa 3x1 para Migrantes"—to formally constituted non-profit organizations. This will allow them to acquire the tools and develop the skills to navigate the U.S. system and learn how to organize their community, lobby on issues that affect them, and raise funds for the development of projects in their communities in the U.S., in addition to continue to develop their philanthropic vocation in Mexican territory.

A good practice in this area, promoted by the consulate during the pandemic, was the collaboration with the Latino Policy Forum, an organization with a solid tradition of mentoring incipient organizations. This made it easier for hometown clubs and federations, which did not have the structure to raise funds on their own and assist their memberships, to access resources to address the disproportionate impact that COVID-19 has had on our community.

Other best practices at the VAF consist in consolidating the presence of government institutions and organizations that are widely recognized among the Mexican community within the consulate. These provide information in Spanish through their network of community promoters, thus bridging cultural differences. They present the additional advantage of having an accurate general idea of the conditions and needs of the Mexican community in the U.S., which in turn can generate trust.

New Communication Channels

Furthermore, social networks have proven to be an effective way to reach a larger audience. The dissemination of VAF services on social networks allows for a quick response without the need for users to go to the consulate.

The IME is the liaison for direct communication with Mexican government institutions whose services are required by consulate users, for example the Banco del Bienestar, the IMSS, the National Commission of the Retirement Savings System, the Bank Savings Protection Institute, among others. Many of these services are requested online, so the processes can be complicated for some users, and in many cases direct communication with the aforementioned institutions facilitates giving immediate response to their inquiries.

In addition to the brief information that visitors of the consulate receive at the VAF, they are provided with the e-mail or telephone contact details of one of the members of the Communities team, so they can contact them in case they need to follow up on the case or if any additional questions arise. Such personalized attention allows to provide follow-up if there is no immediate response available.

The Future of the VAF in Chicago and Opportunity Areas

There is a need to broaden the collaboration with Mexican agencies to facilitate some services related to the payment of taxes that cannot currently be provided by the VAF. Generating channels of collaboration between the Secretariat of Foreign Affairs (SRE) and the Tax Administration Service of the Secretariat of Finance and Public Credit is a pressing challenge in the short term, so that some procedures that need to be done in person can be carried out at consulates. This not only represents a benefit for the broad sector of the community that has to attend to economic, commercial, investment, or banking matters in Mexico, but also responds to an essential need of the people who cannot travel due to their immigration status.

Another area of opportunity that remains for the VAF is remote banking in Mexico and the sending of remittances. Needless to say, the acceptance of the *matrícula consular* at banks in Mexico remains a pending issue of the utmost relevance for our population. In addition, regulations in both countries sometimes work against people's interests and needs. For example, there is no mechanism to send large volumes of remittances, so Mexican individuals who carry out transactions such as buying or selling a home or making an investment are forced to send their money in various small sums, with the risk of contravening existing regulations due to the lack of options.

In addition to the improvements derived from new collaborations between the SRE and other institutions and the expansion of the range of services provided by the VAF that allow us to dispense more efficient and comprehensive attention to our community, the most significant challenges for the coming years will undoubtedly be, on the one hand, to incorporate the agenda of financial needs of the second and third generation population of Mexican origin and, on the other hand, to contribute to our community's ongoing acquisition of the tools that allow them to build generational wealth in both countries.

Following the implementation of the reform to Article 30 of the Mexican Constitution in May 2022, which provides that Mexican nationality can be transmitted in an unlimited manner to persons born outside of Mexico, consulates face the enormous challenge of serving an additional twelve million people who could apply for Mexican nationality, according to estimates by the legislators who promoted this reform. This implies continuing to make progress in adjusting the narrative and conceptual foundation that frames our relationship with the Mexican population in the U.S., so that, with a comprehensive and far-reaching strategy, we deploy a binational, bicultural, and bilingual agenda in all the actions and programs implemented by the consular network.

In the area of financial education and services promoted by consulates, second and third generation citizens concentrate their needs in Mexico and do not require assistance in the U.S. The consulates will have to strengthen and expand their capabilities to provide information and services in English to meet these citizens' interest in investing, banking, accessing real estate offers or paying taxes, and navigating the regulations and institutional framework of our country. In the multiple contacts with our community, we have observed a genuine interest of children and grandchildren of Mexican immigrants to reconnect with their roots beyond the traditional cultural elements and seek investment and economic development opportunities in Mexico as well, thus strengthening their sense of identity and belonging via their assets.

The growing power of Hispanics as one of the most important economic forces in the country and as a key driver of growth is often commented on, especially because of the size and strength of the consumer market. According to the Latino Donor Collaborative and Wells Fargo report, published in September 2022 (Hamilton et al., 2022a), if the GDP generated by the Latino population in the U.S. were accumulated, it would be the fifth largest economy in the world, larger than that of countries such as the United Kingdom, India, or France, while the 2022 Metro Latino GDP Report (Hamilton et al., 2022b) ranks it as the third fastest growing economy between 2010 and 2020. Latinos have played a predominant role in the economic recovery of the U.S. over the past decade. In these years, they have not only increased demographically, but also in access to education, consumption levels, access to homeownership, and as a labor force. Personal consumption in the Chicago metropolitan area totaled more than $73 billion dollars in 2018 and represents a larger market than the entire economy of Maine or North Dakota (Hamilton et al., 2022b).

As a consequence of this dynamism and strength of the labor force and of the Hispanic—and therefore Mexican—market, the demand for financial services in both countries is broader and more sophisticated. In the coming years, consulates will be faced with the task of helping the Mexican population to acquire the necessary tools to build a wealth that transcends generations, which is a fundamental element for their empowerment. Likewise, we must respond to the interest of young Mexican American professionals, officials, elected officials, and small business owners, who frequently ask us about the possibilities of acquiring vacation properties, investing in small businesses, buying health insurance, or opening bank accounts in Mexico.

For the consulates, the promotion of a binational, bilingual, and bicultural community implies to enable measures in both countries that facilitate and support the necessary mobility to settle and develop in either country. In the area of financial education, this compels us to promote the growth of our community's patrimonial wealth from a portability approach, which requires creating a framework of measures or protections that allow every person who moves to the other country—whether by personal decision, retirement, job opportunity, study, or even deportation—to have a plan to preserve and transfer their wealth without any loss whatsoever. The VAF's offer needs to be balanced between meeting the most pressing needs of the growing number of recent arrivals to the U.S. (such as remittances and banking), and providing options to a binational population that seeks to maintain links with Mexico through investment, health, and recreational options, which necessarily involve financial services.

Bridging gaps, building trust, developing the capacity to accumulate wealth, and moving towards new models of economic relations with our community are some of the goals that the Consulate General of Mexico in Chicago is developing, in a constant effort to serve our community in a comprehensive manner, particularly women, indigenous people, and the binational population living in Illinois and northern Indiana.

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Impact, Challenges and Opportunities of Implementing the VAF at the Consulate General of Mexico in Miami

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The "Ventanilla de Asesoría Financiera" (VAF) of Miami was established in 2018 thanks to a collaboration with different financial education partners in the constituency. From that point on, it took 4 years of constant work to ensure that financial information and education, as well as different helpful services, reached our fellow citizens in the best possible way.

This chapter reviews the characteristics of the consular district, and subsequently describes the implementation of the service desk, who was involved, what has been achieved, and where we are headed. The goal of this initiative is to provide information and financial guidance to our fellow citizens and to protect the assets for which they work so hard over the years.

Characteristics of the Mexican Population in Miami

As of June 1, 2022, the constituency of the Consulate General of Mexico in Miami has expanded to eighteen South Florida counties: Broward, Charlotte, Collier, De Soto, Glades, Hardee, Hendry, High-Lands, Indian River, Lee, Manatee, Martin, Miami-Dade, Monroe, Okechobee, Palm Beach, St. Lucie, and Sarasota. There are approximately 300,000 Mexican citizens residing in the counties covered by our district. According to the number of *matrículas consulares* issued by this representation, the cities where the largest number of Mexicans can be found are Homestead, Immokalee, and Naples.

The records of the documents issued in our district indicate that the majority of the Mexican community works in farmwork and construction. In other words, they have either an H-2A visa for temporary agricultural workers, or no documents. Their immigration status in the U.S. is the source of many challenges, and often hinders access to health, education, and financial literacy programs and services.

The geographic location of our fellow citizens in South Florida is relevant because it is generally an indicator of the social and economic characteristics of the population served by the consulate. For example, the Immokalee area is known for its big tomato farming companies and for being a place where temporary agricultural workers arrive on H-2A visas. Therefore, this community has different needs than the Mexicans who live in other cities such as Homestead, where most Mexican migrants—unlike those who come with a temporary visa—have already settled and seek to build a legacy in the U.S. Likewise, in Miami we can find a large number of Mexicans who are members of diverse groups, such as the skilled diaspora made up of businesspeople, investors, artists, among other professions, who settled in this cosmopolitan city because of their jobs and investments. We can confidently say that the South Florida constituency is diverse, which explains why several community strategies have had to be developed, usually in coordination with local partners.

Many Mexicans who come to this consular district have university degrees that require revalidation in order to access a job in their professional sectors. This procedure entails several processes and authorizations, and in some cases involves studying again, which is usually discouraging. Many are determined to start their own business in the U.S., as they need to generate income to subsist, support their families, and achieve financial independence.

Political Context of Miami

The Republican Party generally dominates the consulate's constituency in Miami. In Miami-Dade County, where the consular premises are located, the majority of the population is of Cuban descent. This is relevant because it influences the political situation of Mexicans in South Florida.

Being a minority among the Hispanic population has caused the Mexicans of these counties to be more withdrawn, and to a certain extent less visible than other Latin American nationalities, such as Cubans, Colombians, or Venezuelans. As a result, access to services is limited, as they do not receive information or help from community leaders.

One option for Mexicans is the availability of services in Spanish. However, not all counties have as many resources available in Spanish as Miami-Dade. Hence the importance of conducting out-of-county community activities to guide them towards the options available in the different counties.

Given the Latin American community's need to get services in Spanish, a number of organizations are constantly working to benefit this population, as is the case of agricultural workers' organizations in cities such as Fort Myers, Fort Pierce, Homestead, Immokalee, La Belle, Lake Worth, and Naples. Here, different farmworker organizations provide community support, and, in some cases, legal and immigration assistance intended to protect the rights of workers and, above all, to prevent abuses against them.

Among the organizations we have worked with are the Farmworker Association of Florida, the Mexican American Council, the Centro Campesino, the Coalition of Immokalee Workers, the Farmworker Coordinating Council, the Coalition of Florida Farmworker Organizations, Mujer FLA, and We count! For example, we make regular visits to farm fields in Immokalee with the support of the Coalition of Immokalee Workers to provide information about protection measures for Mexicans, community services, and the possibility to obtain identity documents. With the Homestead-based Farmworker Association of Florida we have been able to increase the number of community events and the outreach of our programs, including financial fairs and information sessions with farmworkers.

In the specific case of financial inclusion, community and farm-worker organizations are allies who support us by spreading information and conducting face-to-face and virtual workshops. We held one such event on February 24, 2022, on "How to obtain an ITIN" (Individual Taxpayer Identification Number, which is an alternative for foreigners who cannot obtain a Social Security number).[1] Beside this workshop, we provided information on topics of interest to the community, such as guidance for

[1] See our YouTube channel: https://www.youtube.com/watch?v=DxV_iSFp9bU

the payment of rents and taxes, tips on scholarships for their children, and entrepreneurship.

It is important to acknowledge the work carried out by community organizations, as it increases the reach of our actions and allows us to know the needs of the Mexican community in South Florida first hand. The community leaders who operate them, whether Mexican or not, have actively collaborated with this consulate. This partnership has allowed us to organize events that can provide education, health, and social welfare services, among others, in addition to supporting the community with information on finance, health, and education for the benefit of the Mexican community.

