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## **The factors shaping remittances in Mexico**

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# The factors shaping remittances in Mexico

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## Table of Contents

1. Introduction .....	3
2. Theoretical framework .....	4
2.1. The effects of remittances on socio-economic and political life in origin countries .....	4
2.2. Personal reasons for remitting .....	6
2.3. Government policies to encourage remittances .....	7
2.4. Mexican diaspora policy .....	8
2.5. Hypotheses .....	10
3. Methodology .....	11
3.1. Case selection .....	11
3.2. Methods of data analysis .....	11
4. Analysis .....	14
4.1. Government policies concerning Mexican migrants .....	14
4.1.1. Policies on return migrants .....	14
4.1.2. Policies on financial and developmental impact .....	15
4.1.3. Policies on the protection of migrants .....	17
4.2. Family bonds .....	17
4.3. Financial costs of remitting .....	21
5. Conclusion .....	23
6. Bibliography .....	25
6.1. Literature .....	25
6.2. Policies .....	27

# 1. Introduction

In 2000 the newly elected president of Mexico, Vicente Fox, introduced an important shift in Mexican policy towards emigration. For the first time the question of migration had been added to the bilateral agenda with the United States of America on the basis of joint responsibility with the long-term goal of ‘making good use of the synergies that exist between the two countries’ (Delgado Wise, 2004). In his speeches, President Fox often referred to the Mexican migrants abroad as ‘heroes’ in recognition of their economic contributions and their commitment to Mexico. During his electoral campaign one of his central promises was to govern on behalf of 118 million people. This included both the 100 million people living in Mexico as well as the 18 million ‘mexicanos en el exterior’, the Mexicans living abroad (Bakker, 2015).

In 2000, there were 9.1 million Mexicans in total living in the United States, this number has grown to 10.9 million in 2019 (Israel & Batalova, 2020). During this period the remittances sent by these Mexican migrants has increased from 7,525 million dollars in 2000 to 42,880 million dollars in 2020 (World Bank, 2021). Thus, while the amount of Mexicans in the US has increased with 20% during these years, the amount of remittances have increased nearly sixfold, with 570% during the same years. Remittances are personal flows of money from migrants to their families back home. These remittances have become a major source of Mexican development. For governments, to make sure that people keep remitting, it is important to focus their diaspora policy on factors that make people want to remit. This raises the question of what makes people want to remit? And what factors have contributed to the growth of remittances? In order to answer these questions I will analyse different factors that likely have contributed to the growth of remittances:

*“What factors have contributed to the increase of remittances in Mexico during the period 2000-2020?”*

I will try to answer this question by using three hypotheses, regarding the implementation of more inclusive diaspora policies, the family bonds of migrants and the financial costs of remittances. The first hypothesis is analysed through content analysis of the diaspora policies implemented during 2000-2020. The question of social bonds is studied with descriptive analysis using data from the Mexican Migrant Project. Finally, the costs of remittances are analysed with use of the average fees and costs provided by the World Bank

(2021). The results of the analysis show that diaspora policies in Mexico became more inclusive and more supportive of migrants. Secondly, there was no substantial difference between the groups of migrants who have remitted and who have not remitted based on their social bonds. Lastly, at the same time as the increase of remittances, the financial costs of remitting have decreased substantially. The broader contribution of this analysis to the literature is to better understand what influences remittances, since they contribute in a considerable way to the income and development of families and communities.

In this thesis, the theoretical framework will first summarize previous academic research on what influences the choice of remitting and policies in Mexico focused on migration and diaspora. It will also show what other countries have done trying to boost their remittances. The methodology will clarify the use of Mexico as a typical case and explain how I analysed the three hypotheses consecutively. I will follow with the analysis regarding the diaspora policies, the social family bonds and the financial costs that arise with sending remittances. Finally, I will conclude that the factors shaping remittances have likely been the change of policies towards supporting Mexican migrants and the decrease of the financial costs of remitting.

## **2. Theoretical framework**

### **2.1. The effects of remittances on socio-economic and political life in origin countries**

Remittances have grown enormously since the 1990s. Worldwide, remittances have increased from 60.9 billion USD in 1990 to 701.9 billion USD in 2020 (World Bank, 2021). They have exceeded official development assistance and all other developmental transfers, except for Foreign Direct Investment (Yang, 2011). Remittances can have various effects on social and political life in countries of origin.

Migrants could improve their political situation, by putting pressure on their governments. The substantial number of migrants and their influential organizations have created considerable pressure, which can create a push for political and economic reforms,

such as democratization, transparency of the political and bureaucratic system and emancipation of minorities (de Haas, 2009). Also, remittances have the ability to create the basis for development in which migrants gain agency within local political economies. The return-migrants have the potential to stimulate political participation in the migrant sending countries, which creates more potential for further cooperation between the citizens and their representatives. This was shown in Mexico, where this cooperation was presented as a political change in a country without a democratic history (Waddell, 2015). This was primarily an effect of social remittances. Social remittances are the ideas of civil rights and responsibilities and different histories or political practice that migrants observe in the host country. These beliefs are communicated with their families in their country of origin, which makes these migrants 'agents' in spreading foreign political beliefs and behaviours into other migrant-producing countries. Even though financial remittances have an effect on household economies and community development, they do not directly affect the individual evaluations and participation in politics (Pérez-Armendáriz & Crow, 2010). On the other hand, the receiving end of the remittances could also invoke social conflict, for example supporting warring parties in these countries. This way violence can continue with help from migrants (de Haas, 2009).

