

Migrants' Money for Financial Inclusion?

Transnational Governance-Initiatives in the US-Mexican Context

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Abstract

The study analyzes three state and non-state initiatives channeling migrants' remittances through networks of microfinance institutions in the transnational US-Mexican context, hosting the largest remittance corridor worldwide. The Mexican main actors of the initiatives – a state development bank, a large financial cooperative and a NGO with a special focus on rural finance – to different degrees declare a contribution to the financial inclusion of the remittance-receivers and the improvement of their socioeconomic situation as (one of) their aim(s). Parting from the observation that state and non-state actors are involved with similar initiatives in the same governance area, the study firstly asks to what extent the initiatives' potential contribution to financial inclusion via remittances differs. Secondly, it reconstructs the varying logics guiding the three state and non-state actors and their remittance-initiatives. Finally, it addresses the implications of the actors' logics for their interplay in the Mexican microfinance sector. The study takes a governance perspective due to the variety of involved actors and interactions and follows an inductive approach with qualitative case studies. Empirically it is based mainly on interviews with experts and stakeholders. The analysis shows that the remittance-initiatives' potential contribution to financial inclusion varies considerably, with different strengths and weaknesses in each case and partial complementarities. It argues that the analyzed welfare oriented governance-initiatives represent relevant alternative models complementing other commercial remittance-payment networks in Mexico, although their market participation remains limited up to now. The study moreover concludes that the initiatives' hitherto limited potential contribution to financial inclusion is partly due to their main actors' logics, comprising financial and power political rationales next to the developmental goals. These lead to a range of conflicts between the state and non-state actors and limit the potential benefit from complementarities. Addressing the implications of state- and non-state actors' parallel involvement in the Mexican microfinance sector and remittance market, the study contributes to three hitherto separate research fields and relevant development discussions: Migration and development, microfinance and financial inclusion, as well as the changing role of governance actors *vis-à-vis* new transnational challenges in the context of globalization.

Preface and Acknowledgements

The main actors in the background of this study – albeit they are not the main analyzed actors – are Mexican migrants who leave their communities of origin and move north to the United States, where they stay weeks, months, years, or even their remaining lifetime, in order to work and send money back home to support their families in Mexico. The study is about governance-initiatives that aim at fostering the financial inclusion of these remittance-receivers, in order to improve their socio-economic situation. It is also about the role(s) and logics of the state and non-state actors initiating these initiatives as well as their interplay in the Mexican microfinance sector – but more on all that later.

This study is the result of my own movements between and in a variety of spaces. I started the PhD-project in the context of a project on “Remittances and Financial Development” in the Special Research Center (SFB 700) on “Governance in Areas of Limited Statehood” at the Freie Universität Berlin, supported by the Deutsche Forschungsgemeinschaft (DFG). This inspired not only my interest in questions of microfinance and financial inclusion but also on the changing – and the remaining – role of the state in light of the increasing participation of non-state actors in governance-processes in the context of globalization. I continued the PhD-study in the DFG International Research Training Group “Between Spaces. Movements, Actors and Representations of Globalisation” (“*Entre Espacios*”) at the Institute of Latin American Studies (LAI), also at the Freie Universität Berlin. With its interdisciplinary approach and its focus on Mexico and transnational actors and processes, this group provided a fruitful context to carry on and finish the project.

During the several years of work on the PhD-study I often felt myself like a migrant between spaces: between Berlin, Mexico and the United States, between the different above mentioned research contexts, between the two main disciplines of my research project – political sciences and economics (including the migration between the respective colloquia at the LAI) – and last but not least between the different research strands that I linked in this study: migration and development, microfinance and financial inclusion, as well as governance and the changing role of the state in globalization.

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List of Abbreviations

AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
AMUCSS	Asociación Mexicana de Uniones de Crédito del Sector Social
ATM	Automated Teller Machine
BANSEFI	Banco del Ahorro Nacional y Servicios Financieros
BTS	Bancomer Transfer Services
CEMLA	Centro de Estudios Monetarios Latinoamericanos
CFI	Center for Financial Inclusion
CGAP	Consultative Group to Assist the Poor
CNBV	Comisión Nacional Bancaria y de Valores
CPM	Caja Popular Mexicana
CONAIF	Consejo Nacional de Inclusión Financiera
CONCAMEX	Confederación de Cooperativas de Ahorro y Préstamo en México
CONDUSEF	Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros
DESA	United Nations Department of Economic and Social Affairs
DGRV	Deutscher Genossenschafts- und Raiffeisenverband (German Cooperative and Raiffeisen Confederation)
EC	Envíos Confianza
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (German Agency for International Cooperation)
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IME	Instituto de los Mexicanos en el Exterior
IMF	International Monetary Fund
INEGI	Instituto Nacional de Estadística y Geografía

IOM	International Organization of Migration
IPO	Initial Public Offering
LACP	Ley de Ahorro y Crédito Popular
LRASCAP	Ley para Regular las Actividades de las Sociedades Cooperativas de Ahorro y Préstamo
MFI	Microfinance Institution
MIF	Multilateral Investment Fund
MIX	Microfinance Information Exchange
MTO	Money Transfer Operator
NGO	Non-governmental Organization
ODA	Official Development Aid
OECD	Organisation for Economic Co-operation and Development
PAHNAL	Patronato del Ahorro Nacional
PAN	Partido Acción Nacional
PGR	Procuraduría General de la República
PRI	Partido Revolucionario Institucional
PROFECO	Procuraduría Federal del Consumidor
RdG	La Red de la Gente
SACP	Sector de Ahorro y Crédito Popular
SFB	Sonderforschungsbereich (Special Research Center)
SHCP	Secretaría de Hacienda y Crédito Público
SBFIC	Sparkassenstiftung für Internationale Kooperation (Savings Banks Foundation for International Cooperation)
Sofinco	Sociedad Financiera Comunitaria
Sofipo	Sociedad Financiera Popular
Sofol	Sociedad Financiera de Objeto Limitado
Sofom	Sociedad Financiera de Objeto Múltiple
UNCDF	United Nations Capital Development Fund
USD	US Dollar
WOCCU	World Council of Credit Unions

1 Introduction

Movements of people and money across national borders are among the most significant phenomena contributing to and shaping globalization. In the context of striking social and economic inequalities between regions and countries and better job and income opportunities abroad, many inhabitants from poorer countries move temporarily or permanently abroad in order to improve their lives and those of their families. The money that migrants send back home to support their families, so called remittances, have shown extraordinary growth rates in the last decades. Whereas officially recorded remittances to developing countries amounted to 30 billion USD in 1990 (de Haas 2005: 1276), in 2010 they reached 325 billion USD (The World Bank 2011: 19), increasing more than tenfold in two decades.¹ With that, they now more than double the total official development aid (ODA) to the developing world.² Remittances are a major source of income for many poor households and have become an important capital flow for many developing countries, representing considerable shares of the Gross Domestic Product (GDP) in some cases (The World Bank 2011: 14). Their sharp rise has attracted increasing interest from international development organizations, policymakers and academia alike, and caused an intense and controversial debate about their development potential. The World Bank launched a Global Working Group on Remittances, policy recommendations have been proclaimed up to the level of the G8,³ and the potential of migrant transfers has been repeated like a new “development mantra” (Kapur 2004).

Similar to remittances, microfinance and financial inclusion⁴ have moved to the top of national and international development agendas and are being addressed by a growing academic community, especially due to the expectation that they can reduce poverty and inequalities (Kendall et al. 2010: 1). This is in part due to the observation that access to finance is highly unequal on a global level: Whereas in industrialized countries between ten and twenty percent of the population are estimated to be unbanked, in developing

¹ It has to be noted, though, that this increase is also due to the shift from informal to formal transfer channels and the more exact documentation of remittances in official statistics.

² The overall official development aid in 2010 reached almost 130 billion USD. See the information on the website of the Organisation for Economic Co-operation and Development (OECD): <http://www.oecd.org/dac/aidstatistics/developmentaidreachesahistorichighin2010.htm>, 15.07.2011.

³ See L’Aquila’s G8 summit Declaration 2009 (http://www.g8italia2009.it/static/G8_Allegato/G8_Declaration_08_07_09_final%2c0.pdf) and the respective activities of the Global Remittances Working Group coordinated by the World Bank: http://www.esteri.it/mae/approfondimenti/20091230_Rome_Road_Map_for_Remittances_fin.pdf, 15.7.2011.

⁴ Microfinance refers to the whole range of financial services (including credit, savings, insurances, money transfers) targeting low income populations and small and medium enterprises, which often imply special techniques and forms of service delivery. These services can be provided by specialized microfinance institutions or other types of (non-commercial and commercial) financial service providers like financial cooperatives or commercial banks. Financial inclusion, in short, refers to qualitative and permanent access to and usage of financial services (see for a more detailed conceptual discussion the theoretical framework in chapter two).

regions, according to recent studies, around 60 to 70 percent of the adults do not have access to (formal) financial services. The distribution within these groups varies moreover according to gender, social strata and regions (Chaia et al. 2009: 5; Demirgüç-Kunt/Klapper 2012: 2; Kendall et al. 2010: 3). Against this background, the proclamation of the International Year of Microcredit in 2005, the awarding of the Nobel Peace Prize 2006 to Muhammad Yunus and Grameen Bank "for their efforts to create economic and social development from below",⁵ and the release of the "Principles on Innovative Financial Inclusion" of a G20 expert group in 2010 (ATISG 2010) are some major indications of the impact ideas about microfinance and financial inclusion have made at the global level.

Both development topics, remittances and financial inclusion, are embedded in the political context of globalization, characterized through the changing roles of the nation state as "classical" governing actor. States and national governments are increasingly contested in their scope of action by transnational economic, environmental and social phenomena difficult to tackle on a national level alone, precisely because of their global nature. The state's capacity to act is reduced or overcharged with the regulation of fields that are located partly beyond its (traditional) scope of action – as is the case of migration and transnational financial flows, for instance (Mayntz 2008: 54; 2009a). The classical governing of a "strong" state has become more and more challenged by societies' complex dynamics and the increasing interweaving of state and society. For states in developing regions these tendencies arguably represent an even greater challenge, as they are often characterized by a constrained capacity to set and implement collectively binding rules (Risse 2011: 3ff.) as well as the coexistence of different societal dynamics and logics of rule (Schlichte/Wilke 2000). In the context of the outlined tendencies, governing in most world regions increasingly includes both non-state and international actors that co-govern along with (national) state actors, or sometimes even take over governing tasks completely. The academic discussion surrounding these tendencies, framed and analyzed increasingly with the notion of "governance", constitutes the study's main theoretical background.

1.1 Research interest

The present study is located at the intersection of three broader research fields reflecting the above outlined developments: governance and the changing role of the state in globalization, migration and development, and microfinance and financial inclusion. It takes a governance perspective to analyze state and non-state initiatives that link remittances and microfinance and hence have the potential to contribute to financial

⁵ See the official website of the Nobel Prize: http://www.nobelprize.org/nobel_prizes/peace/laureates/2006/, 12.04.2012.

inclusion. Thereby, the study is particularly interested in the role of the state *vis-à-vis* non-state actors operating in the same governance field – as part of the broader discussion on the changing role of the state in globalization and especially in the financial sector. The empirical setting is the US-Mexican context, hosting the world’s largest remittance-corridor, with a main focus on Mexico, the remittance-receiving destination. Mexico represents a particularly rich case to analyze these processes, as the remainder of this introduction will address in greater detail. The country is not only still in a process of transition from a rather authoritarian system to a more democratic rule, but it is also confronted with the increasing transnationalization of the society due to mass-emigration and has undertaken a profound reform of the microfinance sector since the beginning of the new millennium. Mexico presents an overall context in which the state is having to redefine its role *vis-à-vis* non-state actors that enter the political arena, and one in which its scope of action is increasingly conditioned through the presence of other actors demanding participation in the solution of social issues.

The research questions of the present study are inspired by both an empirical observation and a theoretical critique. In light of increasing remittance inflows, and arguably related to the international promotion of the remittances and microfinance agenda (Young 2008), a range of initiatives have been undertaken by Mexican state and non-state actors in order to capitalize on the potential of remittances for financial development in the last decade. Among these, three initiatives that link remittances with microfinance were selected for analysis in the present study (see the explanation of the selection criteria below). They were initiated on the one hand by a Mexican state actor (a governmental development bank) and, on the other hand, by two non-state actors (a financial cooperative and a non-governmental organization (NGO)). All actors channel remittances cooperating with money transfer operators (MTOs) and financial institutions in the United States and pay them out through networks of microfinance institutions in Mexico, where they offer the money transfers together with other microfinance services. Via that link, as mentioned above, all three initiatives could be expected to contribute to the financial inclusion of the remittance-receivers. In fact, all articulate in more or less explicit terms to aspire to such a contribution.

First, let us take a closer look at the three initiatives. The Mexican national development bank BANSEFI (*Banco del Ahorro Nacional y Servicios Financieros*) started a remittance-initiative called “La Red de la Gente” (“The Network of the People”) in 2003. An explicit goal of the state supported network is to provide financial services to individuals without access to such services, particularly in areas not covered by commercial banks. Caja Popular Mexicana (CPM), the largest credit cooperative in Mexico and one of the largest in Latin America, also started paying remittances in 2003. The financial cooperative delivers the service with the aim of amplifying services to existing members and

attracting new members. The NGO AMUCSS (*Asociación Mexicana de Uniones de Crédito del Sector Social*) supports rural MFI and seeks to provide financial services in marginalized rural areas, with a special orientation towards indigenous communities and other groups that have been traditionally excluded from the financial system. It started to offer remittance-services in a pilot project in 2001 and later joined La Red de la Gente, the government supported MFI-network, before it founded its own remittance-initiative called “Envíos Confianza” (“Trust Transfers”) in 2008.

The Mexican state’s implementation of an initiative linking remittances and microfinance is notable, because these migrant transfers, in contrast to other international financial flows, have been described as “unique capital flow that tends to bypass the state” (Spector/de Graauw 2006: 2), or as the World Bank has noted, “for the most part, remittances avoid the government ‘middleman’” (The World Bank 2006: 105). Likewise, scholars and policymakers over the last decades have tended to concede the state a more and more limited role in the area of financial sector development, a point that will be further elaborated in the theoretical part of this study. The observation that a state actor becomes involved in the same field alongside non-state actors, a field that is no longer considered part of the state’s “genuine” spheres of activity and not “appropriate” regarding its expected role(s), is thus one inspiration for the research questions of the present study. In the case of the Mexican remittance-initiatives in the micro-financial sector, the state is thus still active alongside non-state actors, who claim the field as their sphere of competence. Consequently, the expectations of the latter towards the (appropriate) roles and degrees of participation of the state thereby differ from the state’s own perception, and the probability of conflicts between state and non-state actors rises.