History of the VAF in Miami

The VAF in Miami started in 2017 when we joined the national strategy to educate the community on financial issues in the U.S. and their families in Mexico via this platform. In 2018, the first Memorandum of Understanding was signed between the consular representation and Clearpoint Money Management International. As of 2017, the consulate had already collaborated with this organization, which is experienced in issues that fall within the VAF's ambit, such as savings, credit, and budgeting. This collaboration helped to provide free services, such as in-person workshops, one-on-one counseling on financial issues, and support via telephone to solve questions. This organization collaborated with Prospera USA, which offered training and support programs for entrepreneurs, and allowed for greater outreach in terms of human resources, the topics handled, and access to available programs.

The provision of services is decided based on the experience and knowledge of the partner organization. The most frequent questions asked to the consulate's community affairs department at community events and on social networks are usually about how to open a bank account in the U.S., how to send money to Mexico without paying high commissions and ensuring its safe arrival, and how to save and buy a home in the U.S. People also request information on accessing financial support for U.S.-born children and how to complete tax paperwork and understand credit opportunities.

Credit counseling has been important for our community because the financial culture in the U.S. can make it more accessible than in Mexico. Credit is often needed to purchase or rent a car, a house, pay utilities such as electricity, water, cable, as well as to make reservations. However, sometimes this "easy" access can result in unpayable debts for our community, so it is important to guide them to avoid any kind of abuse.

A relevant concern of our community is to learn how to become an entrepreneur. This question has been present not only in South Florida, but also in other states in the country and even in the world, where Mexicans are seeking to make their way in their places of residence by creating their own business.

Most financial inclusion activities are carried out once a week on the days with the greatest presence of Mexicans at the consular premises, currently on Fridays. On these days the staff of the VAF's partner organization in Miami is present in the consulate's documentation waiting room, which serves approximately forty people per day. While people wait for their procedures, 10 to 15-minute presentations are made on some financial topic, or VAF services are promoted so that people in the room can approach our partner's information desk and receive personalized attention. Those who are interested approach the VAF desk, receive advice, and can schedule an appointment for further details. In addition, they are provided with information and contact numbers that they can also share with their community. In the case of issues that require specialization, there is a list of Miami VAF allies (banks, non-profit organizations, and schools) to refer people to. This list has been nurtured with partners who have collaborated with the consulate or with the allied agency, and who also have specialized expertise.

In the same vein, community fairs are held at the mobile consulates in the main cities of the district's eighteen counties. We provide financial information and guidance on Mexican programs in collaboration with local partners, such as Prospera USA, and national partners, such as Master Your Card, in addition to others we work with in Miami-Dade County that also have a presence in other counties and refer us to partners with whom they collaborate. It is also important to mention the support for our mobile consulate sites provided by churches and community centers. These usually have more knowledge and experience working with local partners, so we count on their help to add partners to the community fairs and avoid referring the people served to a service in another city, which may complicate the follow-up. Given the above, having a VAF partner is undoubtedly valuable to serve a greater number of Mexicans and to have experts in Florida who can advise and guide our fellow citizens free of charge.

However, the VAF's implementation has faced several challenges. Since 2019 it has operated with three different allies. This is due to the fact that year after year the scope of the program has increased, and therefore the attention is not only focused on the people who attend the consular premises, but service and follow-up must be provided throughout the entire district. The assistance and resources of previous partners, such as Clearpoint, were limited to Miami-Dade, restricting the scope of this consular representation. These experiences helped us to widen the network of allies in South Florida in order to serve our community regardless of their location in the district. In addition, we have maintained the relationship with the partners that no longer operate the Miami VAF. These provide support in activities and programs for which their resources and outreach are useful.

We are currently working with Branches Florida, which gives free advice on personal finance such as buying a car, saving, budgeting, and filing taxes, as well as support to entrepreneurs through referrals to banks and advisory programs to start a business, in addition to providing a free service to process an ITIN for tax paying purposes. We met Branches Florida through the community organization Be Strong International, which supports us in workshops for parents at the "Ventanilla de Salud" and with which they collaborate to offer comprehensive services to parents and children.

We turned to Branches Florida to be our partner within the VAF's framework because of their experience and commitment to serving the Mexican community. This organization has a strong presence in the Florida City and Homestead areas, a region with a large population of Mexican origin. It is one of the few non-profit organizations with free tax services, which are in high demand among our community. As a result of these alliances, cooperation was achieved to improve the "Programa Consular de Emprendimiento para Mujeres en el Exterior" (PCEME, Consular Entrepreneurship Program for Mexican Women Abroad) through specialized speakers and information on topics such as budgeting, personal finance, and human resources management.

Local Strategy and Best Practices

Since the COVID-19 pandemic, and by maintaining constant communication with local farmworkers and community organizations such as the Farmworker Association of Florida, we became aware of the Mexican community's need for food, rent support, and biosecurity materials, among others. Of course, these needs were more pressing among vulnerable groups, such as people who are undocumented or lack access to health insurance. Therefore, donation and support campaigns called "From the Community for the Community" were carried out in collaboration with organizations and community groups. This has not only allowed us to support communities that may need these services—to which they may not have access due to their immigration status—but has also revealed the involvement and willingness of Mexican men and women to actively participate in these actions for the benefit of their fellow citizens living in South Florida.

This support was provided by the civil society of South Florida that responded to the call of its consular representation, as well as by Mexican and Hispanic businesses, including Herdez, Florida Coast Railway, Farmshare, and Sleefs, among others. Due to the great response obtained, different events and visits to the communities were held to deliver the donations under the slogan "The Consulate goes to the people." Thanks to this initiative, in 2021 we were able to reach 27,774 fellow citizens, who received, among others, medical services, financial education (account opening, access to credit), information on scholarships and adult education, food, and staple goods donations. Under this slogan, community activities have been carried out on an annual basis, including the Financial Education Week in March and the National Financial Education Week in October, as well as the annual Children's Day Festival, which is attended by more than 400 people and involves the participation of all the community desks, including the VAF.

In addition, the pandemic has also yielded a number of tools, such as virtual conferences, which have allowed us to reach out to different parts of our constituency. At the VAF, virtual workshops on a variety of topics are given once a month by experts. The topics are chosen according to the requests and the most common inquiries made by our fellow citizens, both in face-to-face events and on social networks, for example how to start a business, pay taxes, send remittances, save, get personal or business credit, get information on Retirement Fund Administrators (AFOREs), obtain an ITIN, and more. In 2022 these workshops were attended by 585 people.

We also periodically produce informative video clips and tutorials. These materials, prepared by local partners in financial education, help us to provide timely information, tips, recommendations, and contacts that can be useful to our compatriots in a dynamic and summarized manner. The content is generally selected based on the frequently asked questions we receive, but also on the materials produced by our partner organizations. These can be found on the consulate's website, social networks, and YouTube channel. With these actions, we reached approximately 7,834 Mexicans in 2021.

Various allies have joined us in sharing these posts through their social networks, including community organizations, financial institutions, banks, and Mexican federal government agencies, such as the National Commission for the Pension System. The consulate publishes the audiovisual materials and infographics shared by these partners to jointly guide our community on financial education issues in the U.S. and Mexico.

This has been achieved by constantly expanding the network of financial inclusion contacts in the South Florida counties through referrals from community organizations, Latin American consulates, Mexican consulates in other states, and local community leaders. The medium-term goal has been to provide the VAF's services permanently, both at our facilities and at each monthly mobile consulate.

In addition to these actions, we provide financial services dispensed by the Mexican government to the Mexican community abroad, such as programs for the acquisition of housing or options for opening accounts in Mexico, AFOREs, and social security. To this end, we participate in monthly training sessions provided by the Institute for Mexicans Abroad (IME) on current programs, their benefits for the community, and how to guide people towards them. This has been a challenge for our partners, as they have to navigate procedures in a country other than their own and learn processes that are new to them. Therefore, in our case, this orientation is often taken on by the team from the Community Affairs department. If the VAF representatives in Miami assist a Mexican citizen with questions about programs and procedures in Mexico, the consular staff provides the needed information at the consulate. If the cases are presented outside the premises, the interested person's contact data is taken, and their case is followed up. So far, this is a strategy that has worked for this consular representation, but there are plans to better integrate the representative of the VAF in Miami by training them on these issues.

Among other best practices, in 2021, the Consulate General of Mexico in Miami was chosen by the IME to participate in the second edition of the PCEME. The program lasted 3 months, during which

43 women entrepreneurs were trained in three stages (Dreambuilder, Mentoring, and Business Plan Competition) and concluded a business plan to start or improve their entrepreneurship projects. During the implementation of this program, we were able to get to know the stories of each of the participants, and a support network was created among them that continues to carry out joint activities to this day. Undoubtedly, being part of this initiative was a challenge for the consulate, since we had to find speakers, mentors, and advisors who could guide them free of charge throughout the process. This would not have been possible without the collaboration of community organizations focused on financial education, Mexican businesspeople, and chambers of commerce with which this consular representation has been working for some time.

One of the beneficiaries is a Mexican migrant who had not been able to access a job related to her studies due to her immigration status. This led her to start a dessert business to support her family. When she started the program, she did not have a name for her business and did not know where to start, so when she learned that this consular representation was conducting the PCEME she did not hesitate to enroll. By the end of the second edition, she commented that the program allowed her not only to find the tools, information, and advice she needed, but also to meet more people like her, who have a dream, are willing to help her forward, and from whom she can learn.

Future Strategy

At the Consulate General of Mexico in Miami, we are always looking to fulfill our commitment to go where the community is. Although we already have the permanent presence of our VAF partners at the consular premises one day per week, we want to be able to provide this service in all the mobile consulates. We are in constant conversations and always making new partnerships in order to have a wide network of contacts and at least one financial education partner in each mobile consulate. We already have partners in more than 70% of the counties in our constituency, and we have been able to reach every city in South Florida through workshops and informative video clips at least once a month. We also have printed instructive material that is distributed during our off-site activities.

As a way to reinforce this strategy, we provide financial education services through the consulate's phone line. Depending on the caller's needs, the consulate refers the caller to our VAF, to local partners, or to partners in Mexico who can help them with topics such as housing, savings funds, and remittances, among others. Likewise, we promote and sustain the Miami VAF hotline, which is available Monday through Friday and is managed by our local partner who provides personalized attention in Spanish.

In addition, we currently collaborate with a non-profit organization, Master Your Card, which offers financial education on personal finance and the use of credit and debit cards, among other topics. This organization has an interactive online platform that provides courses, workshops, talks, videos, and other material to guide the community in different financial topics through a computer. This platform is already operating and is being advertised by means of brochures, infographics, and videos shared on social networks so that our community can access it. The platform is totally free and in Spanish.[2] Likewise, this tool is being promoted in the monthly virtual workshops so that individuals and organizations can share it as an educational resource for the community.

The Consulate General of Mexico in Miami is constantly updating and communicating, both with the community and with its leaders, to learn first-hand about the educational and orientation needs of the Mexican community. In addition, we continue to use virtual tools to share reliable, trustworthy, and clear information on topics that we must know thoroughly in order to create a culture of financial education, which we often do not have before making decisions that may impact our wealth. We will continue working for the benefit of our community and on the topics they need to be aware of, which we identify on a daily basis in the attention we provide both at our premises and in the different community events we organize throughout the year.

[2] Visit the platform: https://www.masteryourcardusa.org/es/resource-center/

Impact, Challenges, and Opportunities of Implementing the VAF at the Consulate of Mexico in Fresno

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The "Ventanilla de Asesoría Financiera" (VAF) in Fresno has become the most successful community support program implemented by the consulate in the Central Valley of California. In recent years, the Consulate of Mexico in Fresno has recognized the VAF's innovative potential and has been monitoring the process of its adaptation to the local reality, especially in the aftermath of the COVID-19 pandemic.

The goal of Mexican consular diplomacy in the U.S. is to serve the needs of the diaspora and provide guidance to ensure the community's full insertion into the society of which it is partaking, with the assistance of both programs designed in Mexico and local resources. Since one of its pillars is the attention to the financial needs of Mexicans, this chapter's purpose is to share the consulate's experience in establishing a VAF and to improve the understanding of this program at the local level, while promoting some good practices that can serve as an example to other consulates in similar contexts.