Remittances can also have a positive influence on financial inclusion. This has been evidenced in the case of Kenya. In 2015 the Kenyan government launched the Kenyan Diaspora Policy as part of the Kenya's vision 2030 blue print, in which financial inclusion is a pillar. Financial inclusion entails the ease of availability, accessibility, and the use of formal financial institutions by all members of society. This financial inclusion aims at improving the use of formal mode of payment. These remittance flows through formal institutions providing opportunities for promoting savings and increasing deposits to improve development (Arthur et al., 2020).

Furthermore, remittances can play an effective role in reducing poverty. This is because the money is sent directly to households. These flows do not suffer from governmental problems, such as corruption, that are associated with official aids flows (Hollifield et al., 2006). Remittances also raise the consumption levels of households. It has a substantial multiplier effect on the community, because these households are more likely to spent money on domestically produced goods, which improves financial situations of other households in the community as well (Ratha, 2003). Remittances are therefore an important factor in development and society.

## **2.2. Personal reasons for remitting**

So, remittances can have a positive influence on the country of origin, but what makes migrants willing to remit? Migrants remit for different reasons, among which are accumulation, insurance and altruism (Amuedo-Dorantes & Pozo, 2006).

Accumulation implies that the remittances are sent to accumulate assets in the home community. This is a mean of self-insurance and has the implication of return migration. When the migrants return home, they will have the opportunity to rely on the accumulated assets, for instance if their work opportunities in the host country diminish. Insurance, on the other hand, entails that the remittances are sent to finance the family's consumption needs in the home community. This is the family-provided insurance. The expectation is that, should it be necessary, migrants will be able to secure a place back home, since they have helped support their families during their time in the host country. The difference between accumulation, in other words self-insurance, and insurance, family-provided, is that the migrant sends the remittances for different reasons, either to finance the consumption of the family or to accumulate assets in the home community to fall back on (Amuedo-Dorantes & Pozo, 2006).

Lucas and Stark (1988) give an explanation of altruism. According to them the biggest influence of sending remittances are family relations. There is an implicit intrafamilial contract between the migrant and the family and a sense of mutual altruism and self-interest that makes this relationship work. The family can rely on the migrant worker to send money when times are hard and the migrant worker will remit in the hope of maintaining the inheritance. The sending of remittances can be achieved by families using blackmail as well. They could force their family members to send remittances to keep having a chance of maintaining their inheritance (Hagen-Zanker & Siegel, 2007). It may however be futile to search for a general explanation of remittance motives, since there are profound contextual differences between migrants. For example, some migrate only temporarily, while others settle permanently. The receivers of the remittances differ as well, as some sent to their community back home, while others remit to only elderly parents (Carling, 2008).

Sana and Massey (2005) have studied the relevance of the New Economics of Labour Migration (NELM) theory with regards to remittance transfers. NELM states that due to market failures in the origin country, a household member migrates to a non-correlated labour market, entering a type of insurance agreement with the household left behind (Hagen-Zanker

& Siegel, 2007). NELM assumes that there is an implicit contractual arrangement between the migrant abroad and the family in the country of origin. It argues that remittances are used for risk diversification and productive investment. The authors of this study found that Mexico was strongly compatible with NELM. The Mexican family is cohesive and likely to honour the contractual arrangements that ensure flows of remittances from family members abroad (Sana & Massey, 2005).

### **2.3. Government policies to encourage remittances**

To keep strong ties with the migrants and encourage remittance payments, many governments have implemented more inclusive diaspora engagement policies. There are different policies that governments can implement to maximize remittances. Governments can require remittances to be mandatory by the migrants working abroad, this has been tried by the Philippine government (O'Neill, 2001). They required their migrant workers to remit at least seventy percent of their salary through the national banks. However, this policy has fallen short, because workers violated the requirement as a result of the domestic political instability, high bank charges and negative interest rate on household savings. Furthermore, the government had no control over those who had found work through unofficial channels, which accounted for sixty percent of the Philippine workers abroad. Korea, on the other hand, has effectively enforced migrants to remit. The Korean government works closely together with Korean companies. In return for winning job contracts abroad, the company deposits a part of their workers salary directly into Korean banks. Also, the Korean government does not let migrant workers stay abroad for longer than one year, which keeps their ties close to Korea (O'Neill, 2001).

Other governments have expanded special rights to migrants – for instance by allowing them to have more than one citizenship – to keep them committed to their origin country. Morocco made it possible, with its 2011 Constitution, to have dual citizenship, even for people born abroad from Moroccan parents. With this dual citizenship they try to encourage Moroccans to be more active in the social, cultural and political transformation of Moroccan society (Dadush, 2015). At the policy level, Morocco, unlike many other migrant sending countries, realized early on in the 1960s that there were potential positive contributions that could be derived from emigration. The Moroccan state also proved to be innovative and efficient in channelling the remittances from the start. It reached out to its



migrants, whom previously relied on informal transfers, in order to attract safe financial transfers through the national bank (Sahraoui, 2015). Moreover, Moroccan migrants have the possibility to vote, but only if they are registered in their consulates. Numerous programmes, such as the ‘Skills Mobilization Program’, inform Moroccan professionals living abroad of opportunities in Morocco and develop partnerships with the Moroccan public and private sectors. Lastly, the ministry of Moroccans living abroad has provided legal and judicial assistance for the benefit of migrants. If there is no free legal advice for Moroccan migrants in the host country, the embassies can provide arrangements for legal advice to defend their rights and interests in court. Morocco has therefore provided different benefices for migrants to engage in their diaspora activities (Dadush, 2015; Sahraoui, 2015).