This leads to another source of inspiration for the study’s research questions, which has to do with the – at least – slightly normative bias of the governance perspective: In light of the assumption that governance is (always) focused on the public interest, a fundamental critique brought forward against the governance approach attributes to it a “problem-solving-bias” (Mayntz 2004: 74; 2006: 17) and a blindness for questions of political power (Offe 2008: 72).⁶ Therefore, instead of simply assuming that the actors participate in the analyzed governance area (only) in order to solve a development problem or to foster the provision of a public good, the study takes into consideration that there might also exist other motives guiding the actors – including the quest for political power – and that this might moreover lead to considerable conflicts between the actors. A central aim is thus to figure out why the state and non-state might get involved in the remittance-microfinance-linkage beyond the aspiration to contribute to financial inclusion, and what the implications of the interplay of the state and non-state actors involved in the same field

⁶ Governance is understood in this study as the entirety of modes of collective regulation of social matters with a focus on enhancing the common good. See in more detail sections 1.2.1 and 2.2.1.

with (supposedly) different logics are – including both probable complementarities and conflicts between the different actors.

In order to specify this general research interest, the study thus poses three interrelated research questions. Parting from the state and non-state actors' more or less explicitly declared aim of contributing to financial inclusion, a first question asks to what extent the selected state and non-state initiatives linking remittances and microfinance differ with regards to their potential contribution to financial inclusion. If the state is actively engaging, despite opposite expectations, it is, in the first place, interesting to examine whether its initiative promises a particular contribution in comparison to the non-state actors. It must be emphasized though that an exact assessment of the *actual* contribution to financial inclusion is not part of this study's main research interest. This would at any rate be difficult to carry out due to a lack of necessary data. More importantly, as a basis to address the state and non-state actors' logics, it is sufficient to address the initiatives' *potential* contribution to financial inclusion. (See the methodological section and the theory frame for the procedure to estimate that potential).

Secondly, taking up the above mentioned critique *vis-à-vis* the governance literature, the main research question asks which logics guide the state and non-state actors' involvement in the remittance-microfinance-linkage beyond the intention to contribute to financial inclusion and what implications these logics have for the interplay of the actors. The present study examines the motives of the analyzed state and non-state actors regarding their involvement in the area of remittances and microfinance, reconstructing the actors' logics, as motivational aspects are not easily grasped at first sight. Actors' logics are thereby understood as the interplay of general principles guiding actors' behaviors, which partly depend on the type of actor and are conditioned by respective norms and normative role expectations as well as particular interests of the actors. These conceptualizations will also be further outlined in the theoretical chapter. Next to the reconstruction of the logics, the study thirdly asks what implications they may have for the actors' interplay in the Mexican microfinance sector and which conflicts may arise from the parallel involvement of state and non-state actors. This is relevant insofar as the (assumedly differing) logics of actors arguably impact the state and non-state actors' interactions in the governance arena and thus the entire governance process.

The addressed questions are not only relevant for the Mexican case. Worldwide, the significance and implications of migration are increasing. Remittances are an important source of income of many developing countries, and migrants' money and microfinance have been widely promoted as a solution to poverty and inequality in the "Global South". The scopes of action of national states are challenged by new transnational phenomena in most parts of the world. In that context, the study aims to contribute to the research on the changing role of the state in globalization especially through the problematization of its

interactions with non-state actors in the same governance field. Linking the two hitherto broadly unrelated research fields of remittances and financial inclusion and discussing the related potential contribution of state and non-state initiatives, it stresses the necessity of analyzing the roles and logics of the respective involved governance actors in order to avoid overly optimistic accounts of the problem-solving capacity of such initiatives without addressing questions of interests and political power.

1.2 Relevant academic debates and the related empirical context

The following sections introduce the relevant academic debates, whose intersection forms the background of this study and which are related to the global developments introduced above. As each of these research fields individually comprises a vast academic discussion, the following overview necessarily limits itself to important positions relevant to the lines of argumentation of this study. Each section moreover briefly presents this study's respective empirical context, highlighting the specific relevance of the Mexican case to study the raised questions. Whereas this section is supposed to contextualize the theoretical debates and empirical setting of the study in the form of a general overview, the theoretical and empirical context chapters respectively will expand upon the issues relevant for the argumentation of the study.

1.2.1 Governance and the changing role of the state in globalization

As mentioned above, the general theoretical background of this study consists of the debate over the changing role of the state in globalization and its increasing interaction with non-state actors regarding the solution of policy and development problems. In the academic literature, there are different positions on the role of the state in globalization. Whereas in the earlier debate one group of scholars declared the end of the nation state or the retreat of the state, arguing that states increasingly lose autonomy, influence and sovereignty in a global world, others attributed the state even greater scope of action in the context of globalization (see for an overview on both positions Grande/Risse 2000). In the meantime, though, the study of the "transformation of the state", according to which the state remains an important political actor among other relevant players while undergoing substantial changes, proves to be the most widely accepted (see e.g. Benz 2008: 259ff.; Leibfried/Zürn 2006; Mayntz 2009a: 55; Peters 2005: 71ff.; Sørensen 2004). In that context, the concept of "governance" describes the tendency of non-state actors to increasingly participate alongside the state in a variety of forms in order to collectively regulate social matters, that is, to produce and implement rules and to provide collective goods (Mayntz 2004: 66; Risse 2011: 9, 16).

The notion of governance has undergone a sharp rise in the social sciences in the last decades, and there are countless publications about governance across very different contexts and disciplines (Kjær 2004: 1f.; Schuppert 2008: 13f.; Theurl 2010: 11ff.). Overused and defined in multiple ways, the concept has been described as “notoriously slippery” (Pierre/Peters 2000: 7), “accepted as ambiguous”⁷ (Blumenthal 2005: 1150) and criticized as an “empty signifier” (Offe 2008) with a “grandiose semantic overexpansion” (ibid.: 66). In spite of these caveats, this study uses the concept, because – aside from the fact that the definitions of key terms for complex phenomena are always highly contested in the social sciences – it seems adequate for the analysis of the empirical setting for various reasons.

Firstly, the governance concept is appealing for interdisciplinary approaches and has been used in a variety of academic disciplines, especially in the two fields of main relevance for this study: Whereas political science increasingly conceives other forms of regulation beyond the hierarchical steering of the state, some strands of economics adopt the governance perspective to grasp mechanisms of social coordination beyond the market and to analyze the regulation of markets (Benz et al. 2007: 11f.; Ohr 2010). The governance perspective seems thus promising for the analysis of research questions located at the intersection of political sciences and economics – as is the case with the present study. In that sense, the governance perspective has the potential to overcome the classical dichotomy of state and market, increasingly conceiving states, markets and societies with their interdependencies. Some authors consequently also refer to a possible function of the notion of governance as a linking element between the two disciplines (Brunnengräber et al. 2004: 21ff.).

Secondly, in contrast to the earlier prevailing steering theory, governance turns away from the idea of one center of control and governing as one-way process, and rather conceives regulating social matters as an interplay between different actors cooperating in complex interdependent ways (Mayntz 2006: 12ff.; 2008: 43ff.). Governance accounts for the observation that the boundaries between state and society – or the governors and the governed – are becoming increasingly blurred. Referring to the “dynamic interaction of structures and processes, institutions and actors as well as regulations and their implementation” (Benz 2004: 21; see also Benz et al. 2007: 17), the term governance seems thus more adequate and encompassing than, for example, “regulation”.⁸

Related to that, thirdly, the concept of governance embraces the interplay of a variety of actors and different modes of interaction in social regulation. Also in this sense,

⁷ If not noted otherwise, all translations are from the author of this study.

⁸ Even if in German, differently than in English, it is possible to differentiate between “*Regelung*” and “*Regulierung*”, whereby the first could be conceived as rather synonymous to “governance”, being a wider concept that includes various forms of coordination beyond prescriptions followed by sanctioning (Mayntz 2008: 45), whereas the second still insinuates the authoritative decision and regulation of social matters (Schuppert 2008: 34f.).

governance seems better suited than other terms to analyze politics in globalization, characterized by the emergence, development and interplay of different forms of social coordination in specific policy fields (Mayntz 2009b: 9; 2009c: 10; Schuppert 2008: 24). The governance perspective is thus especially considered a suitable concept to analyze contemporary political processes, as it allows the variety of participating state and non-state actors involved in the regulation of social matters to be taken into account (Benz 2004: 12f.). In the context of this study, which focuses on the efforts linking remittances with microfinance to foster financial inclusion, the governance perspective also permits the conceptualization of such initiatives as governance, which due to their type of main actors – that is, for example, NGOs or credit cooperatives – might not necessarily be taken into account from a traditional policy analysis perspective. Accordingly, governance in this study is not understood as theory but as an analytical perspective expected to better grasp the interactions of state and non-state actors in the era of globalization. Instead of containing theoretical statements itself, it builds the frame in which these are developed and which can be combined with diverse other analytical or theoretical approaches (Benz 2004: 27; Benz et al. 2007: 14ff.; Pierre/Peters 2000: 37).

That the selected governance-initiatives are considered and labeled as transnational is specifically based on two literature strands suggesting such a classification. Firstly, the initiatives' networks span between and beyond different national spaces, with Mexican state and non-state actors cooperating with (non-state) money transfer operators in the United States. This relates to the understanding of transnationalism of International Relations scholars (Kaiser 1971; Keohane/Nye 1971) and especially Thomas Risse's definition of "transnational governance" as "those institutional arrangements beyond the nation-state that are characterized by two features [...]: the inclusion of non-state actors, such as firms, private interest groups, or non-governmental organizations (NGOs) in governance arrangements (actor dimension); [and] an emphasis on non-hierarchical modes of steering (steering modes)" (Risse 2004: 4).⁹ Secondly, the governance-initiatives are considered to be transnational as defined by Migration Studies' "transnationalism scholars", who conceive remittances, the main issue the initiatives address, as a decidedly transnational phenomenon (see e.g. Guarnizo 2003). Accordingly, the addressees of the initiatives, that is, the Mexican migrants in the United States and their remittance-receiving relatives in Mexico, also live on both sides of the border and contribute to constituting transnational spaces in which the governance actors and their initiatives are embedded (see e.g. Basch et al. 1994; Levitt/Jaworsky 2007; Pries 2008).

⁹ This distinguishes them from "international" interactions between sovereign states or governments (Pries 2008). Note the parallel that the participation of non-state actors is a basic defining element both in transnationalism and in governance.

There are several reasons why it is interesting to look at the Mexican case from a governance perspective focusing on the changing role of the state: The country is considered a hub of globalization due to its geographical position and historical role linking North and South, East and West (Rinke/Alba 2008: 12). It has a long history of migration to the United States and of a changing and porous, but also a “connecting” northern border (Braig 2008; Maihold 2005). Especially the more recent waves of migration to the north (see the next section for more details) facilitated the emergence of a transnational space, or rather various transnational spaces, in the geographical context of Mexico and the USA (Ariza/Portes 2007; Pries 2008: 195). Consequently, Mexican state and non-state actors are thus also confronted with a transnationalization of the political arena reframing their scopes of action.

In addition to these global aspects, the analysis of the state’s transformation in the Mexican case has an interior implication as well: Mexico, in the last decades, has undergone a transition of its political system from a rather authoritarian rule to a more democratic system, which formally was declared concluded with the presidential election of 2000, when the ruling *Partido Revolucionario Institucional* (PRI) was ousted by another party, the *Partido Acción Nacional* (PAN), for the first time in 71 years (see e.g. Selee/Peschard 2010). In this context, non-state actors increasingly demand and pursue greater participation in the political process (see e.g. Acosta 2010). Yet, despite this formal change of systems, there are still considerable remnants of the past, with political life characterized by weak state institutions and actors behaving according to old rules (Selee/Peschard 2010: 13ff.). This fosters the complexity of the state and non-state actors’ interactions in the financial sector as well.

1.2.2 Migration, remittances and development

The second large, rather interdisciplinary research strand in which the study is embedded concerns the discussions around “migration and development”. Migration not only has different implications for the autonomy and sovereignty of nation-states, especially immigration nations, (for example, issues of border control, changing population structures, questions of citizenship and the like) (Held et al. 1999: 321ff.), but it also poses new challenges and opportunities for the migrant sending countries. Recently, these opportunities have been related particularly to the enormous growth of the migrants’ money transfers mentioned above.

The academic debate on the possible links of migration and development over the last decades has been oscillating between euphoric views on the positive potential of migration to enhance development in the 1950s and ‘60s, rather pessimistic views in the 1970s and ‘80s, which focused on structural aspects and the dependency of the (usually

southern) migrant-sending country on the (usually northern) host countries, and again rather optimistic views from the 1990s onwards (De Haas 2010). The discussion on the impacts of remittances embedded in this broader debate is dominated by positive views, albeit there are also some pessimistic voices.

In particular at the policy level, remittances are often seen as a “bottom up” source of development finance that does not require any state bureaucracy and places no burden on public budgets (Kapur 2004: 7). In that view, transnational migrants are celebrated as new development actors within their origin societies with the financial flows going directly to those in need. This view is reflected partially in a series of flagship reports on remittances by multilateral institutions like the International Monetary Fund (IMF) and the World Bank (IMF 2005; The World Bank 2006), and in a range of academic papers published in the context of these institutions. Social scientists with a critical perspective on globalization, in contrast, see migration and remittances rather as the negative implication of neo-liberalism. Delgado Wise/Márquez Covarrubias (2008), for instance, argue that remittances are a mere outcome of limited economic and social development, rather than a means to foster growth and well being. According to their view, these flows help sustain the fragile socioeconomic stability of the migrants' countries of origin and rather expand the asymmetries between north and south. Authors located in between these positions acknowledge the “ambivalent character” of remittances and “the two sides of the same coin” (Durand 2006), highlighting the possibility of both positive and negative implications and arguing that the impacts of remittances depend, among others, on the respective contexts and governance-initiatives aiming to leverage their potential (see e.g. Fritz et al. 2011). The present study is also located in an intermediate position, considering thorough analyses of the respective cases and their circumstances of utmost importance in order to draw conclusions on the development impacts of the migrant transfers. It thus agrees with Hein de Haas who stresses that only the integration of agency and structure perspectives is able to grasp the heterogeneity of migration-development interactions and states that the

“resulting perspective reveals the naivety of recent views celebrating migration as self-help development “from below”. These views are largely ideologically driven and shift the attention away from structural constraints and the vital role of states in shaping favorable conditions for positive development impacts of migration to occur.”(De Haas 2010: 227)

Research on remittances and their development potential has increased considerably in the last decades and, up to now, has addressed above all questions like the reduction of poverty and inequality, as well as their impact on the balance of payments, growth, education and entrepreneurial activism, among others.¹⁰ Recently, authors have increasingly focused on the intersection of remittances and financial development,

¹⁰ See for an overview on research on remittances and their implications for development (Ambrosius 2012c).

analyzing possible links both from macro and micro perspectives. The possible impacts of remittances on financial inclusion are thereby one of the central addressed questions (Aggarwal et al. 2011; Ambrosius 2012a, 2012b; Anzoategui 2011; Demirgüç-Kunt et al. 2011; Martínez Pería et al. 2008).