We will begin by describing the profile of the population served by the Consulate of Mexico in Fresno, their financial needs, and the local socio-political context. Next, by detailing the process that led to the establishment of the VAF in the consulate, we will review the efforts deployed to consolidate the strategic alliances needed for its optimal operation. We will then describe the practices that have allowed to increase the program's scope, especially the establishment of direct communication channels with

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[1] The author held this position until November 2022. The opinions expressed in this chapter are the sole responsibility of the author and do not necessarily represent the official position of the Consulate of Mexico in Fresno.

the public. Last but not least, we will analyze the strategies and challenges that lie ahead, such as guaranteeing that the information reaches the community on a constant basis and including specialized attention to the indigenous communities residing in the Central Valley of California, in line with the Mexican government's priority.

Population Served in the Region and Their Financial Needs

The geographical area served by the Consulate of Mexico in Fresno represents more than 20% of the Californian territory and covers eight of the counties in the Central Valley or San Joaquin Valley: Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, and Tulare. According to the most recent census data, this area is home to 7.63% of California's population, or 3,017,096 of the state's 39,538,223 people. The percentage of inhabitants who identify as Latino varies by county, but the average is 48%, and—as shown in Table 1—in six of the counties mentioned, the population of Hispanic origin exceeds 50%.

The fact that people identify themselves as Hispanic or Latino speaks to their ethnicity but does not indicate anything about their nationality or where their forebears come from (their national origin). In other words, the 65.6% Hispanic population in Tulare County may include Mexicans, Salvadorans, Guatemalans, and people from other countries, but also Mexican Americans and those who identify as Chicano. There is no precise data on the nationality of the more than 3 million people living in the Central Valley. However, it is estimated that the vast majority of Latino residents in this region are of Mexican origin—probably 70.0% to 75.0%. According to these figures, we can deduce that the Consulate of Mexico in Fresno serves more than 2 million people.

Table 1: Population in the District of the Consulate of Mexico in Fresno by County

County	Population	Latino %
Fresno	1,008,654	53.8
Kern	909,235	54.6
Tulare	473,117	65.6
Merced	281,202	61.0
Madera	156,255	58.5
Kings	152,486	55.3
Inyo	19,016	23.4
Mariposa	17,131	12.1

Source: Elaborated by the author with data from the U.S. Census Bureau, n.d.

One of the characteristics of the Mexicans or of the population of Mexican origin in the region is that a significant number of these families settled here generations ago, and that many of its members work in jobs related to agribusiness. Their presence dates back to the temporary migration of farmers recruited by the Bracero program between 1942 and 1964, when hundreds of thousands of day laborers from different Mexican regions obtained temporary permits to work in the fields of southwestern U.S. These migrants replaced the significant number of local workers who were recruited to join the armed forces as a result of the U.S.' involvement in World War II. Over the years, many of these laborers decided to remain here—even after their permits expired—and were reunited with their families whenever it was possible to afford the cost of their travel from Mexico, most often undocumented. Decades later, thanks to the so-called "amnesty" granted in 1986 by the U.S. Government to millions of undocumented migrants with the Immigration Reform and Control Act, a significant part of the Mexican population regularized their situation to remain in the country. As a direct consequence, only a minority of Mexicans residing in the Central Valley are undocumented, including an unknown number of migrants who have arrived in recent years despite the significant increase in costs and risks involved in this type of migration.

The development of economic activity in the Central Valley stems from the varied crops grown in the area's large tracts of fertile land. According to the 2022 statistical assessment conducted by the California Department of Food and Agriculture (CDFA), five of the counties in the geographic area at hand are ranked among the top ten in agricultural production value in the state, with Kern leading the way (CDFA, 2022, p. 21). In the same vein, the California Water Science Center of the U.S. Geological Survey claims that the Central Valley supplies 8% of the nation's agricultural production, which is equivalent to one-quarter of the food consumed in the U.S., including 40% of the fruits, nuts, and other unprocessed or "table" foods (California Water Science Center, n.d.).

California stands second in U.S. floriculture—with 15.0% of wholesale value—and is responsible for two-thirds of the country's fruit and nut production. Nearly four million tons of grapes were pressed in 2021 in the California Wine Country, and from 2020 to 2021 livestock production increased by 7.8% in value, exceeding $12 billion dollars. On the other hand, California continued to lead in vegetable production, harvesting 62.0% of the country's crops in 2021, with a total value of

$7.47 billion dollars for fresh and processed vegetables (CDFA, 2022). As mentioned above, a significant portion of these crops grows in the fields of the Central Valley.

This important industry requires an enormous amount of labor force. In this regard, the economic boom of California's Central Valley is due to the millions of farmers, ranchers, farmhands, processors, shippers, distributors, and so many others who contribute to this industry on a daily basis. Local entrepreneurs have been able to maintain human capital in their production processes while adopting the technological innovations necessary to continue to expand their crops. Manual labor continues to be the industry's driving force, and a significant portion of that labor force is Mexican or of Mexican origin, many of whom are engaged in lower-skilled jobs.

Despite the agricultural abundance described in the previous paragraphs, the Central Valley of California remains one of the regions with the highest inequality and poverty rates in the U.S. Some of the factors that contribute to this situation are environmental degradation, economic dependence on commodity trade, low salaries, and the wage disparity that prevails in various sectors of the economy. Although there is a segment of the population which is not poor and maintains a decent socioeconomic level, the majority of Mexicans in the region have a low level of education and work in activities related to agribusiness, livestock, or the service sector. For many of them, poverty is a reality.

The financial concerns of Mexicans who have migrated to the Central Valley are diverse, but they all agree on the need for income for two purposes: to maintain an acceptable standard of living for their closest family, and to have additional resources to improve the living conditions of their relatives in Mexico. In this sense, the VAF in Fresno shares the goals of its counterparts in other consulates; its challenges revolve around the need to provide reliable financial education and information on recommendations, opportunities, programs, and services that people can rely on to facilitate the management of their resources and, thus, ensure their well-being and that of their families. However, given the characteristics of the population previously discussed, we may consider that, in many cases, the most recurrent topics are also the most basic: selecting appropriate bank accounts; savings, loan, and credit programs; safe money transfers to Mexico; contracting telephone, internet, or pay TV services; advice on tax obligations; support schemes to build housing, and all kinds of online transactions, among others.

More and more people are opting for the convenience of banking their money, thereby getting familiarized with the use of apps to carry out monetary transactions directly. However, a significant number of people need to increase their knowledge of banking services as well as of the virtual platforms available in order to make the best use of them and avoid falling victims of fraud. Moreover, the entrepreneurial sector has gained relevance in recent years and many have ventured to establish their own businesses, of different sizes, with the intention of expanding their development possibilities and increasing their income. As a result, the demand for comprehensive training in this area is gaining strength and the VAF has had to integrate these topics into its educational material.

The needs of personal or business finances require the existence of sound financial institutions. Among these, Community Development Financial Institutions are characterized by greater acceptance in the region. These institutions offer financial services specially designed for disadvantaged groups, minorities, and low-income populations, traditionally marginalized groups that must, in addition, face evident discrimination and distrust regarding the responsible handling of their finances—in a rural environment that lacks the means to offer conditions of stability and certainty. Thus, the VAF is the ideal space to provide guidance on access to financial services in the U.S. and Mexico, as well as information on learning, development, and inclusion opportunities for Mexicans in the region. Its initiatives seek to motivate the population to stop feeling intimidated by financial issues and to learn how to request the support they need at all times. In collaboration with multiple partners in the field, and with the guidance of the Institute for Mexicans Abroad (IME), the programs of the VAF seek to strengthen and protect the assets of Mexicans abroad.

Socio-Political Context, Challenges, and Opportunities in the Central Valley of California

An area with such a significant Latino population as California's Central Valley would presumably have a political preference for the liberal movement associated with the Democratic Party. But the reality of the political landscape here is different: this region has traditionally leaned toward the conservative principles of the Republican Party, as shown by the results of the 2022 election.

This time around, elections included all 52 seats for California in the House of Representatives and 1 for the federal Senate, all 80 district representatives in the State Assembly and half of the California Senate, as well as a dozen offices statewide, including the gubernatorial election. Overall, a review of the results demonstrates a clear preference for Democratic Party proposals (California Secretary of State, 2022a). Since the primary election in June 2022, the gubernatorial race was dominated by Democrat candidate Gavin Newsom, who was seeking re-election. Newsom prevailed in the general election held in November of the same year, receiving 59.2% of the vote, as opposed to Republican Brian Dahle's 40.8% (California Secretary of State, 2022b).

However, if we pay attention to the behavior of the electorate in the central region of the state, the situation changes. Of the 80 districts contested to make up the State Assembly, for example, 8 correspond to the Mexican Consulate district in Fresno. As shown in Table 2, results during the primary election favored the Republican Party, whose candidates won in five districts. The counties with Democratic representatives to the State Assembly are Fresno, Kern, Madera, and Merced.

Table 2: Primary Election Results for California State Assembly, 2022

District	Represented counties	Republican	Democrat
8	Fresno, Inyo, Madera, Mariposa	X	
22	Merced	X	
27	Fresno, Madera, Merced		X
31	Fresno		X
32	Kern, Tulare	X	
33	Fresno, Kings, Tulare	X	
34	Kern	X	
35	Kern		X

Source: Elaborated by the author with data from the California Secretary of State, 2022c.

In the case of the California Senate, elections were held in only half of the districts (those with even numbering), four in this consular district. Only one of the districts would be part of the Republican minority in the state, as shown in Table 3.

The growing political participation of the Latino community (a large part of which is Mexican) and its predilection for the Democratic Party's project for the development of California and the well-being of individuals reflect the changes that have taken place over the last 10 years in the social composition of the region. However, the dominant socioeconomic class—made up of important businessmen of several agribusiness sectors—has Republican preferences and wields such significant economic power that it has the capacity to influence the political course of the most relevant events. Even so, Republican employers must make concessions to the primarily Democrat Latino working class because of the importance of their labor force. This is precisely the group to which the bulk of the public served by the VAF in Fresno belongs, an economic class closely tied to farming and ranching, with low incomes and limited possibilities for social mobility.

Table 3: Primary Elections Results for the California State Senate

District	Represented counties	Republican	Democrat
4	Inyo, Madera, Mariposa, Merced		X
12	Fresno, Kern, Tulare	X	
14	Fresno, Madera, Merced, Tulare		X
16	Fresno, Kern, Kings, Tulare		X

Source: Elaborated by the author with data from the California Secretary of State, 2022d.

Today, even if the Mexican population continues to search for its place in the region's social body, it is undoubtedly an active part of all sectors of social, political, and economic life in the valley. However, it is not uncommon to hear community members telling there have been occasions when they have felt discriminated against by the Anglo minority. Unfortunately, negative views on ethnic and racial differences persist, and some groups are reluctant to openly acknowledge the value of diversity in the local social composition and to admit that much of the region's economic progress is due to the tireless work of millions of migrant workers. At the same time, these circumstances have led the Latino civil society, headed by Mexican leaders, to organize constantly in order to have a greater influence on the future of their community.

There are a significant number of initiatives aimed at favoring the financial inclusion of migrants and raising awareness of the opportunities conveyed by the correct use of available local resources. Community organizations are true support networks that provide reliable advice on how to navigate the financial system.

Recent years have been characterized by the establishment of multiple organizations whose mission is to encourage individuals to start a business and to stimulate small entrepreneurs to expand their business activities. Their purpose is to go forward in the elimination of language barriers which hinder the establishment of new businesses, to offer sources of financing that provide the needed capital to start or expand projects, and to provide support during the process of opening a business. Even though they are independent organizations, the VAF has the quality of being an attractive project that fosters collaboration between the private sector and state and local government agencies to ensure that people learn the competencies and skills needed to manage their resources and protect their assets.

Establishment of the VAF, Development of Local Partnerships, and Efforts to Address the Financial Needs of the Community

The VAF model started in 2014 and its success opened the possibility of gradually replicating the strategy in other consulates. In 2017, the Mexican government adopted financial inclusion and education of the migrant population as a public policy, with the aim of favoring the strengthening of the assets of Mexicans abroad. Until then, attention to the economy of migrant families had been limited to disseminating information about services available in different financial institutions. Most consulates had specific collaboration agreements with entities such as banks, financial companies, and credit unions to promote their services among the frequent visitors to their facilities. However, these entities' work lacked uniformity and was not perceived as a comprehensive strategy of coordinated actions in favor of financial education and counseling that would address other needs of the population.