The willingness of migrants to remit has also partially depended on economic policies in both host and home state. As said before, remittances are personal flows of money and do not suffer from the same governance problems as official aid flows. There is no agency that is in-between this money flow, that has the ability to choose where to direct this money to, since it has been sent to personal bank accounts or to people directly. The only way the in-between agencies profit from this money flow is through applying costs with sending the remittances. This makes the transfer free of governmental corruption or time inefficiencies. Yet, there are economic policies that are able to influence remittances, including the exchange rate, the risk factors and the availability and efficiency of safe transfer facilities. Simply making it easier or cheaper to send money have helped to sustain or even boost the remittances (Hollifield et al., 2006; Taylor, 1999).

#### **2.4. Mexican diaspora policy**

Mexican diaspora policy has changed repeatedly over the previous century (Ayón, 2005). During the great depression in the 1930s, Mexico resisted emigration and tried to bring about mass repatriation. The policies were essentially focusing on returning the Mexican migrants in the US back to Mexico. During the Second World War, Mexico and the United States started to form bilateral relations that signified an abrupt departure for Mexican policy toward migration. The ‘Bracero Program’ was negotiated within the framework of wartime cooperation. This program was a bilateral guest worker or ‘contract-labour’ scheme. This scheme directly involved the Mexican government in managing the temporary labour migration of its citizens in the US for more than twenty years (1942-1964) (Ayón, 2005).

Thus, Mexico effectively stopped trying to control emigration during the early 1970s, when they were using a model of self-sufficiency as an economic strategy (Fitzgerald, 2006). Also, in the 1970s the Mexican government became aware of the non-immigrant population of Mexican origin in the US. These people were called Chicanos, they are of Mexican origin, but born in the US. New policies for Chicanos were created together with Mexican-American leaders and activists, such as university-level scholarships programmes for study in Mexico, and new cultural programmes in Mexican-American communities in the US. At the end of the 1980s, undocumented Mexican immigration to the US increased. With the Immigration Control and Reform Act of the US in 1986, 2.7 million immigrants, most of whom were of Mexican nationality, were legalized. After this, there was a new approach to expand the Mexican diaspora policies. The Mexican government boosted, through their consulates, the development of hometown associations (HTAs) in the US. Among which, the new Program for Mexican Communities (PCME) was created, which became primarily an adjunct for the local diplomatic programmes, to provide for the wellbeing of Mexican migrants (Ayón, 2005).

Since the start of the 21<sup>st</sup> century, one of the main goals of the Mexican government has been to maintain the national identity of Mexican migrants in the United States, to strengthen their ties to Mexico and to portray them as contributors to their country's *Proyecto nacional*. In 2000, a change in Mexico's long-term relationship with its diaspora began with the winner of the Mexican presidential campaign. Migrant workers were called heroes by the new president, Vicente Fox, who started to prioritize migrant concerns (Laglagaron, 2010). The Vicente Fox administration (2000-2006) promoted emigration actively for the first time since the Bracero era. They negotiated a new guest worker program for undocumented Mexicans in the United States (Fitzgerald, 2006). In 2000 the Presidential Office for Mexicans Abroad (Oficina Presidencial para los Mexicanos en el Exterior) was created (Ayón, 2005), followed by the Institute of Mexicans Abroad (IME) in 2003. The IME is an independent department within the ministry of foreign affairs and is meant to empower the Mexican diaspora abroad. The IME is service-oriented and links the Mexican emigrant community to Mexican government initiatives in the area of education, health, community organization, consulate protection and business promotion. Within the IME there are different programmes to not only encourage migrants to send their money back to Mexico, but to help Mexican migrants improve to integrate in the United States (Laglagaron, 2010). Furthermore,

in 2005, a new voting policy was implemented by Vicente Fox, *voto postal*, which made it possible for migrants to vote from abroad (Ayón, 2005).

This new approach towards emigration is also reflected in Mexico's remittance policy, particularly in the *3x1 (Tres por Uno) para Migrantes* programme. The programme started as an engagement between migrants and officials and was institutionalized to embrace the diaspora policies in Mexico in 2001. Through this programme, municipal, state and federal administrations multiply the amount of remittances sent by the hometown associations (HTAs) abroad to their communities of origin by three. The HTA are clubs of migrants who share the same origin community, these social organizations reflect the strong identification with their hometown. The collective remittances are group donations that the HTAs send to finance community projects back in Mexico. The programme also promotes 'productive projects', which intend to create employment and community developments by improvements in productivity. These projects provide private or group goods, which can easily be focused on specific districts or neighbourhoods, which makes it easier to target poor communities (Malone, 2020; Meseguer & Aparicio, 2009).

## **2.5. Hypotheses**

Based on the literature and the cursory overview of Mexican diaspora policies until the early 2000s, I am able to construct three hypotheses. First of all, because of the comparison with other countries, such as Morocco, I expect to find an increase of inclusive diaspora policies to better engage migrants with their country of origin in both social and political settings. Secondly, using the analysis of Sana and Massy (2005) and Stark and Lucas (1998) I expect to find that when people have stronger family bonds, they are more willing to remit. Lastly, I expect that Mexican migrants remit more money when the financial costs of sending money decrease. Based on these findings, I have formulated the following three hypotheses:

*H1: The Mexican government has tried to boost remittances by implementing more inclusive diaspora policies.*

*H2: Mexican migrants with strong family bonds are more likely to remit.*

*H3: A decrease in the financial costs of remitting increase the remittances sent.*

## **3. Methodology**

### **3.1. Case selection**

The case I will be studying is Mexico. Even though the percentage of remittances sent is not a massive part of their GDP (4% in 2020), the growth of remittances sent is substantial: In 2000 the amount of money remitted was 7,525 million US Dollars (1.6% of their GDP), in 2020 this amount had grown to 42,880 million US Dollars (4% of their GDP) (World Bank, 2021). The main country Mexican labour migrants go to are the United States, so the political diaspora relationship between Mexico and the US is important.