Beyond the mainly economic research on remittances, only few authors address the remittance phenomenon with a political science perspective. Research on policies or governance capitalizing on this potential is even rarer at present. Spector/de Graauw (2006) present a cross-country comparison of remittance-initiatives by state and non-state actors, departing from a research interest on the role of the state in remittance governance similar to that of the present study, but largely remain on a descriptive level of empirically observable initiatives. The group of other available publications consists above all of policy papers and reports, dealing with possible initiatives to capitalize on the development potential of remittances in general. But most of them either list different options (see e.g. Andreassen/Cirasino 2006; Carling 2005; Carling 2004; GCIM 2005; Orozco/Wilson 2005; Terry 2005) or mention existing initiatives and sometimes briefly describe them (De Luna Martínez 2005; IAD 2004, 2007; Orozco/Fedewa 2007; Orozco/Reifsteck 2007; Page/Plaza 2005; The World Bank 2006).

The possible options or realized initiatives focusing on the intersection of remittances and finance, which are mentioned in these publications can be summarized roughly as follows: (1) so called “diaspora-policies” that try to influence remittance flows in a rather indirect manner; (2) initiatives aiming at channeling remittances towards “productive” or “non-consumptive” use;¹¹ and (3) initiatives aimed at reducing transfer costs, channeling remittances through the formal financial system, and improving access to financial services for the often “unbanked” remittance-receivers (also referred to as “banking” or “*bancarización*”). The latter are the relevant options in the context of this study. The related literature linking the topics of remittances and financial inclusion will be presented in more detail below after introducing the research field on financial inclusion and microfinance.

Mexico, as few other countries, is and has been one of *the* cases to study the link of migration and development, having experienced more than a century of migration to its northern neighbor, with a sharp rise from the 1970s onwards (Durand 2007; Passel et al. 2012: 6). With almost 12 million migrants born in Mexico and residing in the United States in 2010, the country has the largest absolute number of citizens living outside its borders in the world. While it does not figure among the countries with the largest shares of

¹¹ It has to be noted, however, that the distinction between “productive use” or “investment” of remittances and “consumptive use” is far from clear, because even apparent “consumptive” uses like buying food for the children or caring for their health could be also classified as important “investments” in human capital (de Haas 2005: 1274). Moreover, due to the fungibility of money, it is also not (always) distinguishable which part of a family’s income is spent on which goods.

emigrated population¹², the Mexican emigrants still represent more than a tenth of the national population (Cervantes González 2011: 6; The World Bank 2011: 3). The Mexican Hispanic or Latino population (that is, including second, third, etc. generations) in the United States is far larger, comprising almost 32 million – and thus also around ten percent of the US-inhabitants (U.S. Census Bureau 2011: 3). Remittances to Mexico have grown from less than 5 billion USD in 1990 to around 23 billion USD in 2011¹³, whereby Mexico is the third largest global receiver of remittances in absolute terms after India and China. Together with the United States, it even forms the largest bilateral migration and remittance corridor worldwide (The World Bank 2011: 6, 13).¹⁴

In light of these facts, not only have researchers been studying the link of remittances and development in the Mexican case¹⁵, but also Mexican governments have been active in developing institutions and policies for the emigrating population in general (Délano 2006, 2011; Iskander 2010), focusing especially on the money sent back by migrants (De Graauw 2005).¹⁶ Among these there are a range of state initiatives to capitalize on remittances for financial development (IME 2006, 2008), which will be presented with more detail in chapter three. It is surely not exaggerated to state that Mexico has been one of the most active countries regarding public activities in the area of migration and remittances on the global level.

1.2.3 *Financial inclusion and microfinance*

The third, and predominantly economic research debate relevant for this study surrounding financial access and inclusion, can be basically traced to two origins. On a macro level, financial sector experts have debated the contribution of the financial sector to economic development and growth, increasingly including the dimension of access to finance (De la Torre et al. 2007: 1; Karlan/Morduch 2010: 4707). From a micro level

¹² These include, for instance, small islands like Samoa with almost 70 percent of the population living abroad, Albania with around 45 percent, and other Latin American countries like El Salvador, where more than a fifth of the population has emigrated according to The World Bank (2011: 4).

¹³ See the statistical information of the Mexican Central Bank on: <http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadroAnalitico&idCuadro=CA11§or=1&locale=es>, 5.06.2012.

¹⁴ More data on remittances and their relevance for Mexico are presented in chapter three.

¹⁵ This vast literature comprises also both rather pessimistic views (e.g. Binford 2003) and more optimistic perspectives (e.g. Cohen et al. 2005). (For a nuanced view see e.g. Canales 2008). A range of publications have surged in the context of the research network “Migration and Development” at the University in Zacatecas (<http://www.migracionydesarrollo.org/>, 5.06.2012).

¹⁶ One of the “famous” programs, which has made Mexico an international reference case, is the so called “Programa Tres por Uno”, a matching fund program that finances local development on the basis of migrant transfers (see e.g. Fernández de Castro et al. 2006). This program, in which the federal, state and municipal governments finance one *peso* in addition to every *peso* sent by the migrants (http://www.sedesol.gob.mx/es/SEDESOL/Programa_3x1_para_Migrantes, 5.06.2012), will not be analyzed in this study as it is not focused on fostering the financial inclusion of the remittance-receivers. As it is, though, the famous Mexican remittance policy program, one cannot avoid mentioning it.

perspective, a growing research community, both in the academic and policy arenas, explicitly addresses questions of financial access and inclusion linked to the topic of microfinance.

Microfinance has first and foremost been promoted as an instrument for poverty reduction (Helms 2006: 29ff.; Morduch 1999: 1569ff.), with the basic reasoning that one cause of poverty is the lack of access to finance, and that providing credits to the poor helps them escape poverty, mainly through the establishment of income generating small businesses. Though Muhammad Yunus popularized the “solution” to end poverty via credits for the poor, he was not the one that “invented” microfinance. Throughout history, there have always been actors and institutions providing access to financial services for the low income population; among the modern roots are for instance the German credit cooperatives surging in the middle of the 19th century.¹⁷ In the 1970s growing interest in microfinance as a development tool turned the debate to the provision of “microcredit”; the term “microfinance” surged in the development discourse from the 1990s onwards, in order to refer to the whole range of financial services for the poor (Helms 2006: 2f.). This was also related to the emerging consent among microfinance experts that poor people not only lack access to credit, but also need and use a broad range of other financial services, including transfer, savings and insurance services (Collins et al. 2009; Rutherford 2000). Beyond the differences in scale, microfinance differs from “mainstream” financial services especially regarding the conditions and forms of service provision, which are conceived as more adapted to poor clients’ needs (Armendáriz/Morduch 2005: 85ff.).

The goal of “financial inclusion” has gained considerable popularity in the global development discourse especially since the new millennium. A series of publications of international development initiatives and organizations, including the Consultative Group to Assist the Poor (CGAP), the United Nations Department of Economic and Social Affairs (DESA), the UN Capital Development Fund (UNCDF), and the World Bank, have proclaimed the aim of “Access for All” (Helms 2006), “Finance for All” (Demirgüç-Kunt et al. 2008) and building inclusive financial sectors or systems (Barr et al. 2007; DESA/UNCDF 2006) in the last decade. Notably, all publications explicitly address the role of the state, agreeing that “governments everywhere have an important role to play in building inclusive financial systems” (Demirgüç-Kunt et al. 2008: 14), yet also underlining that the configuration of that role is a controversial topic and a context-specific issue impeding the promotion of “one size fits all” solutions (Barr 2007; De la Torre et al. 2007: 170).

The question of the “adequate” role of the state in financial service provision to the poor and excluded populations is part of the broader controversy about the state’s role in

¹⁷ See on the history of microfinance (e.g. Helms 2006: 2ff.; Roodman 2012: 36ff.).

economic development. Accordingly, also in the realm of fostering access to finance, the prevailing view between the 1950s and 70s proclaimed an active or “interventionist” role of the state, which included the provision of financial services by stated development banks. From the 1980s onwards, the opposing “laissez-faire view” became prevalent, supporting a governmental role limited to the improvement of enabling environments and implying the privatization of many state development banks. In this context, microfinance institutions emerged in order to fill the gap caused through the retreat of the state. Due to the failure and difficulties of both approaches, a position on the middle ground (the “pro-market activism view”), finally, promotes a moderately active role of the state in order to foster the development of financial markets, including the support of institution-building in the microfinance sector (see for an overview on these positions De la Torre et al. 2007). That there is no clear position on the configuration of this balanced role of the state is insofar interesting from a governance perspective, as it precisely focuses on the analysis of such “intermediate” positions of the state and its interactions with non-state actors. The present study contributes to this topic, analyzing the implications for the interplay of state and non-state actors arising from the (partly) redefined roles of a governmental development bank.

The institutions providing microfinance in the 1970s and ‘80s worked above all on a subsidized and donor dependent basis. From the 1990s onwards, though, not surprisingly in the wake of the Washington Consensus, there was a shift in the microfinance debate from a “poverty lending approach” towards a “financial systems” or “commercial approach”. Whereas the former focused on poverty reduction with cheap lending, the latter conceived the feasibility of financial service provision to the poor in a sustainable way, reaching social and commercial goals at the same time. A commercial approach and financial sustainability were promoted as necessary in order to reach out to the un(der)served masses. Implicit was an at least discursive shift of focus away from the (poorest of the) poor to the service provision for the low income and financially excluded population in general – and thus, to the fostering of financial inclusion (Johnson 2009: 291ff.; La Torre 2006: 3, 18).

Regarding the outlined tendencies, there are two further strands within the debates about microfinance that are interesting in the context of the governance discussion because they are related to questions of effective public good provision and the welfare orientations of governance actors: the debates on the impacts of microfinance and on commercialization and “mission drift”. As far as impacts are concerned, controversial positions have developed regarding the contribution of microfinance to poverty-reduction. In general, the initial euphoria about microfinance and its potential to reduce poverty has been damped by the missing evidence that access to microfinance services de facto lifts people out of poverty (Bauchet et al. 2011; Duvendack et al. 2011). Still, “microfinance-defenders”

argue that access to financial services can have positive impacts enhancing the capabilities of people in the sense of Amartya Sen's conception of "development as freedom" (Sen 1999). Moreover, the mere fact that microfinance institutions exist and have thus contributed to industry-building is considered as a sign of its developmental impact (Roodman 2012). Radical critics, in contrast, deconstruct the "myths" behind microfinance, equating it with destructive "local neoliberalism" and defend the argument that instead of alleviating poverty, microfinance rather is a "poverty trap", perpetuating underdevelopment and structural dependencies (Bateman 2010).¹⁸

One aspect explaining these sharp contrasts lies in the question which institutions are considered as "microfinance" providers: a broader view includes all types of institutions and forms providing finance to the poor (see e.g. Helms 2006), while a narrower perspective limits the term to "commercial" microfinance institutions (see e.g. Bateman 2010).¹⁹ Thus critics as well agree that there are alternative forms of providing finance to the poor which support local and economic development, especially forms that are based on savings, for example financial cooperatives (Bateman 2010: 166ff.). The discussion, thus, has become especially fierce in the light of the increasing tendency to provide microfinance on a commercial basis and the implications of that trend. Far beyond their operation as merely financially sustainable institutions, the tendency to pursue (huge) profits with microfinance has been reflected in events like the controversial Initial Public Offering (IPO) of the Mexican microfinance bank Compartamos (Rosenberg 2007)²⁰ and some recent repayment crises due to over-indebtedness in several microfinance markets (Chen et al. 2010; Roodman 2012: 252ff.). Whereas the debate on a possible "mission drift" in microfinance, a fear that the providers would turn away from their original (poor) target groups, already surged with the promotion of the commercial approach, the problem of ethics in microfinance became strikingly obvious with recent cases of clear profit-maximization to the detriment of the microfinance clients (Schmidt 2010).

Concerning the outlined debates, the present study takes an intermediate, yet critical position. Microfinance and financial inclusion are not considered to be per se "good" or "bad"; rather, they can have both positive and negative implications, depending also to a considerable degree upon which actors provide microfinance services with which intentions. Whereas it shares the view that microfinance institutions need to operate on a sustainable basis in order to secure the provision of their services in the long run, it is aware that the balance of social and commercial goals is difficult to achieve and a trade-

¹⁸ Note regarding the opposition of such positive and negative views the parallels in the discussion about the impacts of remittances.

¹⁹ See also footnote 4 on the institutional types providing microfinance. This study takes a broader perspective. See further elaborations on the denomination in the Mexican context in section 3.1.2.

²⁰ The Compartamos IPO has been the stumbling block that has caused increased questioning of the commercialization of microfinance in the global microfinance community.

off between both is often unavoidable. Moreover, the study is skeptical about the “win-win”-proposition of the commercial approach, as at least an excessive pursuit of profits easily leads to the disadvantage of the clients.

Mexico is an interesting case to address the outlined issues for several reasons. Despite a developed commercial banking sector, the level of financial inclusion is comparably low (see chapter three). In the context of the general liberalization trend in the 1980s and '90s, the Mexican state also stepped back from the provision of financial services to the rural population through specialized development banks, triggering the growth of a sector of alternative financial institutions both of rather social and commercial orientation, which attempted to fill the gap. Instead of withdrawing completely, though, Mexican governments have continuously been involved in the area of popular finance through a diversity of institutions and programs (Richter et al. 2006). Thus, they need to interact increasingly with the non-state institutions present in the sector – among which there are also financial cooperatives with a considerable history and institutions founded and fostered by the state itself.

An important issue in that context is the Mexican government's intent to regulate the growing popular finance sector²¹ since the beginning of the new millennium, conceived as a necessity due to a series of fraudulent cases and in order to protect the clients of these institutions. This regulation process, which builds the context in which the analyzed remittance-initiatives are embedded, has been a controversial issue though, not least because financial service provision to the poor is a politicized issue in Mexico and positions about the appropriate role of the state diverge sharply (Klaehn et al. 2006: 16). Last but not least, the topic of financial inclusion has gained considerable weight in public policy discourse and action in recent years: The national financial regulation agency published three reports about financial inclusion in Mexico between 2009 and 2011 (CNBV 2009, 2010c, 2011h), the country hosted the annual conference of the global Alliance for Financial Inclusion (AFI) in 2011,²² established a National Council for Financial Inclusion (CONAIF)²³ in the same year, and proclaimed the fostering of financial inclusion as one of five priorities for its presidency of the G20 in 2012.²⁴

²¹ The Mexican term “*sector de ahorro y crédito popular*” refers especially to the institutions in the microfinance sector with a predominantly social orientation. However the designations are not used consistently. Chapter three elaborates more in detail on the definitional difficulties describing the Mexican microfinance sector.

²² The Alliance for Financial Inclusion (AFI) is an international knowledge network of central banks and other financial regulatory bodies in developing countries, founded in 2008. It is administered by the German International Cooperation Agency (GIZ), and funded by the Bill & Melinda Gates Foundation (see AFI's website: <http://www.afi-global.org/en/about-afi/who-we-are>, 7.6.2011).

²³ See Diario Oficial 3.10.2011: http://www.normateca.gob.mx/Archivos/65_D_2819_03-10-2011.pdf, 9.06.2012.

²⁴ See the website of the Mexican G-20 presidency: <http://www.g20mexico.org/index.php/es/presidencia-mexicana-del-g20-nuevo> and a respective discussion document on: <http://www.g20.org/images/pdfs/discesp.pdf>, both accessed 9.06.2012.