In the case of the Consulate of Mexico in Fresno, this initiative was adopted in the spring of 2019, when the first steps were taken to establish a single central alliance to address the financial needs of the community and offer the resources of a VAF. In May of that year, the first agreement was formalized to begin distributing resource information to the community in the Central Valley through the VAF. The selected organization, the Education & Leadership Foundation, is linked to the local state university and its mission is to provide support to undocumented students to facilitate their full insertion into the school environment, including the promotion of a vast array of financial aid programs. Despite the willingness to collaborate, it soon became clear that providing information to students and their families about scholarships and credit to cover the cost of their education was important, but the VAF's vision had to be broadened and should address the needs of all sectors of the population. Unfortunately, the person in charge of the project at the foundation decided to quit their position and, after several attempts, we were unable to find a suitable replacement to meet the VAF's requirements. For this reason, the organization explained that they were unable to keep the VAF's leadership and decided to terminate the collaboration.

Despite the adjustments required by this situation, the intention was to resume the activities of the VAF as soon as possible—even without a specific partner to spearhead its work—in order to ensure that the financial inclusion and counseling needs of the Mexican community in the Central Valley would be met. Even if the implementation of the VAF needed to be postponed until the following year, four organizations were selected in October 2019 to develop a program of financial education that would reflect the interests of the Mexican population in the region. With the support of an insurance agency, a tax agency, a women's business center, and a credit union, in-person informational workshops were held in the consulate waiting room and at the facilities of said partners in the cities of Fresno, Bakersfield, Ridgecrest, and Arvin. The sessions covered topics such as insurance and investments, mortgages, small business entrepreneurship, small business provisions in the face of natural disasters, marketing, and personal finance recommendations. This first step towards establishing the VAF in Fresno was only carried out in the last 2 months of 2019, but it laid the path for the implementation of the program in the following year.

While these activities were being developed through direct collaborations with partner organizations, several events reinforced the ties with the Fresno Area Hispanic Foundation (FAHF), a non-profit organization founded in 2001 with the purpose of supporting the establishment and expansion of the Latino business community in this central region of California. The foundation's mission is to promote business education—with technical assistance, access to capital, and support for initiatives—in order to foster sustainable levels of economic development to empower the Hispanic community by expanding economic opportunities and creating jobs.

Up to this point, it had not been possible to find an organization that was fully committed to assisting the consulate in coordinating the work of the VAF. However, the FAHF began to show interest in the project since it would give it more access to the Mexican segment of the business community and allow it to continue its expansion. Negotiations began in order to explore the possibility of the FAHF taking the lead in the operation of the service desk.

The foundation's board acknowledged the challenge of dealing with issues related to individual finances and family economy, as these were outside their area of expertise. After careful consideration of the opportunities that the project represented, however, they stated that the foundation would be fully prepared to spearhead the work of the group of agencies, institutions, and organizations with which the consulate was collaborating to promote financial education in our community. Their work would consist of coordinating initiatives to provide financial training and guidance and, thus, to promote the financial inclusion of the Mexican community in the counties under the consulate's responsibility.

Taking into account these considerations, both parties agreed to formalize the alliance that would allow them to work together in the operation of the VAF. The signing ceremony of the corresponding Memorandum of Understanding took place in February 2020, in the framework of "Negociantes Unidos," the monthly meeting of the FAHF with Latino entrepreneurs in Fresno. The initiative was welcomed by the members of the foundation, and they immediately offered to join the collaboration and proposed specific projects in favor of entrepreneurship and small businesses.

Unfortunately, a few weeks later, the restrictions enacted in the state of California to deal with the COVID-19 pandemic were put in place. The planned in-person activities had to be postponed immediately and the VAF was forced to carry out all of its information dissemination work using online media, particularly the Facebook profiles of the consulate and the foundation and their respective virtual meeting rooms on Zoom. With the intention of increasing the number of people benefiting from the financial advisory programs, the public was divided in two, depending on the segment to which they belonged: the consulate's social media would offer informative workshops on personal finance topics and those of the foundation on topics of interest to small businesses. This allowed to benefit the followers of each segment separately.

Twenty-six informative sessions were held and broadcasted on the consulate's social media between April and December 2020 on topics such as banking, retirement savings and financial planning, mortgage loans, housing, tax returns, consumer protection, and others. The foundation offered the same number of training sessions to closed groups of entrepreneurs in the same period, on marketing, online business, computer tools for business administration, tax assistance, recommendations to facilitate working from home, and financial inclusion for women entrepreneurs with the Womanpreneur and Latinapreneur programs. Some highlights worthy of mention are the foundation's work to promote the development of skills with entrepreneurs in rural areas and the large number of technical assistance sessions it provided to businesses on issues such as obtaining operating permits, business development and expansion, credit applications, and government subsidies available to face the pandemic's implications.

During 2020, partnerships with government and community assistance agencies played an important role to promote economic support programs for individuals and businesses in the context of the COVID-19 health emergency. Mexican families received accurate information regarding the circumstances under which the Internal Revenue Service would allocate the financial supports called Economic Impact Payments. With the necessary guidance, they understood that this tax support benefited individuals who were up to date with their tax obligations, regardless of their immigration status. For their part, the FAHF, the local Small Business Administration office, and Small Business University, a program of the California State University in Fresno, collaborated with the VAF to offer several sessions explaining the "PPP and EIDL programs" to the public. These acronyms are now common knowledge in the business sector to refer to grants available to small businesses across the country: Paycheck Protection Program (PPP) and Economic Injury Disaster Loans (EIDL).

Through strategic collaborations with entities specialized in each of the aforementioned aspects, the VAF was able to offer guidance to a large number of people, even under the difficult circumstances imposed by the health emergency. According to information recorded on the Facebook accounts of the consulate and the FAHF, more than 15,000 people read the infographics presented during the year and close to 1,000 people participated in any of the training workshops mentioned above.

At the end of 2020, a conscious evaluation was made of the FAHF's work at the helm of the VAF; the many successes for which it was responsible were recognized and new opportunities that would arise in the near future were imagined. Along with the good results achieved during the year, it was unavoidable to consider the implications of the presumed end of the sanitary emergency or, at least, the reduction of the restrictions to which the consulate's operation had been adjusted. With the looming greater freedom to conduct in-person activities, it would be necessary to bring about a change in the VAF's customer service strategy and activities program. Reflections emerged on the relevance of having a regular presence in the consulate—as contemplated in the Memorandum of Understanding signed for its establishment—and the availability of the foundation in this new context, despite its great willingness to participate.

On the other hand, the characteristics of the bulk of the population served by the consulate in Fresno were described in previous paragraphs: with due exceptions, of the people who visit the consulate's facilities on a daily basis, more people are interested in discussing the most efficient programs for sending remittances to Mexico than in establishing their own business in California. From that perspective, the supply of resources that the VAF would now provide in its day-to-day operation would rather depend on other organizations and institutions than on the main partner in the project. Certainly, the FAHF could take part in organizing a schedule of visits by other partners to the waiting room, but with the easing of restrictions on face-to-face meetings, the natural increase in its other commitments would reduce its presence and could be detrimental to the activities of the service desk. Against this backdrop, the difficult decision was made to replace the foundation as the lead agency in the operation of this strategy, although it continues to be one of the main partners in entrepreneurship and small business counseling.

In undertaking a new search for the right partner to continue the development of the VAF in Fresno, two valuable lessons were learned from previous experiences. First, it was preferable to have another organization lead the program, rather than having it be the responsibility of the consulate, as this would allow the network of financial partners to expand at a more efficient pace and thus cover a greater number of financial issues. Moreover, it would be imperative to grant leadership of the strategy to an organization with which the majority of the Mexican community in the Central Valley could identify. Despite the great potential offered by partnering with local organizations and taking into consideration the need to provide long-term stability to the strategy, it was decided to offer the VAF's leadership to the Saber es Poder corporation.

Since 2008, Saber es Poder has operated a multimedia platform that provides support to the Hispanic migrant community in the U.S. to facilitate their settlement in the country. This is achieved through the dissemination of educational material that offers practical solutions to Latino consumers, allowing them to become active participants in the U.S. social dynamics. With offices based in Los Angeles and San Antonio, Saber es Poder has an extensive network of collaborators that allows it to serve more than seven million consumers each year. It also has a long-standing and important alliance with the IME.

Saber es Poder has memoranda of understanding with all Mexican consulates in the U.S. Its extensive work in favor of the empowerment of the Spanish-speaking community has allowed it to position itself as a mandatory point of reference to provide answers to many of the most common questions regarding health, financial inclusion, educational opportunities and immigration.[2] In the case of Fresno, that collaborative agreement has existed since 2014, and the possibility of engaging in a relationship specifically for the promotion of financial integration and inclusion seemed a natural, though so far inadvertently overlooked step.

The proposal to lead the work of the VAF was received with surprise at Saber es Poder. It was the first time that a consulate approached them with the option of establishing a collaboration agreement on a specific subject, and the organization was not fully certain of what this would mean in terms of the continuity of their work with other consulates. Once they had carefully pondered and researched to ensure that this new engagement would not violate their existing agreement with the IME, Saber es Poder agreed to become the lead agency for the VAF at the Consulate of Mexico in Fresno. The Memorandum of Understanding that gave life to this partnership was signed in December 2020 to begin operations in January 2021, and is indefinite in nature, meaning that it will come to an end at any time either party so decides.

Local Strategy and Best Practices

The collaboration with Saber es Poder for the development of the VAF strategy in Fresno has been a great success, and repeatedly confirms that working with this corporation has been an excellent choice. The annual work program proposed by the corporation is designed in accordance with the U.S. financial calendar (e.g. tax season) and with the activities

[2] For more information, visit Saber es Poder's webpage: www.saberespoder.com

organized for the diaspora by the IME,[3] the National Migration Institute,[4] and the General Directorate of Protection and Strategic Planning.[5] Based on the results of the previous cycle, a new calendar of activities is presented each year, always paying attention to the inclusion of topics such as banking, credit, savings, mortgages, and entrepreneurship, among others.

In addition to the regular support provided to the Department of Community Affairs to implement the programs presented by the IME, Saber es Poder has made valuable and innovative contributions to improve the day-to-day attention to Mexicans. The most outstanding effort has been the establishment of direct communication channels with the public, which has allowed to considerably increase the number of people benefiting from the information provided.

We are undoubtedly in an era in which electronic and remote communication is essential and unavoidable. In terms of adapting to the rules of social coexistence, the changes in the traditional models of customer service forced by the COVID-19 pandemic only accelerated this trend. When it became necessary to ask the staff of the "Ventanillas Comunitarias" to refrain from having a regular presence in the consulate waiting room, in the case of the VAF their dissemination efforts were given continuity through online informative workshops in a strategy called "#ConsejosFinancieroslosjueves." The workshops were an immediate success and the hashtag began to be used in all publications on the consulate's social media, mainly on Facebook. In addition, an important communication strategy was launched through the publication of infographics explaining various topics and procedures regarding relevant aspects of financial education.

In the case of the informative workshops, the challenge was to learn how to use the platform to operate this initiative and to steer the activities as to encourage the participation of community members. This would ensure compliance with the goals of the community service strategy in terms of providing answers to the needs of financial service users and being a reliable channel for the dissemination of information. Eventually, and

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3 The Financial Education Week for Mexicans Abroad in April and the National Financial Education Week in October, as well as the Binational Health Week in October and the Binational Education Week in August, among others.

4 Summer and year-end operations of the "Programa Héroe Paisano" to facilitate family visits to Mexico during holiday seasons.

5 Labor Rights Week at the end of August.

due to some incidents caused by the interference of people intending to disrupt the events, it was necessary to adjust the strategy. It was therefore decided that the workshops would be held in closed virtual rooms, with simultaneous live broadcasting through the consulate's social media.