Mexico is a typical case. Compared to world statistics, there is a steady growth percentage of remittances of their GDP (0.3% in 2000 to 0.8% in 2020). The world remittances flow from 2000 to 2020 has grown approximately 2.5 times. The remittances flow in remittances in Mexico has also grown 2.5 times in the same time period. This makes the case of Mexico generalizable to the worldwide flow of remittances and also to other countries who have the same growth of remittances in this period of time.

### **3.2. Methods of data analysis**

To research the three hypotheses formulated above, different research methods are necessary. During the analysis I will not be able to investigate the causality between remittances and policies, family bonds and the decrease of costs. Only the correlation between these factors is analysed. To investigate the first hypothesis, I will be using information on diaspora and remittance policy of Mexico to explore how these policies might try to affect the remittances sent. In particular, I will research whether, in these policies, Mexican migrants are better protected by their government or whether the government offers new opportunities to migrants. The policies analysed were found on the website of the Mexican government, the Official Journal of the Federation (Diario Oficial de la Federación) (<http://www.dof.gob.mx>). The search words I used were ‘3x1 programme’, ‘Ex-trabajadores Migratorios (former migrant workers)’, ‘Mexicanos en el exterior (Mexicans abroad)’ and ‘remesas (remittances)’. Ten policy documents were used for the analysis. In addition, I analysed the “migration law of 2011” from the government website of the national legal order (Orden Juridico Nacional) (<http://www.ordenjuridico.gob.mx>).

For the analysis, I have translated the policies to English. I used content analysis for the policies implemented by Mexico to see how they could have boosted the remittances sent by Mexican migrants. In particular, I am looking whether there are improvements for all migrant workers which could create incentives to keep remitting. By improvements, I mean more inclusive policies, i.e. that migrants receive better and more protected rights and the opportunity to be more politically, socially or culturally active in their country of origin. Through such more inclusive policies, migrants would have a bigger voice and protection in both country of origin and in their host country, which could encourage them to remit more. In these policy documents I study which policies have been implemented as new or revised and what these added or adjusted policies focus on; i.e. the return migrants, financial or developmental influence in projects and the safety of migrants.

Secondly, using the data of a household survey of the Mexican Migration Project (MMP), I will explore the second hypothesis on the family bonds and the amount of remittances sent. The MMP is conducted by Princeton University and has surveyed the use of remittances by Mexicans in the US and Canada. This project started in 1982 and gathered yearly data until 2019, so the database does not include the information for the year 2020. Therefore, I will only be looking at yearly data from 2000 until 2019. This survey researched for what purposes the remittances were sent and how much money migrants sent. However, personal reasons for why people sent the remittances are not included, it does not tell us what influences the decision to remain committed to Mexico and to keep sending money. The Mexican migration project has information both on Canada and US, but I will only be using data from the US. There are two core files in this dataset that are useful for the analysis: *house*, containing information on household composition in Mexico, and *mig*, which contains information on the person level of the migrant in the US.

In the *house* dataset 15.653 people were questioned in the years 2000-2019. Because I am interested in looking for remittances sent to Mexico, I will only use answers from surveys in home country, Mexico, and leave out the answers from the people in the US communities. Also, not everyone has answered the specific questions, so the amount of people in the analysis is lower. Two survey questions are essential: whether the household has received any remittances, to which they could either answer with yes or no (REMUS), and regarding family relations, whether the family had any private land that has been inherited (CLHOW1). If they own land that is inherited, migrants might be more willing to remit for a chance of inheritance of this land, as I have mentioned before. The limitation with using only this

variable for family relations is that I will not be able to fully analyse the inheritance aspect, but there were no other questions I could use that would fit this category specifically.

In the *mig* dataset, 3.861 people were surveyed from 2000-2019. The central question about remittances recorded the average monthly remittances (REMIT). I have created a new dummy variable out of this variable, with two answer possibilities, yes or no. The 'no' means that migrants sent 0 dollars and 'yes' is that migrants have sent any amount of money. This makes the relationship between remittances and family ties more clear. To explore family bonds, there are four relevant survey questions. The first one is whether the person has contacted relatives while in the US (RELTRIP1), this indicates whether the person has good familial ties. The other three questions are about who paid to help the migrant. The first one is 'who paid for the coyote to enter the US' (CRSPAY). A coyote is a person who smuggles undocumented migrants into the US. The second is who paid for the health bill (HLTHPMT1) and the third, who provided financial help (FINHELP). I will analyse whether the migrants who answered 'family' to these three questions have been more willingly to send remittances than those for whom others have paid. Other options for answering the above named question are 'friend', 'employer', 'bank' or 'self'. Using these datasets I will analyse whether the social bonds of family, among which are inheritance and indebtedness, have an influence on remittances.