1.2.4 Research on the link of remittances and microfinance and the selected cases

Having outlined the general academic debates which form the background of the present study, this section briefly surveys the existing literature specifically addressing the intersection of remittances and microfinance and the analyzed cases of the study. Even if remittances have been treated extensively in the literature from various disciplines and with different thematic, theoretical, and methodological focuses in the last years, there have been few publications on the link between remittances and microfinance up to now. There is even less literature on the empirical cases selected for the analysis. Especially academic literature is very scarce; the available publications comprise above all policy papers, practitioner reports and the like. These publications, with few exceptions, are often of little analytical rigour and rarely integrate theoretical foundations of their arguments. However, since they are some of the only secondary literature available, they are taken into consideration for the present research project for the elaboration of the analytical framework approaching the potential contribution to financial inclusion and as a data source for the empirical cases.

Two earlier publications mentioning the potential of linking remittances and microfinance for development, but which do not contribute to a deeper understanding of the possible linkages and impacts, were published by the International Labour Organization (ILO) (ILO 2000; Puri/Ritzema 1999). Few publications have addressed the link between remittances and microfinance in general: Hastings (2006) discusses a range of potentials and problems of microfinance institutions in the remittance market and concludes optimistically that MFIs have a considerable potential to participate in that market. She does not refer explicitly, though, to their potential contribution to financial inclusion. The same holds true for Sander (2008), who is more pessimistic about the potential of MFIs to channel remittances. She puts more emphasis on their difficulties, like, for instance, the lack of authorization and/or technical capacities to realize foreign exchange transactions, the exposition to tough competition in the remittance market, and other regulatory and market entry barriers. Isern et al. (2008) developed a technical guide for microfinance institutions on the operation of remittance transfers which was useful for this study due to its overview of the problem of negotiating partnerships with MTOs and of different prevailing transfer network models.

Other publications addressing remittances and microfinance consist mainly in case studies from which some general conclusions are drawn. Manuel Orozco, one of the pioneers and most renowned (policy) experts in the field of remittances, has been one of the few authors treating the subject of migrant transfers and financial inclusion more consequently, mostly in the form of policy reports (see e.g. Orozco 2008a; Orozco/Millis 2007). In his publications concerning Latin American microfinance institutions in the remittance market, he compares initiatives from different countries and presents

indicators to assess their performance, among these a range of aspects concerning their contribution to financial inclusion. Orozco/Fedewa (2007) list basic indicators for the relationship of remittances and financial intermediation and discuss these briefly on the basis of selected cases. Orozco/Hamilton (2008) propose a more extended “framework for assessing the development impact of MFI entry into the remittance market” (ibid.: 130). Even if it is not defined what is meant by “development impact”, the indicators proposed point towards the assessment of the MFI’s contribution to financial access/inclusion, as the authors declare that the most important indicator of development impact is the conversion of remittance clients into users of other financial services (ibid.: 139). In a further report on Latin American experiences linking remittances and microfinance, Orozco (2008b) more explicitly addresses the question of financial inclusion, taking into account several additional aspects regarding financial service provision. Even though the report does not present a systematically developed framework guiding the analysis, the indicators proposed serve to elaborate the analytical framework of this study. Further relevant aspects could be drawn from a contribution of Jaramillo (2008), who discusses challenges and opportunities for banking the recipients of remittances.

A range of further studies at the intersection of remittances and microfinance either present experiences from other countries in Latin America (Buchenau 2004) or other world regions (Monash Asia Institute 2007) or elaborate on the experiences of one type of MFIs, especially cooperatives (CEMLA/DGRV 2009; Grace 2005). Even if all of them address questions regarding the contribution of these experiences to financial inclusion, the analyses remain on a general level without delving deeper into specific relevant issues. Finally, Jaramillo (2005) published the results of a market research among remittance-senders and receivers addressing the specific demands of these groups.

Overall, this literature highlights linking remittances with microfinance services and products as especially promising for fostering financial inclusion. The underlying assumption is that microfinance institutions are closer to remittance-receivers because they are often located in areas where traditional banks are not present, and because they have considerable experience serving low-income clients that often share the same characteristics as remittance-receivers. While MFIs still have relatively little participation in the overall financial markets, their potential for linking remittances with further financial services is considered to be high, because remittance-receivers to a large degree match the “typical” profile of MFI-clients.

Regarding the link between microfinance and remittances in the Mexican case and the selected initiatives, publications are equally rare. The few Mexican academics that have addressed the intersection consider the transfer of remittances through microfinance institutions from the perspective of lowering the costs for remittance-receivers in competitive markets (Pérez-Akaki/Álvarez Colín 2005), and as an option for local

development and (transnational) community empowerment (García Zamora 2005; Robinson 2004). While these two authors formulate a range of policy recommendations in view of the latter, they only briefly mention existing initiatives and marginally touch upon the issue of financial inclusion. Finally, there are some policy reports including descriptions and brief analyses of the selected Mexican initiatives that provide good overviews without addressing in depth the aspects relevant to this study's perspective (Fertziger 2004; Hall 2010; Hernández-Coss 2005). Orozco's (2008b) is the only study which addresses similar questions regarding the contribution of the initiatives to financial inclusion, including all three cases of the present study. Yet, the analysis remains on the level of a policy report and does not tackle political questions, which are of central interest in this study.

Up to now, there only a few studies on the remittance-initiatives of BANSEFI, Caja Popular Mexicana and AMUCSS. Taber (2004) presents the experience of BANSEFI and La Red de la Gente in comparison to another governmental program for the financial inclusion of the poor and gives an overview of the first years of operation and respective results. De la Torre et al. (2007) introduces BANSEFI as an innovative form of governmental development banking, on the basis of which they partly develop their concept of the "pro-market activism view" (see above and in the theoretical chapter), and analyze both the potential and problems arising from this new configuration. In the case of Caja Popular Mexicana, besides a project evaluation report from WOCCU and a related short article (Brink 2007; Lennon/Klaehn 2008), no publications about the financial cooperative and none about its remittances could be identified. There are some publications about the NGO AMUCSS and the experiences with its micro-banks²⁵ in general (Delalande/Paquette 2007; Rita/Paquette 2005), and several case studies of micro-banks and their experiences with remittance transfers (Berthaud 2008, 2009; Delalande/Sulmont 2007). The integration of remittances into the activities of the NGO, referring also to the financial rationales behind it, is studied in a master's study by Sulmont (2008). An evaluation report surveys the results of a internationally funded remittance-project implemented by the NGO (Ramírez Martínez 2009).²⁶ Finally, AMUCSS has compiled its experiences with remittances and the banking of their receivers in rural areas in an unpublished volume, including an overview on its remittance-initiative, Envíos Confianza (Cruz/Sulmont 2010). Yet, none of these studies focuses explicitly on on their potential contribution to financial inclusion and actors' logics.

Thus, in sum, this study addresses a considerable research gap. The general publications on remittances and microfinance underline the migrant transfers' potential for financial

²⁵ The *microbancos* are a special rural communitarian type of financial institutions developed by AMUCSS. See in more detail in chapter three.

²⁶ This project was supported by the Inter-American Development Bank's (IDB) Multilateral Investment Fund (MIF) and the International Fund for Agricultural Development (IFAD). See section 5.3.2.

inclusion and present crucial factors and indicators to leverage that potential and measure it. The scarce literature on the selected case studies provides more or less detailed overviews on the three state and non-state actors and on BANSEFI's and AMUCCS' remittance-initiatives without going into many details. None of them explicitly addresses the question how far they may potentially contribute to the financial inclusion of the remittance-receivers with the mentioned exception of Orozco (2008b). More importantly, with the exception of De la Torre et al. (2007) and Sulmont (2008), none of these publications addresses the issue from the perspective of the logics of actors and the role(s) of the state. The implications of the actors' logics for the interactions of state and non-state actors in the Mexican microfinance market have not yet been studied at all. The present study aims to fill this gap and thereby contribute to the debate on governance and the changing role(s) of the state, with a special focus on possible consequent conflicts with non-state actors. The following sections explain how it proposes to accomplish that aim.

1.3 Research design and methodology

The main focus of this study is a political science perspective, even though it is located at the intersection of political and economic sciences (due to the empirical field which is rather part of development economics) and includes to some extent historical and sociological perspectives if considered fruitful for the argument. The research design is predominantly qualitative and implements a theory-guided inductive case comparison in the form of a "heuristic" case study design, aiming at the development of hypotheses (George/Bennett 2005: 75). Due to the scarcity of secondary literature, the information was mainly gathered through qualitative interviews and qualitative content analysis.

1.3.1 Qualitative and theory-guided inductive approach

The study follows a mainly qualitative approach and a predominantly inductive proceeding. It contains, though, also quantitative and deductive elements. When in the following paragraphs some characteristics of qualitative inquiry are presented, this is not to maintain an anyhow often overstressed "quantitative-qualitative-divide" but to reveal with which scientific understanding the research has been carried out.

Qualitative research is often interested in new developments and unknown aspects in apparently known contexts and thus aims at identifying new facts and contributing to theory development rather than testing existing theories. One of its main characteristics is thereby its openness towards the research objects or the social phenomena in question, without sticking (too much) to fixed preconceptions. Particularly in the context of

globalization, with its constantly changing social worlds, the pluralization of life-styles and new complexities (*“Unübersichtlichkeiten”*), qualitative approaches are fruitful tools trying to grasp (new) realities, concentrating on the analysis of a few cases and departing from thorough descriptions of these (Flick 2006: 12f.; Flick et al. 2008: 17).

Another related characteristic of qualitative approximations is the selection of methods and theories according to the research object (*“Gegenstandsangemessenheit”*). That means that methodological proceedings and theoretical frameworks are developed with a strong sensitivity to the empirical setting and are adapted to the object, which also includes the necessity of sometimes combining different methods and theoretical approaches. As qualitative research aims at understanding (rather than explaining) complex social relations and settings, it often takes into consideration the perspectives of different actors and various levels of analysis as well as the relevance of contexts. This is why qualitative researchers focus predominantly on few cases and particularities before drawing general conclusions (Flick 2006: 16ff.; Flick et al. 2008: 22f.).

Moreover, qualitative research is usually based on the idea that social “realities” are socially constructed and not “objectively” existent. According to this constructivist perspective and the assumptions of the symbolic interactionism, social reality is the result of the interactions of individuals and the subjective meanings and interpretations they relate to these interactions. Consequently, communication is a central element in the research process and is accordingly taken into consideration, and qualitative researchers, conscious of their own role as participant in the construction of these social realities, try to bear this in mind during their research (Flick et al. 2008: 20f.; Kruse 2008: 9ff.).

As the present study moves into a relatively new research field and focuses on hitherto hardly analyzed actors and initiatives, a qualitative proceeding seems thus appropriate in order to maintain the necessary openness for the empirical setting, especially since this is located in another cultural context with its own meanings and understandings.²⁷ While sensitivity and openness for the different realities were aspirations of the research and especially the interviews for this project, the author is conscious that the results of this study are necessarily a reconstruction of these realities, influenced by the individual eyes through which the world is perceived.

Also the choice of a predominantly inductive approach is based on the fact that remittances, microfinance and respective governance is a young research area and any suitable theories directly concerning the research questions have been identified. Proceeding inductively, however, does not mean proceeding without theoretical basis (see

²⁷ Kruse (2008: 15ff.) elaborates in more detail on the problem of “understanding of the other” (*“Fremdverstehen”*) and the need of researchers’ self-reflection and theoretical sensitivity.

e.g. Kruse 2008: 116).²⁸ Accordingly, this study draws on relevant analytical and theoretical approaches that are considered to be helpful for an approximation and a theoretical understanding of the different elements of the research topic. This approach follows Rueschemeyer (2009), who proposes to develop theoretical frameworks as analytical instruments that guide the research process and the development of hypotheses but themselves do not contain testable hypotheses. The different theoretical strands and analytical tools considered as relevant for the research topic in the present study are presented in chapter two.

1.3.2 Case selection and analysis

Whereas the choice of Mexico as country case has been explained throughout the former parts of the introduction, this section explains the selection of the cases analyzed within Mexico. As mentioned above, the study analyzes and compares three selected transnational governance-initiatives and the logics of the respective state and non-state actors. The study is carried out as structured, focused case comparison, in which the cases were selected due to their expected theoretical relevance (George/Bennett 2005: 67ff., 153ff.). In such a proceeding, the case selection does not aim to simulate a quasi experimental design nor aspire representativity in a statistical sense,²⁹ but is oriented by the cases' relevance for the topic (Blatter et al. 2007: 140ff.; Flick 2006: 69).

The selection of the initiatives of the state development BANSEFI, and the two non-state actors, Caja Popular Mexicana and AMUCSS, was accomplished after a round of explorative interviews that suggested these cases not only as the most renowned ones linking remittances and microfinance, but also as the only ones that qualified for an analysis from a governance perspective. That is, they are the only actors and initiatives identified in Mexico that link microfinance and remittances with a more or less explicitly stated aim to contribute to financial inclusion, and which thus fulfil the criterion to (supposedly) act in the public interest. More precisely, the selected cases are actors that either state explicitly to aspire to contribute to the public good with their initiatives (a criterion suggested e.g. by Zürn 2008: 554f., 560f.) (which is expressly the case with the development bank and the NGO), or that one would expect to act in the sense of the common good due to their actor quality (Risse 2008: 159) (which is the case with all three). They represent interesting cases for analysis not only due to their intention and potential to contribute to financial inclusion through remittances, but because of their different

²⁸ See also Zilla (2011: 58) who points to the fact that there are no purely inductive or deductive cognitive processes in a strict sense. Rather, both forms are interacting in all cognitive processes, and a scientific proceeding is, thus, necessarily always *predominantly* inductive or deductive.

²⁹ In general, case studies are more interested in identifying the conditions under which specific outcomes occur and through which mechanisms they occur than establishing the frequency of the observed outcome (George/Bennett 2005: 30ff.).

actor types which represent different logics of state and non-state actors respectively. In that sense, the selection of a governmental development bank (BANSEFI) in one case and non-state actors of different types in the other two cases (the financial cooperative Caja Popular Mexicana and the NGO AMUCSS) is an attempt to consider “typical” cases for the role of different governance actors. De facto, as each of them exemplifies general characteristics of the analyzed type of actors, they are conceived as “paradigmatic cases” in the context of this study (Flyvbjerg 2006: 232).

There are a range of other providers operating in the Mexican remittance market, which moreover pay out by far the largest part of the remittance flow. Yet, as commercial actors they do not primarily serve their remittance-clients with a social purpose and are therefore not taken into account for the present study. The governance approach decidedly excludes private actors who may indirectly contribute to the common good but do not do so intentionally because their main aspiration is the pursuit of profit maximization (Risse 2008: 151f.). This case selection, based on a proclaimed or assumed welfare orientation, does yet not signify that this social orientation is taken for granted (nor does it rule out the possibility that commercial actors may not also be socially oriented). In contrast, one of the central aims of the study is precisely to analyze these “obviously” welfare oriented actors with a critical perspective, asking for their (additional or other) logics and rationales.