Due to the restriction to in-person interactions with the public, the consulate promoted the creation of exclusive email inboxes that would be directly managed by the representatives of each service desk. This would be a way for consular services' users to receive individual support, similar to the conversations they would have had with people at the information desks of third-party agencies that visited the consulate in normal times. In this way, they could receive personalized attention via e-mails and be provided guidance to navigate the educational, health, and financial resources available.

The following months proved the efficiency of providing more direct attention to the community, even without the possibility of resuming in-person activities. In this context, the VAF representative made a very innovative proposal: to set up an exclusive phone line to attend to people's concerns regarding financial education and family economy. This was made possible by using the Google Voice service, a free feature which allows the creation of a U.S. phone line linked to an existing Gmail account. This service must be connected to a real cell phone and allows to make and receive calls, text messages, and voice mails at no cost. The VAF hotline operates Monday through Friday, 8 a.m. to 4 p.m., and receives an average of thirty calls or messages per week. The measure is a success, and has enabled the VAF to have closer exchanges with the people it serves.

The VAF's counseling through electronic channels is of great value and reflects a real need for support in our society. However, the Mexican community visiting the consulate remains very traditional and expects to have face-to-face encounters when they are at its facilities. Prior to 2020, four or five organizations allied to the "Ventanillas Comunitarias" programs used to be present in the waiting room every day. With the temporary closure of the office in March of that year due to the COVID-19 pandemic, visits from all agencies were suspended. It took a little over a year before they were allowed access again, and now, in an effort to avoid crowds, each service is assigned a day of the week to come to the consulate and invite two or three organizations related to their area to set up information tables during service hours. The VAF is present on Thursdays and is very consistent in inviting other agencies to provide services and resources.

Saber es Poder has a policy of keeping a detailed record of the people served by its representatives, including contact details whenever consented. This database is used to share additional information via text messages on general topics of interest to the community in the areas of health, finance, education, use of technology, and legal issues. In the case of Fresno, this contact data is also used to share additional information on specific topics with those requesting support and counseling in financial matters via phone calls, text messages, or email.

The VAF's recommendations to the Mexican community in California's Central Valley are benefiting more and more people. Unfortunately, it is difficult to make a substantive comparative exercise due to the constant modifications in the strategy in its only 3 years of operation: first, the change of the lead agency; then, the adjustments to adapt to the restrictions of the pandemic, and now, the resumption of in-person activities with the new communication tools. According to Saber es Poder, from having no record of any person benefiting from direct counseling in 2021 due to their absence from the consulate waiting room, the VAF information desk provided counseling to more than 6,000 people in 2022. Similarly, from recording only five calls to the counseling hotline and ten emails in 2021, the following year averaged thirty calls and ninety emails per month, thanks to the recurring advertisement of those means of contact. In contrast, the virtual workshops were attended by more than 12,000 people in 2021 when they were held weekly, but only 10,500 or so the following year, when their periodicity was reduced to every third week.

Strategies and Challenges Ahead

Within the framework of the International Decade of Indigenous Languages 2022-2032 organized by the United Nations Educational, Scientific, and Cultural Organization, the consulate has, among its priorities, an important commitment regarding the inclusion of providing aid to the indigenous communities residing in the Central Valley of California. The establishment of the "Ventanilla de Atención Integral a Pueblos Originarios e Indígenas de México en el Exterior" (VAIPOIME) in August 2022 provides an opportunity to assist this segment of the population in their distinct needs as migrants. With the invaluable support of Saber es Poder, the specific program for the inclusion of VAF initiatives in the VAIPOIME is based on addressing the problems that this segment of the population tends to face as a result of the lack of access to services derived from their monolingualism and the vulnerability caused by the low wages they perceive in the agricultural activities in which they usually work. As with any consular initiative, it will be of great value to provide comprehensive attention to the indigenous community. One important aspect is the dissemination of material in native languages to allow them to benefit from consular resources, including the support that the VAF can provide to facilitate access to financial services.

In its initial stage, the VAIPOIME offers informative workshops to explain the advantages of bancarization[6] and the benefits of using smartphone apps to carry out transactions remotely. Training sessions have also begun to motivate members of indigenous communities to explore other segments of the economy besides crop work. The idea is to provide options that are likely to generate better opportunities for families. For example, starting small businesses for the commercialization of their handicrafts or the creation of innovative products with their textile or service gastronomic techniques, as well as offering guidance on the use of social media as a marketing tool to promote products.

The VAF's specialized advisory can provide opportunities for indigenous communities to become financially integrated into society. This way, they will meet the purpose of their migration to the U.S., that is, to achieve the "American Dream" of prosperity and provide their families with a better future.

The VAF in Fresno has operated under the leadership of Saber es Poder since January 2021. It is certainly the most successful community support program the consulate has implemented to fulfill its mission of accompanying the Mexican community in California's Central Valley.

Conclusion

The preceding paragraphs present practical elements that demonstrate the potential of consular diplomacy, aspects that are just beginning to be explored and go far beyond the defense of migrants' rights. The community service desks' format that provides support to the population has been a success, and the constant evolution of the target public will dictate the adaptations to be undertaken. This was the case with the consequences of the COVID-19 pandemic and the adaptation needed to offer services

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[6] Understood as facilitating access to banking services, especially for lower-income populations who do not usually benefit from them.

remotely. Similarly, demand for services is expected to increase as information about financial resources becomes more widely available. We have also identified an increasing interest to receive assistance to carry out procedures and payments for services in Mexico from abroad, for which the active participation of the corresponding Mexican entities is required. The main challenge will be to ensure that information reaches the community on an ongoing basis.

The strategic partnership with such a prestigious community organization as Saber es Poder has given great results for the VAF in Fresno, and the collaborative arrangement is expected to continue. The positive outcome has allowed the IME and other consulates to pay more attention to the development of financial inclusion activities in Fresno, and this led Saber es Poder to accept the invitation of three other consulates to lead the work of their VAFs: Las Vegas, Phoenix, and San Diego. The development of these programs should take into account that the profile of Mexican migrant communities is different in each region of the country. The predominant productive sector in which they work could be different, and they could come from other states of Mexico, but as long as the services provided to the population take their specific characteristics into account, the strategy to serve the financial needs of Mexicans in the U.S. will be strengthened and will continue to respond to the community's demands.

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Ventanillas de Asesoría Financiera: Evaluation and Proposals

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Discrimination against Mexican migrants in the U.S. is demonstrated by their low-paying jobs, poor housing conditions, and limited access to information and basic services (Délano, 2020). Financial education and inclusion have the potential to improve the quality of life of migrants and their families by facilitating access to adequate savings, credit, investment, remittances, and other services. The Ventanillas de Asesoría Financiera (VAFs) are the main mechanism implemented by the Mexican federal government to address these needs through its extensive consular network in the U.S., made up of 51 consulates throughout the country.

In order to contribute to the improvement of these service desks, this chapter analyzes VAFs based on their budget and results and suggests that their implementation has not been optimal or systematic. We therefore propose to consolidate VAFs by applying four recommendations intended for the Secretariat of Finance and Public Credit (SHCP) and the Secretariat of Foreign Affairs (SRE): *1)* guarantee ongoing funding by replicating the Ventanillas de Salud (VDSs) system; *2)* create a technical advisory council to plan, strengthen, and evaluate VAFs; *3)* develop a data collection system to identify the community's financial needs and evaluate the impact of the program, and *4)* establish a comprehensive implementation framework that systematizes VAFs' operation in all participating consulates.

The chapter starts by presenting the VAFs' background and implementation model. It then evaluates their budget and impact based on available data and expands on the policy recommendations. It highlights that the program is limited by the lack of financial services to address the binational needs of migrants and their families, as well as by the reduced human resources of the Institute for Mexicans Abroad (IME) and the Mexican consular network in the U.S. The chapter's conclusions are summarized in the last section.

Background on the Ventanillas de Asesoría Financiera[1]

VAFs emerged as part of a novel form of consular diplomacy centered on navigating local systems to provide the services that make up the "consular tripod": documentation, protection, and community development. The latter, headed by SRE's IME, addresses the community's main demands in health, education, and financial inclusion to mitigate its needs for protection. Consular financial inclusion efforts began in 2006 through agreements with banks, financial companies, and credit unions to disseminate information about their services within the consulates. In 2012, financial inclusion programs began in a more systematic and permanent way, replicating the VDSs model.[2]

VAFs are service desks at the consulates where one or more non-profit organizations provide free bilingual advice, information, and workshops on the local and regional financial system and services. Consulates partner with a non-profit organization specialized in financial education and inclusion by signing a Memorandum of Understanding (MOU). They provide the VAF's space at the consulate and seed funding. Meanwhile, the partner organization agrees to provide free financial advice, find additional resources, and report outcomes. The program's main information material is the "Más vale estar preparado" guide (Condusef & IME, 2022), a newsletter that promotes financial public programs and services of interest to the migrant community and gives advice to protect their assets (see Table 1).

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[1] For more information on the origin and operation model of VAFs, please refer to chapter 10 by Juan Carlos Mendoza Sánchez, pp. 183-203.

[2] This model started in 2003 and involves the implementation of permanent spaces within the consulates to provide information, advice, and low-cost basic services, as well as a yearly Binational Health Week. For more information visit https://ime.gob.mx/salud/articulo/ventanillas-de-salud (last consulted on December 20, 2022).

VAFs also collaborate in initiatives with greater outreach and community penetration such as the Financial Education Week, community fairs, and mobile consulates.

Table 1: Content of the "Más vale estar preparado" guide, 2022	
Section 1 "Life plan"	Banco del Bienestar account opening, savings protection, investments, retirement planning, entrepreneurship.
Section 2 "Sending money"	Options and practical tips to send money quickly and safely.
Section 3 "Protection"	Risks, practical advice, and consular services available in case of conflict with U.S. authorities, such as immigration detention.

Source: Elaborated by the authors with information from the Condusef & IME.

Consulates that do not sign a MOU with a partner organization may apply for funding with the IME to operate the service desk directly or conduct scheduled financial inclusion activities outside the consular headquarters in collaboration with local organizations. These tend to be consulates with low day-to-day foot traffic, such as the consulate in Presidio and the consular section in Washington, D.C.

In 2012, the first Financial Education Week was held in 24 consulates in the U.S. in collaboration with Mexico's National Commission for the Protection and Defense of Users of Financial Services (Condusef). Additionally, the first survey on retirement savings was conducted with Hispanic Wealth. This background, the results of the Immigrant Financial Services Study (NYC OFE, 2013), and the initiative and funding from Citi Community Development prompted the opening of the first VAF in the Consulate General of Mexico in New York in 2014. Two years later, in 2016, VAFs started operating in the consulates of Los Angeles, Chicago, and Dallas. Three criteria explain these locations: the size of the local Mexican community, the availability of non-profit organizations specialized in providing financial education services to migrants, and the interest of local authorities in supporting these efforts. As explained by Bob Annibale, founder of Citi Inclusive Finance, Citi's initiative was crucial for the creation of VAFs given the lack of public investment in financial inclusion programs for Mexicans abroad.

By 2017, 42 VAFs were operating: 34 funded by the "Fortalecimiento para la Atención de Mexicanos en Estados Unidos" (FAMEU) strategy[3] and eight funded by Citi Community Development. In 2018, 39 VAFs operated with seed funding from the "Mandato para el Fortalecimiento de la Atención de Mexicanos en Estados Unidos" mandate (MAFAMEU). As of 2019, the program has been financed with the IME's budget, considera-

[3] To counter the anti-immigrant discourse and policies of the Donald Trump administration, the Mexican government allocated $51 million pesos in extraordinary funding.

bly reducing the allocated amounts. According to information provided by the IME, in 2022 the consular network in the U.S. had 47 VAFs, of which 29 were operated by local expert organizations.

During the first quarter of 2021, the advice provided in consulates was about: taxes (provided in 49 of 51 consulates), banking (44 consulates), housing (42), savings (42), credit (40), entrepreneurship (37), remittances (29), and investment (27). Other services included advice on productive projects (22 consulates), land ownership (17), saving for retirement in Mexico through Retirement Funds Administrators (AFOREs) (3), and budget programming (1) (IME, 2021).