Lastly, to explore the third hypothesis, I will look at the prices for remitting through official money transfers. This data I will get from the World Bank, 'Remittance prices worldwide' (<https://remittanceprices.worldbank.org>), where it collects the remittance prices worldwide to make the markets more transparent. The data I will use is the country corridor from the US, as sending country, to Mexico, as receiving country. This data include the different firms that make money transfers possible, for example the Bank of America, Citibank and Moneygram, and the (average) costs over either 200 US Dollars or 500 US Dollars. I will be analysing the costs over 200 USD to keep the comparison throughout the years over the same amount of money. The costs of sending money include both fees and the exchange rate margin. Also, it shows what kind of money can be transferable, both send and received, such as cash, credit or debit card or a transfer through bank account. The limitation with using this data from the World Bank corridors is that the data start in 2008. This means I will not be able to analyse the differences before 2008. To compare the years, I will analyse the first quarter of each year, with the exception of 2008, since only the second quarter is available for analysis.

## **4. Analysis**

### **4.1. Government policies concerning Mexican migrants**

To boost remittances, the Mexican government could implement policies to include Mexican migrants abroad and support return migrants. To analyse whether Mexico has actualized this, I analyse different policies that have an influence on the lives and possibilities of Mexican migrants. These policies can be categorized in different sections; policies on the return migrants, on financial and developmental impact and on the protection of migrants.

#### **4.1.1. Policies on return migrants**

The analysis of these policies starts with the policies regarding former Mexican migrant workers. In May 2005 the first “decree creating the Trust that will administer the Social Support Fund for Former Mexican Migrant Workers” was implemented by the Vicente Fox administration. This social fund is meant for former migrant workers that have provided their service in the US during the years of 1942-1964. The amount of social support that will be delivered to each beneficiary is 38,000 pesos. This decree has been amended twice, in September 2008 and in September 2010. In 2008 the definition of the law was changed from former Mexican Braceros Workers to the former Mexican migrant workers 1942-1964 (article 2). Also, the manners were expanded in which the former migrant workers can prove that they have been Mexican migrant workers with the social security they have derived from the employment contract of the Bracero Program (article 6). In 2010 a change was made for the heirs of the migrant workers (article 6). Before, only the spouse or children were eligible for the trust funds. The change of 2010 included the legitimate heirs as the beneficiaries, in case the spouses or children do not exist. The decree for social support formed for former Mexican migrant workers included them in new legislative decisions. Since 2005, both the workers and their families, including their legitimate heirs since 2010, have received more attention and care by the government.

The second governmental protection for return migrants is implemented in the “Migration Law of 2011”, which is a federal law. While the law mainly focuses on foreign migrants and their rights and protection, there is one article in which the Mexican government emphasised the facilitation of the return to the national territory and social reintegration of Mexican emigrants and their families (article 3). Through inter-institutional governmental

programs the migrant families should be socially reintegrated. Also, this article declares that ‘the links between the communities of origin and the communities in the destination of Mexican emigration should be strengthened, for the benefit of family well-being and regional and national development’. This subsection has created the obligation for governments, state and federal authorities to take care of returning migrants.

#### **4.1.2. Policies on financial and developmental impact**

The use of financial services and the distribution of remittances have been secured in the “resolution authorizing credit unions” (2003). In this, it is stated that it is ‘necessary to facilitate certain sectors of the population in the use of financial services related to the operation of distribution and payment of remittances of money in national currency’. The credit unions are subsequently authorized to distribute the payment of remittances because of this policy. They have the ability to fully identify the origin and destination of resources, which means the government has oversight of the remittances. Furthermore, the credit unions that acquire this power are at all times subjected to supervision, inspection and surveillance of the commission, so that remittances cannot be used by banks for purposes other than for which they were delivered. This made the sending of the remittances part of the governmental control, which has the opportunity for more oversight and safety in sending and receiving remittances, without governmental intervention to control to whom the money is sent to.

The 3x1 Citizen’s Initiative Programme has first been outlined in a section of the “Agreement by which the Rules of Operation of the Subsidy Programs of the Administrative Branch 20 Social Development are issued” (2002). In this agreement several subsidy programs are laid out, but the 3x1 programme is concerned with Mexican migrants. This programme concern both financial means and developmental impact. The programme is meant to promote co-responsibility initiatives, the investments for communities with high migration and extreme poverty, as well as the identity ties between nationals living abroad and the community of origin. The financial resources come from the federation, states, municipalities and organized citizens themselves, both national and international. The cooperation between these organizations enables the projects. The maximum federal amount of support has been set at 250,000 Pesos per project. These projects are meant to raise the living standards, improve family income and create basic infrastructure and services in marginalized communities (article 4). Yearly, the 3x1 programme has been amended to clearly outline the budget and means for the coming year. The “Agreement amending the



Rules of Operation of the 3x1 Citizen Initiative Program by the Ministry of Social Development” in 2004 has changed the budget per project to 750,000 Pesos for projects that favour the development of communities and social-productive projects, that concern raising the living standards. This amount was raised even higher in the year of 2005, to 800,000 Pesos per project. In the “Agreement by which the Rules of Operation of the 3x1 Program for Migrants are issued, for fiscal year 2009”, the projects were split in different categories, social infrastructure, community service, educational and productive projects. The maximum amount of money depends on the project. The projects concerning Infrastructure and community service had the highest amount of a maximum of 800,000 Pesos per project and the productive projects for the strengthening of assets came up to a maximum of 300,000 Pesos per project. This way the projects are categorizable and ranked in importance. Finally, in the “Agreement by which the Rules of Operation of the 3x1 Program for Migrants are issued, for fiscal year 2019”, the social infrastructure and the community service projects seem to be the most important for the government, since they have the highest possible budget of 1,000,000 Pesos. Educational projects have two different aspects, equipment of public schools (250,000 Pesos) and improvement of school infrastructure (400,000 Pesos). Productive projects are also split, these projects contribute to the generation of income and employment, strengthen the patrimony of the families based in Mexico and lastly promote the participation of the community and economic and social improvement of the communities. The amount of money depends on whether the project is meant for the whole community (500,000 Pesos) or for relatives of the Mexican migrant (300,000 Pesos). Since the beginning of the project, there has been more money made available for the projects to ensure the financial and social development of the communities and families using the remittances send by the migrants. Migrants might be more willing to remit, when working with the hometown associations to ensure the development in the country of origin and for the family.