In order to analyze the research questions through the selected cases, the study combines different approaches: Whereas the strategy for answering the first research question – addressing the initiatives’ potential contribution to financial inclusion – is mainly based on the analysis of dimensions across cases (see chapter four), the approach for answering the second research question – asking for the logics of actors – is carried out as within-case analysis, drawing rather on process-tracing and historical explanation (see chapter five). Even if in this part the same dimensions are analyzed for all cases, the “causal path”³⁰ within each single case is more interesting and relevant for the reconstruction of the respective actors’ logics (George/Bennett 2005: 179, 205ff.). The respective dimensions analyzed in the cases are developed and presented in the theoretical chapter two.

At that point, a few remarks concerning the generalization of findings from “small-n-studies” are necessary. A general critique of case studies contends that it is impossible to draw general conclusions from one or only a few cases. Flyvbjerg (2006) convincingly argues that, in contrast, case studies are often especially useful to gain new (also theoretical) insights about complex phenomena, due to their intense observation and in-depth knowledge of the cases and the context in question. Many scientific innovations

³⁰ The study does not pretend to explain specific outcomes in the strict sense of a causal design, as this is not only a difficult (if at all feasible) venture in general, but would have implied the collection of far more empirical data, which was not feasible in the context of this study.

have been the result of single observations or case studies – like for instance Galileo’s falsification of Aristotle’s law of gravity. At any rate, though, the aim or scientific value of case studies does not necessarily lie in drawing generalizations. A descriptive, phenomenological case study can be as equally of a valuable contribution to science as studies aiming at generalizations (that is, in the “literal” sense of the German word “*Wissenschaft*” as “creation of knowledge”). Accordingly, the present study sees the reconstruction of each case as *one* important result (Flyvbjerg 2006: 238). Nevertheless, it additionally intends to draw general conclusions, assuming that the insights from the US-Mexican context are similarly interesting for other parts of the world. Thereby, the selection of the cases according to their supposed theoretical relevance, that is, selecting paradigmatic cases of state and non-state actors involved in the financial sector, allow for generalizations beyond the Mexican context (Mayring 2007) – obviously with the limitations that the specificities of the different empirical contexts imply.

1.3.3 *Data collection and analysis*

The data for the present study was on the one hand collected through the revision of secondary literature, policy papers and reports, information from the internet, grey literature, and press articles. Since these sources did not yield much information for the research questions, the other main source were qualitative interviews. Participant observation and informal conversations also brought valuable insights.

Through the revision of the policy papers and secondary literature reported above basic information about the initiatives could be compiled. In addition, the web-pages of the different institutions were reviewed to gather more specific data about the initiatives. The respective pages, however, differ widely between the different institutions in terms of quantity and quality of the content. The same is true for the body of grey literature that was mainly collected during the field trips (see below).³¹

In order to approach the initiatives’ potential contribution to financial inclusion, a considerable range of quantitative data was moreover included in the analysis. This was above all provided by the institutions themselves in the form of reports or other data compilations, which informed, among other things, on the sizes of their networks, the channelled remittances and the prices of their services.

On the other hand, information was gathered through qualitative semi-structured interviews with participating actors of the initiatives, politicians, and experts from

³¹ The review of the national Mexican press was overall not very fruitful in obtaining additional insights into the field of interest, as reporting on the selected initiatives was rather scarce, especially in the cases of the financial cooperative and the NGO.

academia and other institutions (Kruse 2008: 29ff., 168ff.).³² Within the main institutions selected for this study, interviews were conducted with individuals at different levels in order to get a comprehensive picture and cover different perspectives and sources of information within the same organization (George/Bennett 2005: 103).³³ The interviews were conducted mainly in a semi-structured manner during research field trips between 2008 and 2011 with a total stay of four months in Mexico and additional short visits to the United States.³⁴ In total, over one hundred interviews were conducted for the study,³⁵ from which almost a third were analyzed in a systematic and intensive way, as described in the next section. The other interviews served specifically to complement the background information and the general understanding of the context, but also to identify further relevant interview partners in the sense of a snowball system. The respective questionnaires can be found in Annex 1.

Information was also obtained through informal conversations, participation in relevant conferences and other events, as well as participant observation. This is especially true for a few visits to remittance-receiving communities in Mexico. As systematic local case studies were not foreseen in the research design due to the focus of the study, a short field trip to Oaxaca was part of the last research journey to Mexico, in order to get at least some insight into migrant localities and branches of the networks. It included the visit of two locations, which were at reasonable distance to Oaxaca City in different migration areas and where all the initiatives analyzed are present with their own branches or with (branches of) institutions participating in their networks. In these locations, interviews were conducted with the directors or employees responsible for the remittance-service of the microfinance institutions. Some branches were visited without undertaking formal interviews in order to get an insight in their location, information and marketing strategies, etc.

The informal conversations and other observations were documented during all research trips in the form of field notes, which were then drafted into field reports. All “informal” insights collected through the whole research process in different ways contributed to the conclusions of the study in a rather implicit way, but were nevertheless highly important

³² See on implications and types of “expert interviews” and the problem to establish who is to be called an “expert” Bogner et al. (2005) and Kruse (2008: 169ff.).

³³ For privacy reasons, the list of interviews is not included in this publication, and the interviewees have been anonymized and are cited in numerical order.

³⁴ After a short exploring trip in March 2008 (two weeks), two longer stays in Mexico occurred in autumn 2008 and April 2009 (altogether two months). The stays in Mexico were complemented with short visits for expert interviews to New York and Washington in April 2009 and 2010. A last journey to Mexico was undertaken from mid September to the end of October in 2011 (six weeks).

³⁵ Part of these interviews (and the informal conversations) was conducted together with my former colleague in a research project of the SFB 700 “Governance in Areas of Limited Statehood” at the Freie Universität Berlin, Christian Ambrosius.

to understand the cases and to draw the picture of the phenomenon in question as holistically as possible.

The analysis of the interviews followed different methods and intensities.³⁶ Some of the interviews were screened for basic data about the initiatives, general context information and hints for further investigation. Around 30 interviews with the most important informants (the directors and remittance-program responsible staff of the institutions and the relevant experts) were selected for systematic and intensive analysis. These were analyzed with a combination of different qualitative approaches, first and foremost in the form of mainly interpretative and inductive qualitative content analysis (Zilla 2011: 55ff.).

The first step thereby consisted in the development of a system of “categories” and/or “codes”.³⁷ These were both deductively developed according to the analytical framework and – based on the principle of openness in qualitative research – also inferred from the empirical material, when specific aspects considered to be relevant in the context of the study, but not yet covered by the developed category system, appeared in the interviews (Kuckartz 2010: 57ff.; Mayring 2008: 74f.). The subsequent proceeding was oriented by “classical” qualitative content method, as proposed by Mayring (2008) and in a more flexible approach by Gläser/Laudel (2009), on the one hand, and by the hermeneutic, reconstructive approach developed by Kruse (2008) on the other hand.

According to Gläser/Laudel, qualitative information was extracted from the interviews, paraphrased and summarized. Yet, this step mainly consisted in an abstraction from the original wording of the text, which – after an extensive process of extraction, paraphrase and synopsis – is no longer taken into account for the analysis. Such an approach was adequate for some parts of the study but proved insufficient for the study’s main research interest of tackling the complex logics of actors and their dimensions, which necessarily implies further interpretative steps as proposed by “classical” qualitative content analysis.

Therefore, the analysis of the interviews was also oriented by the hermeneutic, reconstructive approach developed by Kruse (2008). This proceeding remains close to the original text and allows for deeper and especially unexpected insights into the world of experience and thoughts of the interviewees, as it refrains from analyzing the texts with pre-established categories. Following the principle of openness, the sense of a text is thereby drawn from the textual material itself and not by imposing one’s own

³⁶ When the interviewees agreed, which was mostly the case, the interviews were recorded. The interviews with key informants were transcribed. Among the interviews of the last research trip, only a few with the main informants were completely transcribed. From the others, only key passages were transcribed, which could be relatively easily identified on the basis of the field notes and listening to the interviews again, as the research process at that point had progressed considerably. See on the selection of “key passages” Kruse (2008: 150). The unrecorded conversations were documented in field notes and later drafted in the form of a research report.

³⁷ I put these notions in quotation marks as their use is far from clear in the literature and often they are used without defining them. See for critical reflections on that point Kruse (2008: 135f.) and Kuckartz (2010: 58).

preconceptions and intending to detect them in the text (ibid.: 88ff.). As the process proposed by Kruse consists of an intensive micro-linguistic interpretation of the interviews (ibid.: 94ff.), though, which was not feasible in view of the amount of material of this study case, the selected proceeding is a pragmatic combination of content-analytical and reconstructive approaches in the sense of a minimal consensus between both (ibid.: 142ff.).

In the study, this approach is reflected as follows: The chapter assessing the potential contribution of the initiatives to financial inclusion is based mainly on qualitative content analysis abstracted from the original text – and including moreover a considerable range of quantitative data provided by the institutions. The chapter reconstructing the logics of actors follows the combined approach, with a focus on an interpretative proceeding. Here, especially relevant interview passages, which were often identified through key topics or words (for instance, when the interviewees addressed their own role(s), the “competition” and “conflicts” between actors, or relations of “power”), are documented literally in the text together with the interpretation. This is based on the assumption that linguistic statements are never contingent and always transport a specific sense through the way they are brought forward (Kruse 2008: 98, 101). Thus, in the present study, the documentation of the literal passages is supposed to clarify the respective interpretation to the reader, giving room to the original voice of the actor, even if the analysis is not carried out in a strictly micro-linguistic proceeding documenting each interpretative step. The passages are also documented literally in view of the problem of “understanding of the other”, as the interpretations necessarily have a subjective bias, which, at least, shall be made explicit to the reader that way (Kruse 2008: 114ff.).

1.4 Outline of the study

Having introduced the most important building blocks, this section presents a brief overview of the study. Chapter two contains the theoretical frame, explaining the relevant concepts and analytical tools applied. Thereby, in a first step (2.1), in order to deepen the understanding of the analyzed governance field, the chapter addresses the interrelation of remittances and financial inclusion. After presenting the concept of financial inclusion, it outlines the possible links between remittances and the latter. Secondly (2.2), the general theoretical background and this study’s understanding of governance as collective regulation of social matters and provision of public goods is presented in greater detail. Even if governance is applied in this study primarily as an analytical perspective, the selected definition has an implicit normative bias. Therefore, some important implications of this analytical perspective, which inspired the critical perspective of this study, are

discussed. Moreover, this section gives an overview on several relevant issues regarding governance for financial inclusion. Subsequently, section 2.3 develops an analytical framework to approach the potential contribution of such networks to financial inclusion via the link of remittances and microfinance. Section 2.4 presents the analytical tools used to address the main research question of the study, the logics of the governance actors initiating these initiatives and the possible implications these may have for the interplay of the governance actors.

Chapter three outlines the empirical context of the study, gives an overview of the Mexican financial and remittance markets, and introduces the selected actors and their initiatives. Section 3.1 briefly presents both the histories and actual structures of the Mexican mainstream and microfinance markets, showing that (still) large parts of the Mexican population are excluded from the use of financial services. Moreover, the chapter outlines the most important data regarding the Mexican remittance market and presents the relevant players in the field. Whereas commercial institutions pay out by far the largest percentage of the billions of dollars sent to Mexico, socially oriented actors, who explicitly aim to contribute to financial inclusion via remittances, hitherto are minor participants. In order to contextualize the selected initiatives within the broader range of activities Mexican governments have undertaken in the last decade in order to capitalize on remittances for financial inclusion, section 3.2 presents an overview of governance-initiatives addressing the different stages of a remittance-transfer. This section also briefly explains the modes of operation of remittance-channelling microfinance networks. Against that background, section 3.3 introduces the selected state and non-state actors in more detail and presents their declared aims regarding the channelling of remittances. As will be shown, whereas they all to a certain extent express the ambition to contribute to the common good of financial inclusion with their initiatives, their respective explicitness varies, with the development bank and the NGO being more assertive than the financial cooperative.

The next two chapters – four and five – contain the empirical analysis, addressing the presented research questions. Against the background of the actors' declared aims presented in the former sections, chapter four analyzes the potential contribution of the three initiatives to financial inclusion. It compares the initiatives within the dimensions developed in the theoretical framework. The first section (4.1) assesses factors considered on the supply side as fundamental in order to be at all able to contribute to financial inclusion – for example, the creation or disposal of a network to pay remittances and the offer of transfer and other financial services. On that basis, section 4.2 analyzes additional, especially informational, activities with which the actors more explicitly envisage the demand side and which give further insights into BANSEFI's, Caja Popular Mexicana's and AMUCSS' involvement regarding the fostering of financial inclusion of the

remittance-receivers. Concluding from this analysis, the potential contribution of the three initiatives to financial inclusion varies considerably and is partly complementary. As will be argued and explained in detail in the interim conclusion (4.3), whereas La Red de la Gente may potentially reach out to more receivers in absolute terms, Caja Popular Mexicana's potential seems larger in relative terms, and Envíos Confianza's strengths lie rather in qualitative aspects. The observation that the state initiative plays an important role but that all three still pay a relatively small part of the remittances sent to Mexico built the background for the analysis of actors' logics in the subsequent chapter.

On the basis of these results, chapter five thus analyzes the logics of the three actors and their remittance-initiatives beyond the declared aspiration to contribute to financial inclusion as well as the implications of these logics. The analysis proceeds thereby, first of all, actor per actor, analyzing their norms and interests by means of their missions and commercial approaches. The development bank's presentation in the first section (5.1) shows that BANSEFI's various mandates result in an ambiguous mixture of first and second tier roles combined with development and regulation tasks, which are subsidized by the Mexican state and foreign donors. Accordingly, the state's remittance-initiative La Red de la Gente, next to its aim of financial inclusion, seems to be conceived as a regulation instrument for the Mexican microfinance sector. In line with Caja Popular Mexicana's logic, presented in section 5.2, the remittance-service of the financial cooperative is seen as an additional service for existing members, but also as a means to attract new members and an additional source of income. That it has started its own initiative alongside the state actor seems also due to a leadership conflict with BANSEFI in the Mexican popular finance sector. AMUCSS, thirdly, combines the logic of an NGO developing financial services and institutions for the Mexican rural population with a distinct ambition as lobbyist on behalf of the rural financial sector. Thereby, its remittance-initiative, beyond its social aim of serving the marginalized population, seems to be both a result of the NGO's need to gather funding for innovative projects in the international development arena and the aspiration to strengthen its political influence in Mexico. On the basis of the different individual actors' logics reconstructed in these three sections, section 5.4 presents some of their most important implications. It is argued that conflicts between the three analyzed state and non-state actors arise on different levels, which seems partly due to the particular logic of BANSEFI derived from its ambiguous mandates, but also from the other two actors' own agendas and aspirations. Thereby, it has to be noted that the conflicts between the state and non-state actors certainly do not signify that the overall situation in the sector is always and in every respect conflictive, as there have been also examples and times of cooperation. Yet, in order to understand the dynamics in the field of remittances and microfinance in Mexico, this study focused on the conflictive instead of the well functioning issues regarding the cooperation between

state and non-state actors. Section 5.5 summarizes the results of chapter five and presents interim conclusions.