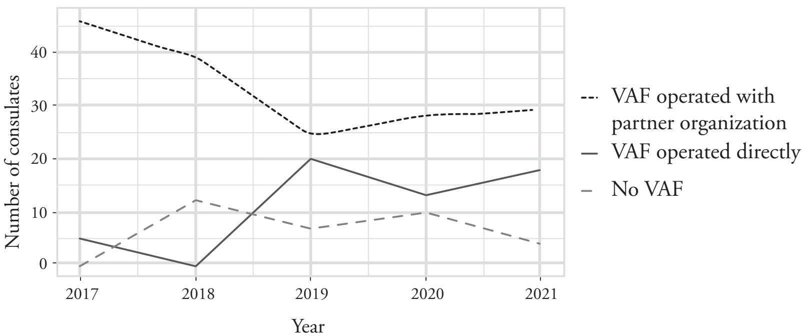
Evaluation of the Ventanillas de Asesoría Financiera

Initially, the intention of this section was to assess whether VAFs have impacted the use of financial services by the Mexican community in the U.S., as measured by the financial inclusion indicators available in the supplement to the Current Population Survey on unbanked and underbanked households. However, given that the systematization of VAFs is recent and data availability varies significantly,[4] regression analysis with statistical robustness is difficult. Therefore, the evaluation presented in this chapter will be based on an exploratory analysis focused on identifying trends and establishing possible hypotheses for future studies.

The data suggest that budget reductions between 2017 and 2020 caused a decrease in both the number of VAFs operated by a partner organization through the signing of a MOU and the number of people benefiting from the program. Charts 1 and 2 show a positive—albeit disproportionate—relationship between the program budget, the number of consulates operating a VAF in collaboration with a partner organization, and the number of people benefiting from the program between 2017 and 2020.

[4] For this analysis, we asked to access IME's information through the National Transparency Platform (PNT). Specifically, in July 2021, we requested the available historical numbers of the VAFs' results and budget disaggregated at least by consulate and by year. In response, we obtained: VAFs' allocated and exercised funding per consulate and by year between 2017 and 2020; the list of partner organizations with which a MOU was signed between 2017 and 2020; the list of services available per consulate without specifying their temporality; the number of people benefited and of the activities implemented per consulate in 2017 and 2018, and the number of partner organizations, people benefited by gender, people reached in media activities, and number of activities implemented by VAFs in 2019 and 2020, information that was not disaggregated by consulate. In July 2022, information was obtained, through personal communication, for 2021 on the people benefited, funding allocated, and frequency of participation in mobile consulates per consulate.

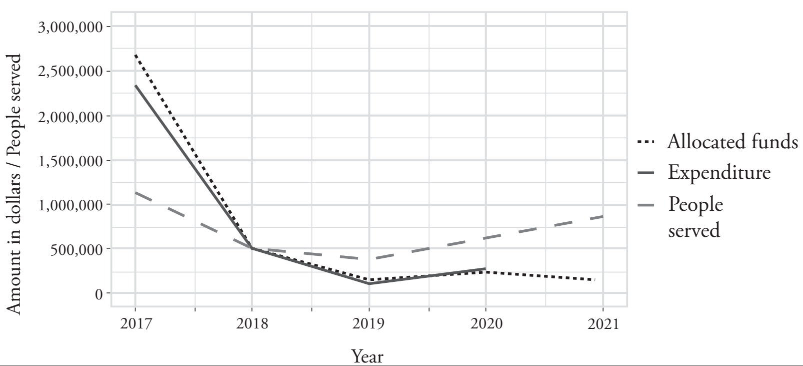
Chart 1: Number of Consulates in the U.S. with VAFs, 2017-2021



Source: Elaborated by the authors with data from the IME.

However, in 2021, the numbers of active VAFs and beneficiaries increased, despite a decrease in the amount allocated to the program, from $251,500 dollars in 2020 to $143,400 dollars in 2021 (-43%). Compared to 2020, in 2021 there was one additional VAF operated by a partner organization, five operated directly, and 226,944 additional beneficiaries, for a total of 868,757 people served.

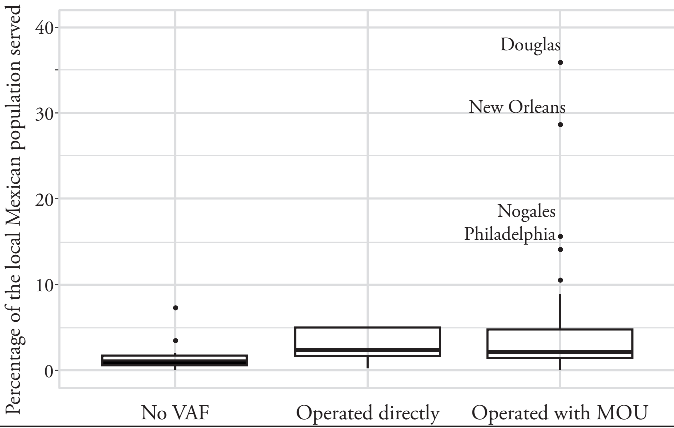
Chart 2: VAFs' Budget and Results, 2017-2021



Note: People served between 2019 and 2021 includes media outreach.
Source: Elaborated by the authors with data from the IME.

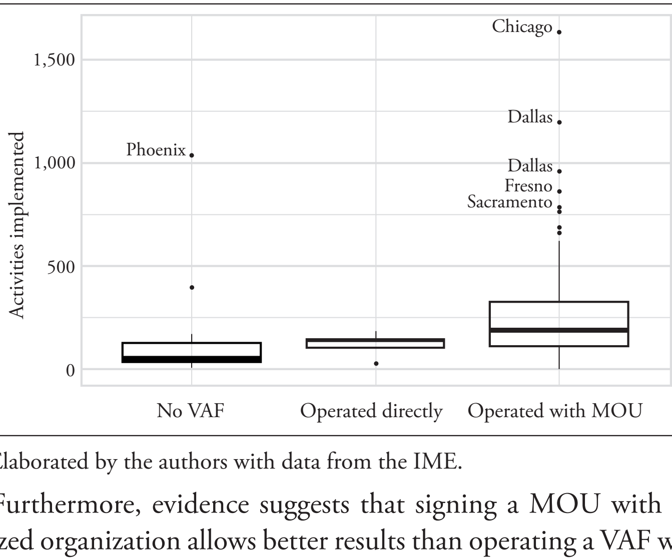
Chart 2 shows a budget surplus in 2017—i.e., the amount allocated exceeded expenditures—and a recovery between 2018 and 2021 in the number of people reached despite a reduced budget. It highlights that the program has failed to replicate the impact achieved in 2017, when seed funding was of more than $2.6 million dollars and VAFs assisted more than 1.1 million people, despite a boost in online activities since the COVID-19 pandemic (generally considered high-reach). The chart therefore suggests that a budget increase would expand the reach of the program, although the high amount allocated in 2017 must not necessarily be replicated.

Chart 3: Distribution of the Percentage of the Local Mexican Population Served by Consulate and by VAF Status, 2017-2018



Source: Elaborated by the authors with data from the IME.

Chart 4: Distribution of the Number of Activities Implemented by Consulate and by VAF Status, 2017-2018

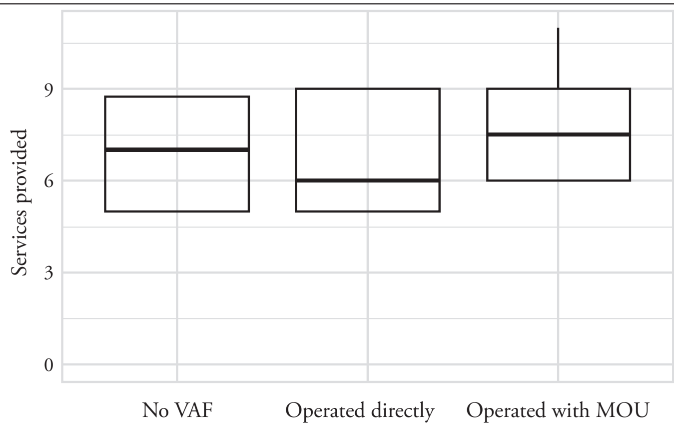


Source: Elaborated by the authors with data from the IME.

Furthermore, evidence suggests that signing a MOU with a local specialized organization allows better results than operating a VAF without a partner organization or having no VAF at all and conducting scheduled financial inclusion activities. This applies to the three available indicators on program outcomes by consulate: percentage of the local Mexican population served, number of activities implemented, and number of services provided by the VAF (see charts 3-5).[5]

It is observed that consulates show better results when they have a directly operated VAF than when they do not have a VAF, in terms of the percentage of people served and the number of activities implemented. However, the advantage of directly operating a VAF is debatable in terms of the diversity of services provided. Chart 5 shows that the average number of services is higher in consulates without a VAF than in consulates with a directly operated VAF. Still, this could be due to the specific characteristics of consular districts, as it is possible that those consulates that carry out financial advice activities without a VAF may have a greater availability of specialized partner organizations than those that choose to operate without a partner organization.

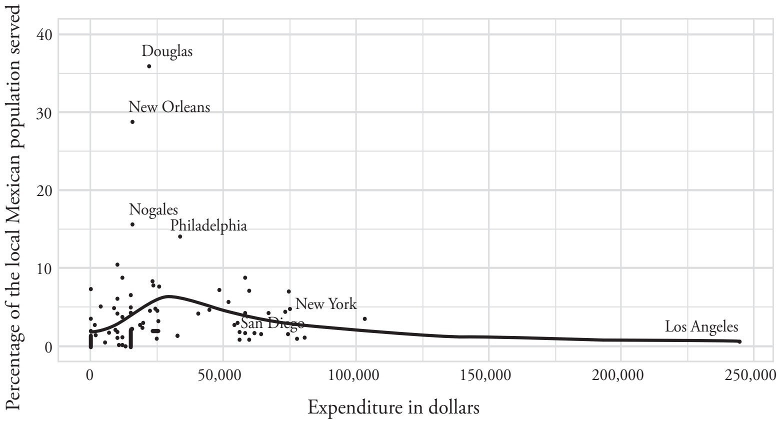
Chart 5: Distribution of the Number of Services Provided by Consulate and by VAF Status, 2020



Note: The data obtained do not specify the year to which this information corresponds, so it is assumed that it corresponds to the most recent year reported (2020).
Source: Elaborated by the authors with data from the IME.

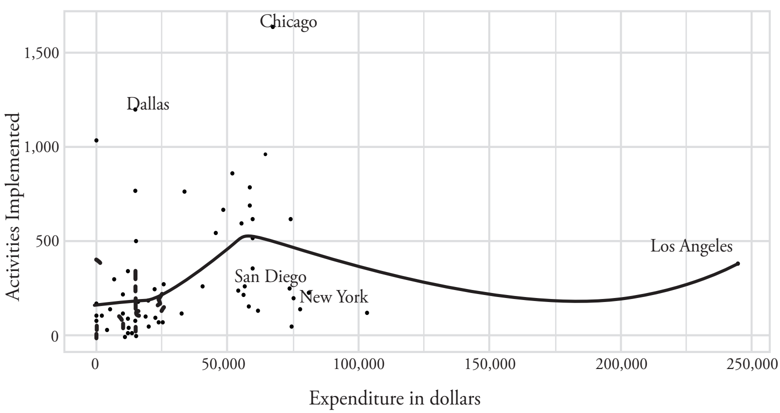
[5] The seventeen reported service topics are retirement savings in Mexico through AFOREs, savings, banking, credit, entrepreneurship, immigrant family funds, taxes, pandemic-related resources, investment, Individual Taxpayer Identification Number (ITIN), pensions and account management in Mexico, budget planning, land ownership, productive projects, remittances, insurance, and home buying.

Chart 6: Percentage of the Local Mexican Population Served and Expenditure on VAFs by Consulate, 2017-2018



Source: Elaborated by the authors with data from the IME.