In 2006 the 3x1 programme was evaluated on effectiveness. Up until then it has already supported more than 6000 social investment projects, including the improvement of public space and electrification. It has also improved the social cohesion for migrant groups in the US, which made it easier for them to protect their rights more effectively in both the US and Mexico, because they were in larger numbers to protect themselves (Menocal, 2007).

### **4.1.3. Policies on the protection of migrants**

The policy concerning the protection and safety of migrants is “Agreement A/117/15” (2015). This agreement has created the Crime Investigation Unit for Migrants and the Mexican Foreign Support Mechanisms for Search and Investigation. With the establishments of these new organizations the protection of migrants, both foreign and Mexican, is strengthened. Crime committed against migrants, whether they would be undocumented or documented, will be followed up and persecuted. Moreover, this unit has the jurisdiction to coordinate with the competent authorities for the search of Mexican migrants abroad, who have, according to their investigation, disappeared (article 6, XXIII). Even though this specific subsection has been repealed in “Agreement A/012/18” (2018), the possibility to search for missing Mexican migrants abroad has not disappeared. The search for migrants has been combined in one law both for migrants in Mexico as well as those abroad, with the aim to protect all migrants.

With this analysis, I can confirm the first hypothesis. The Mexican government has implemented more supportive, inclusive and protective policies regarding former migrants as well as Mexican migrants abroad. Also, With the evaluation of the 3x1 programme in 2006 it has even been proven to be effective in producing development (Menocal, 2007).

## **4.2. Family bonds**

As said before, the relationship between the family and the migrants are important to the amount of remittances sent. This mutual relationship has the ability to encourage migrants to start or continue remitting. The family could also force migrants to remit for the chance of receiving an inheritance (Hagen-Zanker & Siegel, 2007; Stark & Lucas, 1988).

The analyses start with the relationship between the prospects of land inheritance and the matter of remitting. If the head of the family acquired their current land through inheritance, it would be more likely that this land would also be inherited by their children. I would expect, that migrants remit if they have a chance of inheriting land. This relationship is described in *table 1*. A few important aspects should be described. First of all, most families have not received remittances. Of the families that have received remittances 59.6% have a chance of inheritance. However, of the families that have not received remittances 64.4% also have a chance of inheritance. There is thus not a substantial difference between the groups, in both cases inheritance is the largest group of land acquiring.

**Table 1: Land acquirement and remittances received**

<b>Has received remittances from the US?</b>	<b>How has the head of the family acquired their current land?</b>				
	<b>Inheritance</b>	<b>Savings</b>	<b>Loan</b>	<b>Other</b>	<b>Total</b>
<b>Yes</b>	396 (59.6%)	205 (30.9%)	8 (1.2%)	55 (8.3%)	664 (100%)
<b>No</b>	1552 (64.4%)	612 (25.4%)	47 (2.0%)	199 (8.3%)	2410 (100%)
<b>Total</b>	1948 (63.4%)	817 (26.6%)	55 (1.8%)	254 (8.3%)	3074 (100%)

Secondly, I analysed the relationship between family ties and remittances. The family ties are operationalized through the contacting of relatives while living abroad. People who contact relatives are more likely to have a better relationship with them. When the social bonds are better, it is expected that people will be more willing to help them in need. So if the family has a better relationship and contact each other, I would expect people to remit more. This relationship is described in *table 2*. The important aspect to mention is that most people have sent remittances in the past month. 54.8% of the people who have remitted in the past month have contacted their relatives, compared with 45.2% of the migrants that have remitted in the past month, who have not been in contact with their relatives. However, 58.1% of the people who have not remitted have also been in contact with their relatives. There is thus not a distinct difference between these groups of migrants.

**Table 2: Contact with relatives and remittances**

<b>Has the migrant remitted in the past month?</b>	<b>Has the migrant contacted relatives?</b>		<b>Total</b>
	<b>Yes</b>	<b>No</b>	
<b>Yes</b>	1689 (54.8%)	1394 (45.2%)	3083 (100%)
<b>No</b>	351 (58.1%)	253 (41.9%)	604 (100%)
<b>Total</b>	2040 (55.3%)	1647 (44.7%)	3687 (100%)

Lastly, I analysed whether there is a link between indebtedness to their family and whether or not they would remit. This relationship is analysed through three different aspects. The first aspect is who paid for the coyote, this is shown in *table 3*. Of the people that have remitted either the family (37.7%) or themselves (51.4%) were the most substantive groups to have paid for the coyote. However, when people have not remitted the most substantial groups are family (44.9%) or themselves (45.8%) as well. The second aspect of indebtedness is towards the person who paid for the medical bill of the migrant, which is shown in *table 4*. Of the people that have remitted in the past month the biggest group who paid for the health bill has either been their insurance, employer or themselves. Only a small group of migrants' medical bills has been paid by their relatives (5.7%). Of this group more people have remitted in the past month compared to not remitted. The third aspect is the person who provided financial help and is shown in *table 5*. Relatives are the biggest group for providing financial help (43.5%). However, this counts for both the migrants that have remitted and that have not remitted in the past month.