The final chapter six of the study proceeds in three steps. The first two sections summarize the results of the two analytical chapters on the initiatives' potential contribution to financial inclusion and related complementarities as well as on the logics of actors and their implications, that is, the arising governance conflicts. On that basis, the third section interrelates the empirical findings and associates them with the general theoretical governance perspective, pointing towards the usefulness and difficulties of this approach for the present study. The chapter concludes with some suggestions for further research.

2 Theoretical Frame: Concepts and Analytical Tools

As elaborated in the introduction presenting the research design, this study follows a theory-guided inductive approach, drawing on different analytical, conceptual and theoretical contributions considered as relevant (Rueschemeyer 2009: 1f.). The theoretical frame elaborated in the present chapter thus guides the empirical analysis carried out in chapter four and five of this study. Thereby, it has to be noted that the framework presented below has been developed in close interaction and retrospective dependence on the empirical material. That is, according to the process-like characteristic of qualitative research (Flick 2006: 67ff.; Lamnek 2005: 23), the theory frame itself is the result of a circular proceeding, moving back and forth between theoretical assumptions and empirical inquiry.

The different concepts and analytical perspectives identified as relevant through this process are defined and explained in the following sections. Whereas the first two sections describe the conceptual and theoretical background of the study, the following two present the analytical framework to answer the research questions. In order to clarify central concepts of the empirical “governance field”, the first section elaborates on the interrelation of financial inclusion and remittances. The second section links the governance perspective to the formerly presented field, highlighting governance as the overall analytical perspective of the study and introducing further fundamental aspects of state and non-state actors’ roles regarding governance for financial inclusion. In a third step, the analytical framework to estimate the initiatives’ potential contribution to financial inclusion is developed. The fourth and final section contains the analytical framework to approach the state and non-state actors’ logics, as well as their interactions and conflicts.

2.1 The interrelation of financial inclusion and remittances

Introducing this study’s central governance field, this section provides conceptual foundations of financial inclusion and explains how remittances and microfinance are potentially linked therewith. Accordingly, the first section presents the understanding of financial inclusion followed in this study and outlines relevant financial access problems to be overcome. On that base, the second section explains the interrelations of remittances and financial inclusion and the role of microfinance in this respect.

2.1.1 Conceptualizations of financial access and inclusion

Financial access and inclusion are complex, multidimensional phenomena that are conceptualized and defined in a variety of ways in the academic and policy literature. Both academics and practitioners often use the terms as synonyms. For instance, in a World Bank Policy report from 2008, one of the recent relevant contributions to the topic, the concepts are (almost) interchangeable: “Financial inclusion, or broad access to financial services, is defined here as an absence of price or nonprice barriers in the use of financial services.” (Demirgüç-Kunt et al. 2008: 27).

For the sake of conceptual clarity, this study distinguishes between financial access and inclusion, based especially on elaborations of the “Alliance for Financial Inclusion” (AFI).³⁸ AFI’s conceptualization of financial inclusion is the most encompassing in a series of proposals over the last decade (see e.g. CFI/ACCION 2009: 4; CNBV 2009: 14; Demirgüç-Kunt et al. 2008; DESA/UNCDF 2006: 1, 4, 17; Heimann et al. 2009: 19; Helms 2006: 1, 13f.; Imboden 2005: 66f.)³⁹, as it includes all the elements mentioned in other concepts. That is, it combines “four commonly used lenses” (AFI 2010: 6) to define financial inclusion. Instead of proposing its own definition, AFI outlines the four perspectives of (a) access, (b) quality, (c) usage, and (d) welfare as components of a multi-faceted concept, whereby the elements increase in complexity in the presented order.⁴⁰ With this proceeding, in contrast to the World Bank, that defines financial access or inclusion *ex negativo*, pointing towards the absence of obstacles to access, AFI’s conceptualization lists a range of characteristics *inherent* to financial access or inclusion.

In this understanding, “access” is just one aspect of financial inclusion and refers to the availability and accessibility of a broad range of formal financial services (that is, at the very least saving options, credits, insurances, and payments). The criterion of “quality” regards the way in which the services are offered, including, for instance, the respectful treatment of clients, and the services’ properties (for instance, appropriateness and convenience). The notion of “usage” points towards the actual utilization of financial services and its regularity, frequency and duration over time. The “welfare” perspective, finally, concerns the impacts that (access to and use of) financial services may have on the lives of the users and their economic and social wellbeing. This dimension, being (at least officially) the *raison d’être* of most efforts of financial inclusion and the one that most explicitly allows the conception of financial inclusion as a collective good, obviously is

³⁸ See on AFI footnote 22 above.

³⁹ The conceptualizations of DESA/UNCDF (2006), Helms (2006) and Imboden (2005) especially refer to “inclusive financial sectors” or “systems” and therefore have a slightly different perspective than the approaches defining “financial inclusion” per se.

⁴⁰ The definition of ACCION’s Center for Financial Inclusion (CFI) explicitly includes two of the four dimensions (“access”, which CFI refers to as “range”, and “quality”), alluding, though, also to the usage and welfare dimensions. Heimann et al. (2009) consider all four aspects, yet, they do not explicitly distinguish between financial access and inclusion.

also the most difficult to measure. Conceiving financial inclusion as collective good is, thus, in a strict sense only possible when financial access also leads to the usage of financial services in an appropriate way and thus de facto contributes to the welfare of the users. Fostering financial access per se is not necessarily a contribution to a collective good, because, depending on the circumstances, this can also turn out to be a “collective bad” – especially via the over-indebtedness of clients and related systemic risks, as the financial crises on the global level and in the microfinance-sector (Chen et al. 2010) have shown clearly. Despite the importance of all four aspects, due to pragmatic research reasons, this study’s analysis focuses above all on aspects of access and usage, as will be further outlined in section 2.3, which presents the analytical framework used to explore the initiatives’ potential contribution to financial inclusion.

Regarding the above presented conceptualization of financial inclusion, an important distinction to be stressed concerns the fact that access to finance is not the same as use of financial services, as Claessens (2006: 210) clarifies: “Access refers to the availability of a supply of reasonable quality financial services at reasonable costs, where reasonable quality and reasonable cost have to be defined relative to some objective standard, with costs reflecting all pecuniary and nonpecuniary costs. Use refers to the actual consumption of financial services.” The distinction of these dimensions is also relevant regarding the “measurement” of financial inclusion. De facto, financial inclusion or financial access is often assessed measuring the usage of financial services, primarily of bank accounts, but often also including credits and other services like payments and insurances (CGAP 2009; Chaia et al. 2009; Demirgüç-Kunt/Klapper 2012; Honohan 2008; Kendall et al. 2010). Some authors and institutions in addition take into account actual access factors like the number of bank branches and automated teller machines (ATMs), for instance (AFI 2011; Beck et al. 2008; Sarma/Pais 2011).⁴¹ Another approach that could be understood as an earlier attempt to conceptualize and measure financial inclusion – even if it does not mention this term – is Mark Schreiner’s (2002) framework, using six dimensions of outreach to assess the “social benefits of microfinance” and proposing respective measurement indicators. Some of the outreach dimensions will be used in section 2.3 for the operationalization of the initiatives’ contribution to financial inclusion.

To understand the problem of financial access, moreover, one has to distinguish between “voluntary self-exclusion” of persons with access, and “involuntary exclusion” resulting from access barriers. The first is the case, for instance, when individuals do not use financial services because they do not need them or choose not to use them for other reasons, for instance cultural or religious motivations or indirect access via other people. Also the lack of awareness of financial services can cause people not to use them. Among

⁴¹ Also the Mexican banking authority CNBV includes both access and usage indicators in their reports on financial inclusion (CNBV 2009, 2010c, 2011h).

the barriers causing involuntary exclusion are a variety of factors like insufficient income of the clients and the related high risk for the financial institution, as well as price and product features (Claessens 2006: 210f.; Demirgüç-Kunt et al. 2008: 29).⁴²

From an economic perspective, access problems in financial markets are usually explained with the existence of market failures, especially information asymmetries⁴³ and transaction costs⁴⁴ (Armendáriz/Morduch 2005: 8, 25ff.; Beck/De La Torre 2007: 80f.; Demirgüç-Kunt et al. 2008: 1; Levine 1997: 689). Whereas these frictions also exist in other markets, market failures are conceived as “particularly endemic in financial markets” (Stiglitz 1994: 24), due to the central role of information, which is not fully provided by market-participants because it partly has the character of a public good. In the microfinance segment, asymmetric information and transaction costs are usually even higher than in “mainstream” financial markets because information is more difficult to obtain and transactions are smaller.

Whereas information asymmetries and transaction costs are related to a variety of access barriers, others cannot be deduced from such market failures, as a literature overview of conceptualizations of financial access barriers shows (Beck/De La Torre 2007; Beck et al. 2008; Claessens 2006; Demirgüç-Kunt et al. 2008; DESA/UNCDF 2006; Honohan 2005; Kempson et al. 2000).⁴⁵ In spite of the authors’ different perspectives in labeling, stressing and grouping the different factors, they usually refer to the following five main barriers to

⁴² The distinctions between “voluntary” and “involuntary” exclusion, though, are not drawn easily: For example, when financial services are not used due to religious reasons, this exclusion might be described as a deliberate decision; however, it might also be the result of a missing offer of appropriate, culturally adapted services (and thus be rather involuntary). Likewise, a lack of awareness of financial services and of financial literacy, resulting from insufficient information about services on behalf of the financial institutions, could therefore also be understood as part of the involuntary exclusion (Ströh de Martínez 2010: 17f.).

⁴³ Asymmetric information refers to the situation when two parties of a deal are not equally informed. For instance, when a creditor’s information about the creditworthiness of a borrower is insufficient and it would be impossible or prohibitively costly to get “perfect” information. Possible consequences are problems of agency: Adverse-selection may for example occur if the interest rate attracts predominantly high-risk borrowers; moral hazard may be a problem when the efforts of the borrowers to achieve a successful project or their incentives to repay are reduced (Stiglitz/Weiss 1981). The problem of imperfect information is particularly marked in low income sectors, often lacking formal documentation of income or property. From the perspective of the borrower, though, there may also be information asymmetries, regarding for instance a bank reliably storing and using the money (Armendáriz/Morduch 2005: 35ff.).

⁴⁴ Transaction costs refer to the non-price costs that are related to market interactions like the purchase of a good (see e.g. Williamson 1981). In the financial sphere, these costs arise as searching costs, for example, when a borrower or investor seeks adequate funding for a project or a promising venture for its capital respectively. Enforcing costs are incurred when a creditor has to secure the fulfillment of the contract with its borrower. In the microfinance segment, transaction costs are usually higher because of the higher information requirements and the prevalence of small sums: it is more costly for a bank to administer ten small credits than one large credit with the same total amount. Also, poorer clients may borrow more often and repay the loans in smaller installments (Armendáriz/Morduch 2005: 8; Claessens 2006: 222; Imboden 2005: 69f.).

⁴⁵ There is no comprehensive overview of barriers to financial access. Rather, different authors classify barriers in different ways, and even if they refer to prior contributions, they usually do not explain why they opted for a different classification. Beck et al. (2008), except from providing another classification, above all develop a range of indicators to measure access barriers for different financial services.

financial access: a) geographic limitations, regarding the distance of financial institutions from clients; b) insufficient income and (high) risk, referring to the socio-economic situation of the groups to be served; c) price and product features, concerning the affordability and adequacy of products; d) context factors like contractual, informational and institutional frameworks; and e) discrimination, regarding the systematical exclusion of certain groups because of social, ethnic or other reasons. The discrimination of specific groups, for instance, is barely related to market failures like information asymmetries or transaction costs. Rather it depends on the socio-cultural context in which the particular financial market is inserted and the role of actors in the field.⁴⁶

Moreover, there are other non-economic causes for financial exclusion, which are rarely addressed in the above mentioned literature: the role of interests and power asymmetries or the “political economy of access”. This concerns, for instance, the role of governmental actors, which might have limited interest in expanding access to finance when they therewith risk losing political influence. Likewise, other societal actors might oppose reforms to enhance access in order not to lose privileges in the form of rents (Demirgüç-Kunt et al. 2008: 176ff.). Von Pischke clearly points towards the role of political factors regarding the aim to foster access to finance:

“Attempts to change access to financial markets affect relationships within a society. Intervention in finance is more than purely economic or financial because it responds to and addresses nonmarket issues of privilege, authority and power. [...] Issues of privilege, authority and power are fundamentally political, and frequently they are the dominant influence on the role that finance plays in stimulating or retarding development” (Von Pischke 1991: 59).

Especially these latter access barriers are one of the central reasons to take an actor-centered approach in the present analysis. Before expanding upon these aspects, though, the next section firstly explains how remittances, especially when they are linked to microfinance, can help overcome access barriers and potentially contribute to financial inclusion.

2.1.2 *Links of remittances, financial inclusion and microfinance*

The link of remittances and financial inclusion and their related potential contribution is not at first sight obvious, as there are different and possibly opposing mechanisms at play. The related academic literature only briefly addresses probable ways in which remittances might affect financial inclusion (Aggarwal et al. 2011; Ambrosius 2012a, 2012b; Demirgüç-

⁴⁶ Transaction costs and information asymmetries could foster the discrimination of specific groups if the provision of particular adapted services implies relatively higher costs due to lower transaction numbers and the difficulties to obtain information on the needs of these particular clients. Yet, discrimination, for instance, against indigenous groups often has deeper social or cultural reasons.

Kunt et al. 2011; Gupta et al. 2009; Martínez Pería et al. 2008), with the exception of Toxopeus/Lensink (2007: 6ff.), who address the question somewhat more extensively. Most basically, remittances enable the receivers to come into contact with financial institutions, allow both sides “to get to know each other” and thus reduce information asymmetries. Moreover, there is a range of ways in which remittances can contribute to financial inclusion both on the demand side, that is, concerning the transnational families, and on the supply side of the financial institutions.

Regarding the demand side, remittance-transfers are often the first financial service that migrants and their relatives at home make use of. Accordingly, the need to send and pick up the money may lead to their first contact with financial institutions, which at the same time may increase the knowledge of financial services among remittance-senders and receivers (Aggarwal et al. 2011: 256; Toxopeus/Lensink 2007: 6f.). That way, remittances can contribute to reduce the exclusion of clients caused, for instance, by a lack of financial awareness about products. Moreover, when remittances are sent continuously and represent a relatively regular and stable income on the receivers’ part, they can reduce the income-effect problems of not having a bank account. That is, through the effect of a rising income, remittance-receivers can become “bankable” and remittances can thus contribute to overcome access problems related to insufficient income or high client risk (Toxopeus/Lensink 2007: 8f.). Consequently, remittances may also create a demand for (additional) financial services on the side of the receivers. This is not per se clear, though. On the one hand, remittances might increase the demand, especially for savings, because they are sent in lump sums and therefore temporarily create excess cash that receivers might wish to store in a safe place (Demirgüç-Kunt et al. 2011: 229; Toxopeus/Lensink 2007: 7). The possibility to deposit the received funds safely and without risking being assaulted at home represents a considerable reduction of the receivers’ vulnerability (Delalande/Paquette 2007: 73). On the other hand, remittances might not affect or even reduce the demand for financial services. The demand for savings may not increase when remittance-receivers distrust financial institutions and prefer to save the additional income in other (informal) places, or when remittances are immediately consumed (Aggarwal et al. 2011: 256). In the case of credits, the demand could be restricted because the migrant transfers relax financing constraints and might thus substitute for borrowing (Aggarwal et al. 2011: 256; Demirgüç-Kunt et al. 2011: 230; Martínez Pería et al. 2008: 172). Corresponding to these observations, Ambrosius (2012a) and Anzoategui et al. (2011) show for the cases of Mexico and El Salvador respectively, analyzing household survey data, that remittances increase the use of savings accounts, whereas the effect on the demand for credit is less clear.