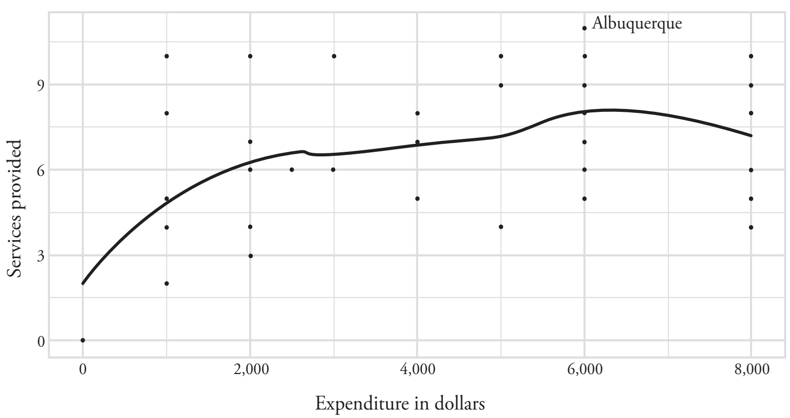
Chart 7: Activities Implemented and Expenditure on VAFs by Consulate, 2017-2018



Source: Elaborated by the authors with data from the IME.

Charts 6 and 7 suggest that greater spending in VAFs per consulate yields better results in terms of the percentage of the local Mexican population served and the number of activities implemented given an expenditure of under $50,000 dollars per consulate. Likewise, Chart 8 suggests a positive correlation between VAF expenditures and the diversity of issues available in their activities. The maximum amount allocated per consulate was $20,000 dollars in 2018, $3,600 dollars in 2019, $8,000 dollars in 2020, and $6,000 dollars in 2021. While we suggest that the specific amount per consulate should continue to be determined based on the operational guidelines of the program (i.e., the behavior of the resource allocated in the previous year, the population served in the previous year, and the estimated size of the local Mexican population), this reinforces the argument that increasing allocations could expand the program's reach.

Chart 8: Number of Services Provided and Expenditure on VAFs by Consulate, 2020



Note: The data obtained do not specify the year to which this information corresponds, so it is assumed that it corresponds to the most recent year reported (2020).
Source: Elaborated by the authors with data obtained from the IME.

The above results suggest that partnerships with specialized organizations and ongoing funding are important for the consolidation and improvement of VAFs. Although data were not available to verify this, interviews with program implementers suggest that there are other dynamics that affect the effective operation of VAFs. These include: *1)* operational changes resulting from new leaderships in the federal public administration and consulates; *2)* the needs of the local Mexican community and the availability of specialized organizations, and *3)* the lack of a structured, constant, and commonly understood evaluation system among consulates (R. Torres and S. Mendoza, personal interview, 5 August 2021; J. Mendoza, personal interview, 27 July 2021; S. Orozco, personal interview, 21 June 2021).

Furthermore, there are not enough data available to estimate the impact of VAF-provided advice among local Mexican communities.[6] However, reports from the Mexican consulates in New York and Philadelphia show some of the program's tangible benefits. The consulate in New York reported that 353 individuals counseled at the VAF opened a bank account, 85 started their credit history, 495 reduced their debt and 1,141 obtained their ITIN between January 2014 and March 2018. In Philadelphia, it was reported that, between January and May 2018, individuals served at the tax filing desk saved more than $41,000 dollars in tax preparation fees and ITIN applications (IME, 2018a).

VAFs have the potential to improve the quality of life of Mexican individuals in the U.S. by dispensing financial counseling, giving help in obtaining earned income tax credit, and providing increased access to appropriate financial services. The promotion of formal, safe, and low-cost remittance transfer services can also impact the financial inclusion of migrant families in their communities of origin and increase the benefits of remittances. However, a detailed analysis of how the program operates in each consulate is required to identify opportunity areas to maximize its potential. This, in turn, requires more reliable and consistent performance indicators.

Policy Proposals

VAFs have great potential given their proximity to the Mexican community through the consular network.[7] However, the previous evaluation suggests that their implementation has not been optimal or systematic. Thus, we propose to institutionalize VAFs with clear implementation, monitoring, and evaluation frameworks that guarantee the quality and consistency of the program.

The Mexican federal government—the SHCP and the SRE specifically—has the responsibility and incentives to strengthen VAFs given that the current administration (2018-2024) established the financial inclusion of historically excluded communities as an explicit priority. It also iden-

[6] For data on the financial inclusion of people of Mexican origin in the U.S., we suggest consulting the biannual "Unbanked/Underbanked" supplement to the June surveys conducted by the Federal Deposit Insurance Corporation and the U.S. Census Bureau (FDIC, 2021). It could not be used for this assessment due to the lack of data disaggregated by consulate for 2019.

[7] The estimated Mexican population who uses consular services represents 63% of first-generation Mexicans in the U.S. (Hispanic Wealth, 2019).

tified the Mexican migrant population and their families as a vulnerable group under the National Policy for Financial Inclusion (CNBV, 2018). To contribute to these efforts, we present four concrete policy proposals for the SHCP and the SRE centered on guaranteeing ongoing funding and strengthening the project's implementation mechanisms.

Proposal 1: Guarantee Ongoing Funding by Replicating the Ventanillas de Salud System

The constant reduction and variation of the program's annual budget hampers its development in various ways. For one, it has hindered the formalization of partnerships with specialized organizations to give financial advice in consulates. While these organizations are non-profit, they require funding for VAF staffing, materials, and events. As of March 2021, 12 of the 45 consulates with VAFs had not managed to formalize a MOU with a local organization for that year's operation. Among the reasons reported by consulates were "yearly variation in resources allocated" and "insufficient funds and partners with capacity to implement the VAF" (IME, 2021). Although the program intends VAFs to be permanent service desks, there are consulates where they do not operate daily due to a lack of resources.

In addition, as a direct consequence of public budget reductions, VAFs' outreach has been affected by the need to reduce the range of services provided. While personalized and follow-up assistance was provided in 2017, VAF services now tend to focus on disseminating information. Another central activity that was suspended until 2022 due to lack of resources is the VAFs' annual meeting. This event was replicated from the VDS model to exchange experiences and constantly train VAFs' staff to standardize their services (S. Orozco, personal interview, 21 July 2021; IME, 2017).

Guaranteeing constant funding by replicating the VDS system is therefore needed, ensuring that the program is included in the annual SHCP budget for its distribution to the consular network via the IME. In the case of VDS, Mexico's Secretariat of Health grants the IME around $2 million dollars per year through a collaboration agreement. This amount is used as seed funding via MOUs between the consulates and their partner organizations. Thanks to the consolidation of these partnerships (resulting from local diplomatic efforts and guaranteed annual public funding) and the commitment of partner organizations to raise additional resources, the annual $2 million-dollar public investment in VDS yields around $150 million dollars in health services for Mexican people in the U.S. (G.

Rangel, personal communication, 4 August 2021). In other words, there is a huge multiplier effect of public resources that, we believe, should be replicated in the VAFs.

Given that the initial investment for the opening of VAFs was of approximately $2.6 million dollars, Ambassador Juan Carlos Mendoza, Consul General in Laredo, Texas, and former Director of the IME, considers that an annual public investment of at least $1 million dollars is required for their consolidation (J. Mendoza, personal interview, 27 July 2021). That is, between two and seven times more than what has been allocated since 2018. This amount could be confirmed with an advisory council, the consolidation of a data collection system, and the establishment of a comprehensive implementation framework to systematize VAFs' operations, proposals that are developed later in this chapter. The suggested amount is considered reasonable based on the budget trends and program results presented in Chart 2. These show that the initial investment in 2017 exceeded the consulates' needs, while the VAFs' staff managed to serve more people with fewer resources between 2018 and 2021, but without achieving results comparable to those of 2017.

Despite the federal government's current austerity policy, there are several mechanisms that can ensure the viability of increasing the VAF budget through public-private initiatives and inter-agency collaboration. Collaboration between the government and banks proved successful between 2013 and 2017 with Citi Community Development. However, the government's inability to increase its contribution limited Citi's interest and will likely limit collaboration with other private or international institutions. Leaders in private banks assume that VAFs should be a government-funded consular service, as it is a basic, recurrent service that does not involve a large outlay (B. Annibale, personal interview, 27 July 2021).

Given the lack of data to support the cost-effectiveness of migrants' financial inclusion, the involvement of large banks is likely to remain limited. Therefore, one possible option would be a public-private partnership, in which a network of banks commits to partially fund the program in exchange for the government's guarantee that a neutral and systematic evaluation group will carry out data collection and analysis. Local Community Development Financial Institutions in the U.S. are likely to be more receptive to this proposal than large banks, as they have greater compatibility of objectives with the VAFs.

Another funding model that can be implemented—complementarily or independently—is to earmark part of the fees for documentation services in consulates for migrant financial counseling. Documentation costs, which had remained constant since 2007, increased between 5% and 10% in 2019-2020 (Senges, 2020). The SHCP could decide to designate a percentage of this additional revenue to the annual seed capital for VAFs, which would be transferred from the SHCP's annual budget to the IME through a collaboration agreement replicating the procedure between the SRE and the Secretariat of Health for the VDS. This funding model requires further analysis to determine a feasible percentage of the proceeds. We also expect that the dissemination of this commitment through consulates will promote good faith between the federal government and Mexican communities in the U.S. by justifying the price increase as being for the communities' benefit.

Consistent funding is the top priority among our proposals because no strengthening effort will be viable without more resources and the consolidation of partnerships. The VDS have managed to develop and become internationally recognized thanks to the permanence of the seed funding granted annually by the Secretariat of Health. Although these funds may not be sufficient to finance all the services provided by the VDS, they demonstrate to partner organizations that the government is strongly committed, motivating them to engage with the program in the long term (G. Rangel, personal interview, 4 August 2021). The lack of resources makes the program dependent on the goodwill of partner organizations, limiting the planning, strengthening, and scope of financial inclusion efforts in the medium and long term.

Proposal 2: Create a Diverse Advisory Board to Plan, Strengthen, and Evaluate VAFs

As a second priority, we propose to create an advisory board to lead strategic decision-making through consensus between government, community, academic, and financial representatives. Its goal will be program continuity to mitigate the impact of leadership changes in the various sectors and levels of consular operation. So far, strengthening efforts have varied greatly according to the priorities of each president and IME head at the national level, and according to the priorities of each consul at the local level (J. Mendoza, personal interview, 27 July 2021; S. Orozco, personal interview, 21 June 2021). This facilitates the program's discretionary implementation and hinders medium- and long-term planning based on results.

Even though an advisory board was put in place in 2018 (IME, 2018b), its institutional representativeness was limited, and there is no evidence that it has remained active after the budget cuts. To ensure that the program prioritizes the interests of Mexican communities in the U.S., we suggest that—in addition to the organizations implementing the program—the board includes community, academic, and financial leaders who acknowledge the binational nature of the financial needs of migrants in the U.S. and their families in Mexico, and who have proven experience in the financial inclusion of this population. It should also include experts in resource and social program management to supervise the operational viability of the board's goals, as well as a Technical Secretariat coordinated by the SHCP and the SRE via the IME.

The advisory board's guidelines should specify concrete short-, medium-, and long-term objectives, establish horizontal decision-making mechanisms, and determine the board's specific functions and its members' terms of office based on the program's needs. Considering that the program's implementation relies on local actors and the needs in each consular district, our proposal is to institute local committees with diverse representation to inform the decisions of the advisory board.

Initially, the board's specific functions should include *1)* the consolidation of a strategic and funding plan, and *2)* the design of a data collection system to identify key local community needs and assess the program's impact. Given that we identified the need for increased investment in the program as a first priority, it is suggested that a strategic and funding plan be worked out to facilitate collaboration negotiations with potential private sector partners. Based on VDSs' experience (G. Rangel, personal interview, 4 August 2021), developing a strategic and funding plan is expected to promote collaboration with local and national institutions to raise funds for the VAFs' seed capital and the expansion of their services.