**Table 3: Who paid the coyote and remittances**

<b>Has the migrant remitted in the past month?</b>	<b>Who paid for the coyote</b>					
	<b>Self</b>	<b>Family</b>	<b>Employer</b>	<b>Friends</b>	<b>Other</b>	<b>Total</b>
<b>Yes</b>	1123 (51.4%)	823 (37.7%)	45 (2.1%)	181 (8.3%)	11 (0.5%)	2183 (100%)
<b>No</b>	158 (45.8%)	155 (44.9%)	7 (2.0%)	20 (5.8%)	5 (1.4%)	345 (100%)
<b>Total</b>	1281 (50.7%)	978 (38.7%)	52 (2.1%)	201 (8.0%)	16 (0.6%)	2528 (100%)

*Table 4: Who paid the health bill and remittances*

Has the migrant remitted in the past month?	Who paid the health bill?					
	Self	Relatives	Employer	Insurance	Other / No one	Total
<b>Yes</b>	278 (31.8%)	49 (5.6%)	203 (23.2%)	303 (34.7%)	41 (4.7%)	847 (100%)
<b>No</b>	58 (23.5%)	15 (6.1%)	25 (10.1%)	138 (55.9%)	11 (4.5%)	247 (100%)
<b>Total</b>	336 (30.0%)	64 (5.7%)	228 (20.3%)	441 (39.3%)	52 (4.6%)	1121 (100%)

*Table 5: Who provided financial help and remittances*

Has the migrant remitted in the past month?	Who provides financial help?						Total
	Relatives	Employer	Home-community member	Friend	Other	Did not need it / No one	
<b>Yes</b>	928 (42.7%)	101 (4.7%)	89 (4.1%)	477 (21.9%)	8 (0.4%)	570 (26.2%)	2173 (100%)
<b>No</b>	228 (47.0%)	18 (3.7%)	9 (1.9%)	66 (13.6%)	6 (1.2%)	158 (32.6%)	485 (100%)
<b>Total</b>	1156 (43.5%)	119 (4.5%)	98 (3.7%)	543 (20.4%)	14 (0.1%)	728 (27.4%)	2658 (100%)

There has not been proven a substantial difference between the group migrants that have remitted and the group that have not remitted and the relationship with their family. With this analysis concerning social bonds I am not able to confirm the second hypothesis.

### **4.3. Financial costs of remitting**

The additional costs of remittances have been followed and maintained by the World Bank since 2008. The total costs of remitting consists of the fees and the exchange rates from transferring US Dollars to Mexican Dollars. These costs are central to analysing whether the remittances have increased during the same time period the financial costs of remittances have increased.

Starting with the analysis in the second quarter in 2008 there were 22 official firms that made remitting possible. Of these firms there were 5 banks and 17 money transfer operators. It was only possible to send cash from the United States and receive the money in cash in Mexico. The money was received within the timespan of either less than an hour, the same day or the next day. The total average fee over 200 US Dollars (USD) was 8.36 Dollars, which, together with the exchange rates, made the total costs 11.60 USD. The Bank of America was the most low-cost firm with a zero dollar fee and the exchange rate of 2.45%. The total costs of sending 200 USD through the Bank of America to Mexico was 2.45% or 4.90 USD. In contrast, the most expensive firm to send money through was Dinero Express, which is a Money Transfer Operator. The fee for sending 200 USD was 14.99 USD, which made the total costs 8.71% or 17.42 USD.

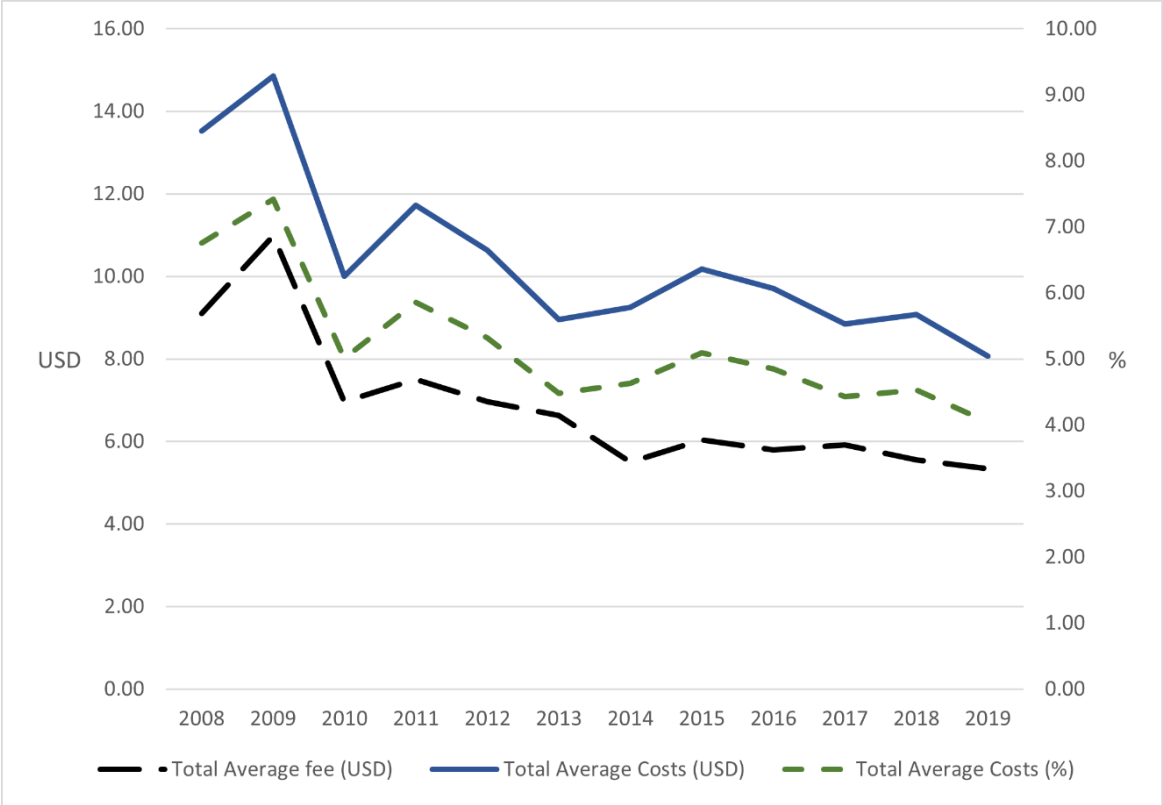
Only since 2010 it has become possible to transfer money through credit or debit card or through the bank account. The people sending money could now choose how they liked to send it, in cash or by card. Those receiving the money could decide as well whether they liked it in cash or by card. The options for sending and receiving money have thus increased.