On the supply side, financial institutions might become interested in remittance clients due to revenues from remittance-fees, additional liquidity and cross-selling possibilities.

Fees for processing remittances are an important income for financial institutions on the paying side and can induce these to extend their branch network closer to remittance-receivers (Demirgüç-Kunt et al. 2011: 229f.). Remittances might thus help to overcome geographical access barriers. Financial institutions acting as paying agents may also use remittances for cross-selling and thus target the remittance-receivers with other financial services like savings accounts, credits and insurances (Demirgüç-Kunt et al. 2011: 230; Toxopeus/Lensink 2007: 7). Moreover, regular remittances can help reducing information asymmetries because the steady inflow of money helps the lower income population to build a financial history with a financial institution. The financial institutions are thus in a better position to assess the risk of potential clients and expand their range of services. As remittances are often sent to ameliorate adverse circumstances at home⁴⁷, they may also potentially lessen the risk profile of the receivers (Aggarwal et al. 2011: 230; Demirgüç-Kunt et al. 2011: 229ff.; Toxopeus/Lensink 2007: 8). Another related argument brought forward in that context is that financial institutions might accept remittances – if perceived as a relatively stable source of income – as a form of collateral, at least informally (Aggarwal et al. 2011: 256; Toxopeus/Lensink 2007: 8). Remittance may thus contribute to the extension of credits reducing the access barrier of high client risk. Finally, access to credit can even increase if lending to remittance-receivers themselves does not rise (for instance when remittances substitute for credits), as the additional liquidity from remittance savings might be channeled towards the projects of non-receivers (Demirgüç-Kunt et al. 2011: 230; Martínez Pería et al. 2008: 172).

Such outlined potential links, though, describe remittances' theoretical potential, whereas, in practice, this is hardly automatically realized. This is the point governance-initiatives address, which specifically aim at capitalizing on remittances for financial inclusion – like the initiatives analyzed in this study. Moreover, whereas the hitherto mentioned academic literature analyzes the potential of remittances to increase financial inclusion, it barely targets the question which type of financial institution and instruments may better serve that aim. In that regard, a range of rather policy-oriented authors argue that especially microfinance institutions and services play a central role. A main argument is thereby that remittance-receivers, being often part of the lower income groups, overlap with the traditional target population of MFIs. Thus, microfinance institutions are considered to be in a “unique position to reach recipients with low-cost transfers and other financial products” (Orozco/Hamilton 2008: 129f.), due to their geographical and cultural proximity to remittances-receivers and their experience serving low income clients with small transactions (see also Hastings 2006; ILO 2000: 14f.; IOM/GMG 2010: 97; Isern et al. 2005: 17, 83; Orozco/Fedewa 2007: 218). As mentioned in the introduction, microfinance is especially focused on serving the financial needs of the low(er) income population

⁴⁷ See on the counter-cyclicity of remittances (The World Bank 2006: 99f.).

through the offer of particular adapted services and special lending techniques, for instance (Armendáriz/Morduch 2005). It is further argued that MFIs more likely create a user-friendly environment and build trust among potential clients (Orozco/Fedewa 2007: 222). Moreover, MFIs are considered as more suited than banks because they (often) combine a social mission with an entrepreneurial approach and might also be more likely contribute to local development beyond financial inclusion (García Zamora 2005: 206, 214; Reyes Morales et al. 2004: 211, 218).

While there are obvious strengths of microfinance institutions in leveraging remittances for financial access, there are also a range of challenges complicating their engagement in this respect. On the one hand, these concern regulatory barriers such as licenses for entering the remittance market, handling foreign exchange, accessing national payment systems, accepting deposits, and regulations concerning anti-money laundering and combating the financing of terrorism (AML/CFT) (Hastings 2006: 20ff.; Isern et al. 2005: 17; Sander 2008: 117f.). On the other hand, MFIs face various capacity constraints concerning, among others, management, staff, information systems, and marketing. Without access to national payment systems, MFIs located in rural and remote areas also face safety and liquidity problems, as storing cash and moving physical capital in these areas may represent a considerable security risk (Hastings 2006: 24ff.; Sander 2008: 120f.).

Many of these restrictions, though, can be overcome by building networks of microfinance institutions, for which one central actor provides different services like technological infrastructure and information systems, implements staff training, enables the access to national payment systems and supports the marketing activities. Also, networks of microfinance-initiatives are far more attractive as negotiation partners for money transfer operators, which are not interested in negotiating contracts with every single small MFI due to the enormous transaction costs implied. Thanks to network building, the MTOs are thus able to negotiate with one central actor and nevertheless get access to multiple paying points in strategically interesting areas. Thus, MTOs are especially interested in large MFI networks located in rural areas in order to expand their outreach beyond the often already served urban areas (Isern et al. 2008: 47f.). Such MFI networks, channeling remittances in the US-Mexican context and organized by three different types of actors – a governmental development bank, a credit cooperative and a NGO – are at the center of interest of this study. In order to clarify the necessary concepts and tools to analyze these initiatives and the role(s) of their main actors, the following sections expand upon the governance-approach, chosen as the general theoretical background and analytical perspective of the study, and upon related aspects of governance for financial inclusion.

2.2 Governance of (micro-)finance for financial inclusion

Having presented the relevant concepts and links of remittances, microfinance, and financial inclusion, this section relates the governance approach to this empirical field, proceeding as follows: Firstly, governance as a general analytical perspective is presented in more detail, referring also to fundamental implications of this approach and their “solution” within this study. Secondly, there will be an overview of different conceptions regarding the role of the state to foster financial service provision, demonstrating how the expectations of the role of the government have been changing between a more and less active involvement in the financial sector. Thirdly, the different types of state and non-state actors providing microfinance services relevant for this study are introduced in order to outline their general institutional logic and related problems. Tackling one central aspect of the logic of microfinance actors in more detail, the last section addresses the question of these actors’ social and commercial orientations and the expectation that they achieve their social aims in a financially sustainable way.

2.2.1 Governance as general analytical perspective

As has been mentioned in the introduction, the notion of governance has emerged and been used in a variety of contexts, disciplines and meanings in the last decades. It is not the intention of this section to report on the different and multitudinous conceptualizations and applications prevailing in the literature, but rather to deepen the conception of governance used in the study as well as the related terminologies and implications of that approach. In that respect, it has to be stressed again that governance in this study is not understood as a theory or as a normative concept in the sense of “good governance”, which has been widely used especially in development policy (see for an overview Nuscheler 2009), but as an analytical perspective. Accordingly, the section also deepens the explanation to what extent the selected state and non-state initiatives are considered governance-initiatives. It also argues why the role and logics of actors are considered of central interest in order to fully grasp processes of governance.

Governance in its widest sense can refer to any form of coordinating structures and processes in society, like communities, hierarchies, markets, networks, etc. In political science, the notion is conceived in a narrower sense, referring especially to different forms of (intentionally) regulating social matters with the participation of state and non-state actors. Thereby, again, a narrower view conceives governance in opposition to government and includes only coordination between private or social society actors. The wider political science concept followed in this study embraces all forms of interaction between state and non-state actors. It comprises the sovereign steering of the state, governance via networks of cooperating state and non-state actors and self-regulation or

governing by non-state actors (Mayntz 2009c: 9f.), and thus implies the triad of governance “by”, “with” and “without” government (Zürn 1998: 169ff.). (See for a distinction of different conceptions and scopes of the term governance also Benz 2004: 17f.; Benz et al. 2007: 13; Blumenthal 2005: 1153f.; Mayntz 2009b: 8f.; Schuppert 2008: 24).

Accordingly, this study principally follows the thinking of scholars in the tradition of Renate Mayntz (2004: 66), who conceives governance as “the entirety of all co-existing modes of collective regulation of social matters: from institutionalized civil society self-regulation via different forms of cooperation of state and private actors through to sovereign acting of state actors.” (See similarly in Benz et al. 2007: 13; Börzel 2008: 119; Mayntz 2006: 15; Risse/Lehmkuhl 2007: 20). In addition, the study takes into consideration a definition of governance as the variety of “institutionalized modes of social coordination to produce and implement collectively binding rules, or to provide collective goods” (Börzel/Risse 2010: 114; Risse 2011: 9).⁴⁸ Both the reference to different types of actors and the fact that the provision of collective goods is explicitly mentioned as an aim or outcome of governance has inspired this study to conceive the selected state and non-state initiatives to foster financial inclusion – which is conceived as collective good, as has been outlined in section 2.1.1 – as governance-initiatives.

Even if the bulk of the governance literature has surged in Europe and North America, the governance perspective has also increasingly been adopted by a variety of Mexican authors, who have discussed the usefulness of (concepts of) governance for the Mexican context and applied it to different realities in Mexico (Aguilar Villanueva 2006; Bassols/Mendoza 2011; Pardo 2004; Porras 2012). In spite of the fact that these authors

⁴⁸ This definition has been developed specifically for the analysis of so called “areas of limited statehood”. Aspiring adaptability to the wide range of contexts outside the OECD, the definition leaves out any reference to a certain type of actor and aims at covering all forms of detectable governance constellations in areas of limited statehood that may also imply actors, which are difficultly classified by “modern” dichotomies of “public” and “private” (SFB 700 2009: 24). Limited statehood is defined as the central authorities’ (governments’) restricted ability to exert the monopoly of violence and/or to implement and enforce collectively binding rules. These abilities can be restricted along various dimensions: Firstly, territorial, that is concerning a country’s territory (e.g. the state loses control over a certain inaccessible area); secondly, sectoral, that is, regarding specific policy fields (e.g. the authorities are not able to enforce rules in the financial sector); and thirdly social, that is, concerning particular groups of the society (e.g., the state’s monopoly of violence is challenged by a rebel group) (see e.g. Risse 2011: 3ff.). Conceiving Mexico as an area of limited statehood is, though, a complex issue, not only because, as an OECD country, it could be excluded quasi per definition. Regarding the outlined possibility that statehood may be restricted in particular policy fields, in the security realm, there are definitely limitations regarding the Mexican state’s monopoly over the means of violence, manifested in the government’s limited capability to control certain areas of the country where the drug cartels have taken over the monopoly of violence. In the empirical field of this study, the financial sector, though, the identification of limited statehood is less unambiguous. Mexican governments seem to have been (at least partly) limited in their ability to enforce rules in the (micro-)financial sector, as will be discussed later in the study. Yet, it is not definitively clear, whether this limitation consists in an actual restriction of its “technical” capacities or in a limited political will caused by power political rationales. Even if Mexico’s (micro-)financial sector cannot be unequivocally classified as an “area of limited statehood”, the proposed governance definition and related conceptualizations (see also section 2.4.2) are useful in the context of this study.

mainly work with the prevailing concepts emerging outside Mexico and referring to the hegemony of Anglo-Saxon conceptualizations of governance in the social sciences, Porras (2011) confirms the utility of governance for the Mexican context, as long as this is not overloaded with theoretical or normative presuppositions. He thus pleads for an analytical use of the concept, which is broadly consistent with the perspective of the present study:

“la anglo-gobernanza podría tener alguna utilidad para contextos no británicos siempre y cuando ésta no se definiera como un sistema o *continuum* de cualidades, lo que hace difícil la aplicabilidad del concepto, ni como un modo específico de relaciones gobierno-sociedad, sino como un marco general de análisis que otorga visibilidad a actores no-gubernamentales en los procesos de política pública.” (Porras 2011: 70f.)

As analytical perspective, like the notion of politics, governance refers both to structures and processes (Börzel 2008: 119f.; Kooiman 2006: 154; Mayntz 2006: 15; Pierre/Peters 2000: 14; Risse 2008: 119) as well as to a material, content-related dimension (SFB 700 2009: 24; Zürn 2008: 555f.). Governance structures regarding the constellations of actors and their interlinking are often distinguished in three main forms: hierarchies, negotiation systems or networks, and competitive systems. Governance processes or “modes of social coordination” are basically subdivided into hierarchical and non-hierarchical forms; among the latter, the modes of arguing (that is, coordination via argumentative persuasion) and bargaining (or negotiation) are usually distinguished (Börzel 2008: 119f.; Börzel/Risse 2010: 114; Risse 2008: 151; see also Scharpf 2000b).⁴⁹ The content-related dimension refers to the produced governance result, that is, the regulation or (contribution to a) collective good⁵⁰ realized through governance.

According to the above mentioned classifications, the selected initiatives, which all represent institutionalized forms of cooperation between state and non-state actors (in the case of BANSEFI/la Red de la Gente) or only between non-state actors (in the case of Caja Popular Mexicana and AMUCSS/Envíos Confianza) are thus conceived as governance-initiatives in the form of networks and negotiation systems with the prevailing coordination mode of bargaining. As has been mentioned above, the expected governance result in the case of this study is (a contribution to) financial inclusion, which the three selected initiatives aim at via the link of remittances and microfinance – albeit with different degrees of explicitness (see section 3.3).

⁴⁹ See Blumenthal (2005: 1168f.) for an overview of further different classifications of governance structures and processes in the literature. The terminology of governance dimensions, though, is far from unified: “governance-form”, “-mode”, “-structure”, (and partly “-regime”) are sometimes used as synonyms; on other occasions, as in this study, they are differentiated.

⁵⁰ “Collective goods” are understood here based on the current criteria of non-exclusivity in access and/or non-rivalry in consumption. Whereas goods comprising both characteristics are “public goods”, goods that meet just one of the conditions are “collective” or “common goods” (Draude et al. 2012: 6).

The selection of governance as an analytical perspective with the presented definition has several implications which are mainly related to the understanding of governance as “intentional regulation of collective issues” (Mayntz 2004: 67) and the observation “that governance always means intentional acting in the public interest” (ibid.). These implications will be briefly discussed in the following paragraphs and concern, firstly, the definition’s criterion of intentionality, secondly, the implied “minimal normativity”, and thirdly the question of interests and power asymmetries within governance arrangements.