This will require the board to make decisions on which consulates and services should be prioritized for the maximum benefit of the Mexican migrant community in the U.S., especially if resources remain limited. It will further require mapping the previous experience of potential local partner organizations, as well as designing a data collection system to identify the scale of key local community needs and to periodically assess the impact of the program. In addition to measuring the number of services provided, the system should evaluate each consulate's operations and their medium-term effects through user satisfaction surveys and follow-up with volunteer users to determine whether the advice increased and improved their use of financial services. If there are not enough resources to implement the program in all consulates in the U.S., we suggest that services be prioritized in the districts with the largest number of Mexicans, where the needs are greatest, where there is community interest in financial education and inclusion, and where there are efficient local partner organizations.

Proposal 3: Collect Data to Identify Financial Needs and Assess the Program's Impact

The third proposed priority is to establish a data collection system to identify the financial needs of the Mexican community in the U.S. and assess the program's impact via the consulates. This will allow for a more efficient use of public resources by facilitating evidence-based decision-making. Specifically, it will identify the districts with the greatest need for financial inclusion, as well as prioritize appropriate services according to the needs of the communities in each district. For example, states with greater restrictions for undocumented immigrants to access financial services are expected to have greater demand for services in Mexico that are accessible from the U.S., especially for basic savings, credit, and investment services.

The data currently collected in outcome reports are insufficient to guide decision-makers. In the first 2 years of the program (2017 and 2018), each consulate reported the number of people served and the number of activities. In 2019-2020, this data was complemented with the number of participating partners and the people served through media outreach. However, the IME does not report on the results by type of service provided, nor on the effects on financial inclusion. Moreover, there have been no precise instructions regarding the definition of each indicator in the reports, so the way in which reports are filled out depends on community consuls and VAF operators (S. Orozco, personal interview, 21 June 2021).

Thus, the program's evaluation system should be strengthened by defining relevant indicators for monitoring in the short, medium, and long term, and by establishing precise and feasible instructions for its implementation. We suggest that the advisory board should design short, easy-to-complete electronic surveys that include demographic data (respecting client confidentiality), detailed information on the services provided, user satisfaction, and easily accessible complementary surveys for the user to voluntarily report their experience and provide complaints and recommendations after completing the counseling. In addition, the board should provide VAF operators with clear and detailed instructions.

This effort is expected to require additional resources. The shortage of staff available for follow-up at the VAFs has been a crucial constraint in the IME's past attempts to improve its performance measurements. Therefore, we suggest that the MOU signed with the local partner organization requires at least two people permanently present at the desk: one focused on management, and one in charge of user service. The organization should be compensated for this effort through increased seed capital for additional recruitment or through institutional support to encourage partnerships with universities, which often provide the opportunity to approach students interested in volunteering or internships.

One successfully implemented example is the Sistema de Información Continua de Reporte de Salud (Sicresal) used by the VDS, a registration system funded by the Mexican section of the Border Health Commission to evaluate program outcomes. By facilitating personal records, the Sicresal has made it possible to directly evaluate the impact of the VDS and Mobile Health Units on the health of Mexican communities. In addition, the VDS and mobile units have been used to collect data on the COVID-19 pandemic's effects on Mexican communities in the U.S. The Sicresal required an initial investment of $400,000 dollars and is maintained with an allocation of about $70,000 dollars per year (G. Rangel, personal interview, 4 August 2021).

Proposal 4: Establish a Clear Implementation Framework that Systematizes Consular Efforts

The operational design of the program makes it prone to discretionary implementation at the local level according to the different contexts, available resources, and interests in each consular district. Despite having a common mission, the intended systematization of consular activities is limited by the different realities of each district.

Consulates in localities that are smaller or have fewer people of Mexican or Latino origin are likely to have fewer options when choosing a specialized partner organization that can provide service at a VAF. Consulates that serve higher-income populations or migrants in transit are likely to have less demand for financial inclusion services. For example, in a survey conducted by the IME in early 2021, several consulates reported not having a VAF nor a signed MOU because of their border location, while others reported a lack of interest in financial issues among the community and the inability to find an organization with the capacity and common values to operate the VAF (IME, 2021).[8] Therefore, consulates

[8] For more examples of the differences between consular districts, we suggest consulting the three chapters on VAFs in the Mexican consulates in Chicago, Fresno, and Miami, available on pages 205-249 of this book.

tend to apply different strategies to fulfill their mission depending on the local context.

However, this situation has created tensions between consuls who prioritize community outreach as part of their diplomatic function and those who opt for more traditional diplomacy. The quality of the service provided to the community has, therefore, depended on the interests of each consul, making long-term planning difficult and relegating the benefit of communities to the background. We thus propose establishing a clear implementation framework that systematizes VAFs' operations in consulates and provides differentiated strategy options based on local contexts and not according to the personality and interests of each consul. Despite individual interests and differentiated contexts, there should be clear guidelines to ensure the provision of high-quality basic financial inclusion services for the fulfillment of consular responsibilities.

Currently, the program includes guidelines on the implementation of a VAF, resource management, the general goals of the program, and basic financial services information provided in the "Más vale estar preparado" guide. However, organizational and operational guidelines for user service and results reporting are still pending.

To this end, we insist on the need for the permanent presence of at least two people to attend the service desk: one administrative coordinator and one service promoter. The coordinator would supervise staff, record program results and user satisfaction for the advisory board's analysis, manage resources, develop partnerships to refer users to low-cost personalized services and strengthen the VAF, and facilitate communication between the partner organization operating the desk and the consulate. The promoter would be in charge of providing financial information and advice to users, as well as identifying to which customized services they should refer each user according to their needs and preferences. It is likely that larger consulates with higher demand for financial services will require additional financial promoters, so we suggest adjusting the annual amounts allocated considering these needs and/or establishing partnerships with universities to identify potential volunteers.

When the user approaches the VAF, the promoter could give general information about the available services, hand out the "Más vale estar preparado" guide, and provide personalized financial counseling. Counseling should include information on low-cost services available to Mexicans in both the U.S. and Mexico—regardless of immigration status—as well as on the processes and documentation needed to access these services, and information on partner institutions that provide useful services to Mexican migrants. At the end of the counseling, the user would be assisted by the coordinator to fill out the user satisfaction form and report on the results.

It is key to promote the regular exchange of experiences between the people operating VAFs, the advisory board, the IME, and the SHCP to adjust operational guidelines and identify best practices and opportunity areas. We thus suggest that the VAFs' national meeting, suspended in recent years due to lack of funding and resumed in 2022, is held annually without exception. Similar to the VDS' Annual Meeting, we propose an annual meeting attended by VAF coordinators and promoters in the U.S., and at least one representative of the advisory board, the IME, and the SHCP. This meeting should train VAF coordinators and promoters on the main issues of interest for the financial inclusion of migrants, as well as give them the opportunity to exchange experiences and communicate their needs and recommendations to the advisory board, the IME, and the SHCP. Although resources could be saved by holding annual virtual meetings, in this case a face-to-face event is preferable, as it has the potential to foster and strengthen relationships with the people who serve the community, thus consolidating good relations with the VAFs' partner organizations.

Finally, intentional community outreach outside the consular space should also be a priority to expand the program's reach beyond the people who visit consular premises. The advisory board should thus define goals to integrate VAFs to mobile consulates and to hold financial counseling events organized by VAFs in community centers and other spaces where the Mexican community can be reached. Even though some VAFs disseminate information in local media, schools, and other community spaces, these efforts have not been systematized and stem from the initiative of each consulate.

According to IME data for 2021, eleven consulates in the U.S. did not organize mobile consulates or units, nineteen consulates did so once every 2 months, fifteen consulates once a month, and only six consulates did so once or twice a fortnight. While there are consulates with fewer outreach opportunities, the advisory board's data analysis should prove that these limitations are due to local characteristics (e.g., low demand for financial inclusion, lack of specialized partner organizations) and not a lack of interest from the consulate in incorporating the VAF into its community outreach policy.

Limitations of the Ventanillas de Asesoría Financiera

The main limitation of VAFs is that they currently only have the capacity to address demand-side barriers to financial inclusion, such as users' lack of trust in and knowledge of the financial system. However, supply-side and structural barriers to financial inclusion persist—such as the lack of banking services that satisfy the needs of transnational families—which in turn are due to the lack of documentation of Mexican migrants in the U.S. and the low incomes of transnational families on both sides of the border.

Binational services that could benefit migrants in the U.S. and their families in Mexico include providing faster and cheaper international bank transfers, binational credit histories and income verification to access credit, and binational incentives to invest in micro-, small-, and medium-sized businesses. The main obstacles to these services are often regulatory, as banking regulation tends to be approached from a preventive security rather than a financial inclusion perspective. A clear example of this is correspondent banking regulations, which aim to facilitate the exchange of foreign currencies, but actually hinder banking competition in international transfers and the repatriation of dollars in cash, because it is in fact a regulation against money laundering and the financing of terrorism (Shapiro & Yoder, 2022).

Although neither consulates nor the IME have a direct impact on the range of services available to migrants and their families, it is clear that their political influence can be effective when there is the will. For instance, they have reached agreements with several banks in the U.S. so that the *matrícula consular* is accepted as a valid identification to open an account (IME, 2016), allowing undocumented Mexican migrants to access the U.S. financial system. However, the use of the *matrícula consular* to open accounts in Mexico is hampered because Mexican financial institutions are not aware of this document and do not have access to the *matrícula consular* registry, which highlights the need to consider complementary measures and regulations for binational access to services.

An additional constraint is the lack of sufficient human resources in the IME and the consular network for the comprehensive supervision of the program. Although there are constant organizational changes, IME's financial inclusion and economic development departament usually has only three to five staff members responsible for overseeing the financial activities of the entire consular network in the U.S., Canada and, recently, a couple of consulates in Europe. Additionally, there is generally only one person in consulates in the U.S. responsible for all community development issues, including financial inclusion, health and sports, education, outreach and culture, and, recently, comprehensive care for women and indigenous people.

This has typically resulted in a purely administrative monitoring of community programs, without a substantive and systematic analysis of VAFs' impacts per consulate and as a whole. This probably also partly explains some consulates' lack of interest to actively engage and innovate on community development issues, including financial inclusion. Although the proposals in this chapter are developed so as to reduce additional work for the IME and the consulates, their proper implementation requires considerable preparation, specifically in the negotiation and processing of the relevant agreements with the SHCP and other co-financiers of the program, to identify potential advisory board members, and to oversee data collection and the day-to-day operation of VAFs.

Conclusion

VAFs are the Mexican federal government's main mechanism to address the financial needs of the Mexican community in the U.S., which can also importantly impact their families in Mexico. This program, promoted nationally since 2017, must be institutionalized with clear implementation, monitoring, and evaluation frameworks to ensure its quality and consistency. VDSs teach important institutionalization lessons that should be taken into account for VAFs.

The main dynamics hampering the effective operation of VAFs include their funding, consulates' inability to build partnerships with local expert organizations, leadership changes in participating institutions, the financial needs of local Mexican communities, and the lack of a structured and constant evaluation system. Therefore, we recommend to: *1)* guarantee stable funding by replicating the VDS system; *2)* create an advisory board to plan, strengthen, and evaluate VAFs; *3)* collect data to identify the financial needs of each community and evaluate the program's results, and *4)* establish a clear implementation framework that systematizes consular efforts.

There is still a limited supply of banking services adapted to the needs of transnational families due to the banks' lack of interest and the regulatory obstacles they face. The IME and the Mexican consular network in the U.S. need to define an advocacy strategy to identify, visibilize, and promote the most important financial needs of Mexican communities abroad and their families in Mexico, which requires increasing their institutional capacity.

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Moving Up the Economic Ladder:

20 Years of Financial Inclusion
of the Mexican Migrant Community in the U.S.

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Convinced that financial inclusion can help improve the quality of life of Mexican families in the United States, the Center for U.S.-Mexican Studies at the University of California San Diego, Sin Fronteras IAP, the Financial Education department at BBVA México and BBVA Research joined efforts for this publication.

In fourteen chapters, we evaluate the state and main initiatives for the financial inclusion of this population in the last 20 years from a transnational and multisectoral approach. We hope that our analyses and recommendations contribute to generating actions, programs and policies, both public and private, to achieve better access to and use of financial services and products for the Mexican community in the United States and their families in Mexico.

ISBN: 978-607-97449-4-6

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