In the first quarter of 2020 there is a total amount of 28 firms that offer remittances transfers. The most low-priced firm was MoneyGram, a Money transfer Operator. The fee for sending 200 USD through this firm was free. The exchange rate margin between the US and Mexico however was, -.07%. This made the total costs -.14 USD, so they made a small profit from the exchange rate. Another low-priced firm was Citibank, which had no costs attached to sending money. The most expensive firm to remit through was Money Transfers, with a fee of 10.00 USD which made the total costs of remitting 13.96 USD or 6.98% of the money send.

Throughout the years the amount of firms and ways to send money has thus increased. More firms became available for migrants to remit. As said before, in 2008 the amount of firms was 22, which has grown to 28 firms in 2020. Also, even though there were some fluctuations in the costs of sending the remittances, the average costs have decreased from

5.80% in 2008 to 4.04% in 2020, this is shown in *figure 1*. There are even firms now that charge no costs for sending money, which makes it more attractive for migrants to send money to Mexico. There is thus a decrease in the costs of remitting.

**Figure 1: Costs of remitting 200 USD**



Source: World Bank

With this analysis we have found support for the third hypothesis. From 2008 until 2020 the costs of remitting have decreased, while at the same time the amount of remittances received in Mexico has increased. Therefore, with a larger variety of sending and receiving money and with lowering the costs of remitting, migrants could be more likely to remit.

## 5. Conclusion

In this thesis I have looked at the remittances in Mexico, focusing on government policies concerning Mexican migrants, social bonds between migrants and their families, and the financial costs of remitting. With this study I tried to find the factors shaping the growth of remittances in Mexico. This is important, because remittances have shown to support social and political development in the country of origin and in reducing poverty (Arthur et al., 2020; Hollifield et al., 2006; Waddell, 2015).

To answer the question “What factors have contributed to the increase of remittances in Mexico during the period 2000-2020?” three hypotheses have been formulated. The first hypothesis, “The Mexican government has aimed at boosting their remittances by implementing more inclusive diaspora policies”, has been confirmed. Since 2000 policies have been implemented that support former migrant workers and current migrant workers abroad. Also, the banks have been given stricter rules to handle the remittances, which makes the sending of remittances safer. With the yearly agreement of the 3x1 Citizen’s Initiative Programme, more money has become available for projects to encourage social and community development. Through this programme, migrants have become more involved in the development and migrant groups can create their own projects for which it can receive government funding. The second hypothesis, “Mexican migrants with strong family bonds are more likely to remit”, has not been confirmed. There was no substantial difference between the groups of migrants who have remitted and those who have not remitted and their social or familial bonds. The third hypothesis, “the decrease of the financial costs of remitting has increased the remittances sent”, has also been proven. Since 2000 the costs has been decreasing, both the average fees and the total average costs. At the same time, the amount of remittances received in Mexico has grown substantially.

Concluding from these hypotheses, the amount of remittances have likely been boosted by supporting Mexican migrants through governmental policies and the decrease of financial costs of remitting. Even though Mexico started relatively late to focus on the importance of migrant workers compared to other countries, it has rapidly increased its support and focus on their migrants. This thesis contributes to the literature exploring how countries try to boost their remittance inflows by showing how a substantive growth of remittances in Mexico goes hand in hand with a growing amount of policies and decreasing costs. The limitation of this research is that I could not provide causal relationships between



the policies, social bonds and costs of remitting and the remittances received in Mexico. This is because this analysis did not include personal information on the motives to remit given by the Mexican migrants. However, even though causality is not proven, with this analysis it is most likely that these factors have had some influence on the growth of remittances.

Based on this study, I can also give some policy recommendations. Firstly, to keep improving and including migrants abroad in the development of their home country and community, and secondly, to keep making it easier and cheaper to remit. For future research it would be interesting to look at personal reasons for remitting and, through semi-structured interviews, ask the migrants whether certain policies or familial ties have influenced the willingness of remitting. Also, it would be interesting to interview Mexican migrants who do not remit, to find out why they do not remit and what incentives might make them willing to remit. With this information, more concrete policies could be implemented to boost remittances and hereby strengthen the social and political development that has been shown in this thesis.

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