First of all, the defining characteristic of intentionality implies that governance (in the selected understanding) only includes forms of regulation that deliberately contribute to social issues. Markets or market actors in their usual logic of profit-maximizing are therefore not included. Even if private companies may contribute to the provision of collective goods, among others via positive externalities, this is not considered as governance as long as they do not aim at such a social contribution (Risse 2008: 152; Zürn 2008: 562).⁵¹ However, in order for an initiative to be considered governance it is not necessary that all cooperating actors always and only have the intention to provide a collective good. It is, though, important that the governance arrangement itself has – in the first place – such an intention. Thus, it is decisive that, through the institutional arrangement, their actions are directed towards the provision of collective goods and services. This implies that actors may also pursue other interests like maintaining or expanding their position of power or market share, and may nevertheless contribute to collective aims in the context of the governance-initiative (Risse 2008: 152). This, though, might also imply that these actors, due to power asymmetries, direct the governance arrangement towards their other interests.

Secondly, even if governance in this study is conceived as analytical perspective, the selected governance definition nevertheless implies, as some authors express it, an at least “minimal normativity” (Draude et al. 2012: 7; Risse 2008: 152; Risse/Lehmkuhl 2007: 20), as, per definition, it is directed towards the regulation of collective issues. What is to be considered a collective good and who defines that is, though, generally a contested and contingent issue and has to be identified empirically (Risse/Lehmkuhl 2007: 21). In this study, as has been mentioned, the respective collective good in question is financial inclusion, a development goal increasingly described both by scholars and policy makers as a collective issue (see section 2.1.1). Regarding this (minimal) normative focus, governance is closely linked to an understanding of politics conceived essentially as acting in the collective interest (Mayntz 2006: 12; Risse/Lehmkuhl 2007: 20).⁵² This is

⁵¹ This is yet, different for the case of social businesses, which per definition seek to achieve social objectives (Yunus 2007, 2010).

⁵² Even if implying a “minimal normativity”, this governance perspective must be distinguished from “good governance” approaches prevailing in the political praxis in order to “improve” governing processes in developing countries and/or to foster the model of a “minimal state” (Benz 2004: 18).

obviously a partial perspective, as the solution of collective problems is by no means always the first or only motivation of politics: the achievement and defense of (political) power are often considered to be at least as relevant or even the main driving force of political actors (Mayntz 2004: 75; Salazar Carrión 2007).

The present study tries to handle these two problems in so far as it takes the “collective-good-criterion” as a reference to choose respective initiatives, without *a priori* taking for granted that the analyzed governance arrangements (only) intend to serve the collective interest. That is, the analyzed initiatives were selected either because they explicitly expressed the aim to contribute to a collective good – in this case financial inclusion – as proposed by Zürn (2008: 554f., 560f.) (this is especially the case for BANSEFI and AMUCSS), or because, due to the type of the main actor, it might be expected that they pursue collective interests (see e.g. Risse 2008: 159) (this is rather the case for all three actors). To what extent the selected actors de facto pursue collective objectives with their initiatives, is one of the main empirical questions of this study.

A third implication of the selected governance perspective, implicitly related to the criterion of intentionality and the “minimal normativity” of the definition, is the neglect of questions of interests and power asymmetries in governance constellations. Due to its focus on the solution of policy problems, governance has been criticized for its alleged “problem-solving-bias” (Mayntz 2004: 74; 2006: 17) and a “tendential or tendentious blindness for questions of power and distribution” (Offe 2008: 72). To be sure, the governance perspective is not (totally) blind to existing power asymmetries between different governance actors: Almost per definition it assumes the existence of different interests – otherwise there would be no need to negotiate – and does not negate that governance actors (can) have varying potential of power (Benz et al. 2007: 18; Blumenthal 2005: 1172; Mayntz 2009b: 11; 2009c: 13). It is thus acknowledged that “governance-networks are no place of harmony” (Kersten 2009: 51). Nevertheless, it is true that interests and power asymmetries are not the main focus of governance analyses and are therefore not necessarily turned into research questions.

This study, in contrast, asks explicitly for the logics of actors, taking into consideration that these can also be conditioned by power asymmetries and contain power political aspirations. This is considered as relevant, as the existence of different interests, which may thus also include the quest for (political) power, can arguably affect the results of governance and the interaction of the governance actors. When these interests get overly dominant, they may not only limit an effective solution of problems, but also imply that governance-initiatives contribute more to the interest of particular participating actors than those of a however defined collective (Kjær 2004; Mayntz 2004: 73; 2006: 17f.; 2008: 55f.; 2009b: 11). As will be argued in this study, the diverse interests and power ambitions of various actors engaged in the analyzed governance-initiatives and in the Mexican

microfinance market seem to have not only affected the performance of the remittance-initiatives but also considerably complicated the interaction of the state and non-state actors and the regulation process of the Mexican microfinance sector.

Addressing the logics of the governance actors, this study thus explicitly takes an actor-oriented approach, even if in comparison to steering theory the governance perspective is usually considered as rather structure- than actor-centered (Blumenthal 2005: 1171; Mayntz 2006: 16f.; Schuppert 2006: 380ff.). Acknowledging the importance of the institutions and structures in which the actors are embedded, it seems nevertheless crucial to not underestimate the role of actors within such arrangements, as their intentions and interactions influence the dynamics and output of governance constellations (Kersten 2009: 49ff.; Kooiman 2006: 154f.).

However, both theoretically and, above all, empirically, it is highly difficult to identify actors' intentions, being principally subjective. Therefore, the study intends to grasp rather "objective" logics of actors and initiatives and approaches them with Renate Mayntz' and Fritz Scharpf's conceptualization of "actor orientations" in the context of their "actor-centered institutionalism" (Mayntz/Scharpf 1995; Scharpf 1997). This heuristic bridges a gap between structure and actor-oriented approaches and thus offers a conceptual toolbox for the analysis of actor orientations, constellations and forms of interaction within the governance perspective (Blumenthal 2005: 1173ff.; Mayntz 2006: 17). Before the main elements of this approach are introduced in section 2.4, the following sections continue with the presentation of this study's main conceptual foundations, outlining the changing normative role expectation towards the state regarding financial inclusion and the provision of financial services.

2.2.2 Changing views on the role of the state in financial sector governance

The most important conceptualizations regarding the role of the state in fostering financial inclusion are briefly introduced in the following paragraphs, because these arguably influence both state actors' behavior and non-state actors' normative role expectations towards the state. Basically, three views on the role of the state for the fostering of access to finance can be distinguished, which have followed one another in the last decades according to the general conception of the role of the state in economic development. They differ especially in their degrees of state-involvement and, based on de la Torre et al. (2007), are labeled here as "interventionist-view", "laissez-faire-view" and "pro-market-activism-view".

In the "interventionist-view", which was dominant in many developing countries in the three decades after the Second World War, the state played a very active role, both in the direct provision and in the regulation of (micro-)finance-services. This view was clearly

related to the prevalent ideas of that time about the importance of a strong state in economic development. Nevertheless, part of the ideas and instruments of that model are still accepted at present. Active state intervention in the provision of small-scale services to the rural, poor and other marginalized populations has been theoretically justified with both the existence of fragmented markets and, due to the high dependence on information, the endemic failures in financial markets (De la Torre et al. 2007: 11ff.; Stiglitz 1994). The main instrument used by governments in this approach to foster access to finance was the direct provision of credits. Therefore, this model corresponds broadly to what has been treated under the labels of the “directed credit paradigm” (Vogel/Adams 1997) or the “poverty-lending-approach” (Robinson 2001) in microfinance literature. This is also the main distinguishing characteristic from the other models, where the state mostly refrains from direct service-provision. The distribution of directed credits above all to farmers lacking access to finance was thus realized through farmers’ cooperatives and public development banks that played a dominant role in institutional lending in many developing countries in these decades (Conning/Udry 2007: 2864ff.; De la Torre et al. 2007: 13ff.; Vogel/Adams 1997: 361ff.). State development banks were thus seen as important instruments to provide access to finance for the population that was not served by commercial banks (Nitsch 2000). In addition to the direct credit provision, states undertook several regulatory activities. These concern especially interest rates, including the setting of interest rate ceilings, and provisions on so called “priority sector lending”, that is, prescriptions for banks to channel a certain amount of capital to specified sectors or populations (Conning/Udry 2007; De la Torre et al. 2007: 13ff.).

Despite a range of positive results, the interventionist approach in microfinance-provision has been subject to sharp critique both due to empirical and theoretical “failures”. In practice, the directed credit programs often did not reach the targeted clientele, but rather served better off beneficiaries. Moreover, they suffered from poor repayment rates due to lacking incentives, high (administrative) costs, problems of financial sustainability and dependence on subsidies. A common critique towards these programs has also been their vulnerability to political patronage, as credits have been and may be misused for electoral purposes and accessed because of connections, influence and power instead of necessity (Conning/Udry 2007: 366ff.; Helms 2006: 76; Vogel/Adams 1997). From a theoretical standpoint, the interventionist measures, especially regulations like interest rate ceilings that are still a debated subject in microfinance today, have been subject to critique for “financial repression”, arguing that the diverse state interventions have the opposite effect of fostering access to finance, as they hinder the optimal allocation of capital in the economy (De la Torre et al. 2007; Goldsmith 1969; McKinnon 1973; Shaw 1973).

Based on such critiques, and in the context of a general shift in thinking about the role of the state in the economy, especially from the 1980s onwards and as manifested in the

ideas of the so called “Washington Consensus”, a “laissez-faire-view” emerged also regarding the role of the state in fostering financial inclusion (De la Torre et al. 2007: 293; Johnson 2009). According to this view, the government’s role is expected to be limited to providing enabling environments, including a stable macroeconomic context, appropriate regulation, the setting and enforcing of property rights, etc. In short, state policies in that model target the development of financial markets rather than groups with financial services directly. State subsidies are, if at all, almost exclusively foreseen for direct cash transfers to the poor. Finance to hitherto excluded populations is instead expected to be offered by private actors at market prices, whose sources of funds are the mobilization of savings and external funding via capital markets (De la Torre et al. 2007: 18ff.). The laissez-faire approach in practice, though, has not automatically led to a larger outreach in finance to the poor, because it did not change the basic problem that commercial banks are not interested in serving that clientele due to a lack of profitability (De la Torre et al. 2007: 22; Woller 2002: 16). Moreover, the creation of enabling environments and adequate regulation showed to be more difficult than expected – among others because of path dependencies in the institutional development of financial markets – what led to a new call for a more active role of the state beyond the minimalistic paradigm (De la Torre et al. 2007: 11, 23f.).

Accordingly, due to strengths and weaknesses of both the interventionist and the laissez-faire model, a third view on the state’s involvement in fostering access to finance has been recently emerging. It is situated between the two poles, albeit with a tendency to the laissez-faire-approach: the “pro-market-activism-view”. Interestingly enough, this view has been conceived by authors of the World Bank, based on some recent experiences in Latin American countries, among these the development bank BANSEFI in Mexico, which is one of the main actors analyzed in this study. Whereas the main focus of this view still lies on enabling environments and the development of financial markets, government action is perceived to be important beyond stabilizing economic contexts and regulation. According to the pro-market activism view, the interventions, in order to tackle specific market failures and promote financial market development, have to both apply adequate instruments (subsidies, funding, etc.) and foster diverse types of institutions (commercial financial institutions, NGOs, public banks) (De la Torre et al. 2007: 24ff.). The view that governments “must do more than simply get out of the way of private lenders” (Conning/Udry 2007: 2900) is (now) widely shared by a range of authors in the realm of microfinance and other experts and international institutions concerned with fostering financial inclusion (see e.g. Barr 2007; Beck 2008; Claessens et al. 2009; DESA/UNCDF 2006: 93ff.; Ehrbeck et al. 2012; Lapenu 2002). As the “optimal” role of the state *vis-à-vis* other actors in microfinance, however, is still subject to debate, de la Torre et al. (ibid.: 26) concede that

“this emerging view is still far from providing clear guidelines on development policies. It is a more nuanced view that calls for policy diversity, selective and modest reforms, and experimentation. In fact, its main characteristic seems to be the recognition of the need to avoid one-size-fits all strategies and to follow a more targeted approach taking into account country specificities”.

This is a notable insight on behalf of World Bank authors, as this and other global development institutions have been rather known for their “one-size-fits all” approaches. Therefore, it is worth stressing that also other World Bank finance experts, the authors of the “Finance for All?” report, confirm that

“it is clear that there is much for policy to do. It is not enough to say that the market will provide. Market failures related to information gaps, the need for coordination and collective action, and concentrations of power mean that governments everywhere have an extensive role in supporting, regulating, and sometimes directly intervening in the provision of financial services. Not all government action is equally effective, however, and some policies can be counterproductive. Complex system responses can make well-intentioned policies misfire, so successful policy design must be context specific.” (Demirgüç-Kunt et al. 2008: 143)

These insights are, moreover, interesting from a governance perspective, as they change the problem from the question whether or not the state should participate actively in the fostering of financial inclusion to the question with which instruments and how long it does so. This implies, thus, also the rather complex issues of deciding about the “adequate degree” of participation, as well as about the “right” point of time and way to exit. And, as the two citations confirm, this intermediate perspective implies the necessity of looking thoroughly at the empirical contexts in which the state undertakes the respective measures.

2.2.3 Types of state and non-state actors providing microfinance

According to the changing role of the state in the financial sector, the role of non-state actors alongside the government has changed as well – and increased. Some of the non-state actors in finance have a long history, and others emerged due to the “retreat” of the state from financial service provision. Consequently, today, the empirical setting of microfinance worldwide is characterized by a growing diversity of different actors and institutional business models. Alongside informal moneylenders and credit and savings associations, there are various types of semi-formal (that is, not regulated by special microfinance or banking laws) and formal (regulated) institutions serving in the microfinance sector. These comprise, for example, member based financial cooperatives, NGOs, rural or community banks, as well as government owned and commercial banks (Helms 2006: 56; Krahen/Schmidt 1994: 34f.). The three relevant types in the present study – governmental development banks, credit cooperatives and NGOs – are briefly

presented here in order to clarify their general institutional logics and related problems, because these, evidently, also influence the logics of the three analyzed state and non-state actors.

Governmental development banks are financial institutions operating in the public interest that are supposed to foster the socio-economic development through their financial and consulting services. They have thus both banking and development functions and are owned completely or by a majority by the state and partly receive public guarantees and subsidies (Geis 1984: 753). Most of today's development banks were founded after the Second World War, and despite the critique of development banks and the growing importance of private financial institutions, worldwide a large number of development banks are still operating (De Luna-Martínez/Vicente 2012: 6). The state intervention is usually legitimized through the pioneering role of development banks, which often provide services that are not profitable enough or too risky for common commercial banks. These innovations may comprise, among others, the fostering of new client groups and financial instruments (Geis 1984: 753). Also, development banks are often specialized for certain sectors or population groups. In the area of microfinance, development banks specifically target the poor and unbanked population in rural areas where they have large branch networks (Helms 2006: 49; Ledgerwood 1999: 97). As far as their activities are concerned, there has been a marked change over time. Whereas state development banks used to focus on the distribution of subsidized credits, some of them are now also active collectors of deposits (Ledgerwood 1999: 97), offer broader ranges of financial services and focus as well on second-tier operations, institution building and the development of financial infrastructure (see e.g. Trivelli/Venero 2007). Development banks usually have different options to fund their business operations. They can take deposits from the public, borrow from other financial institutions, raise money in national or international capital markets, use their own equity, and receive budget allocations from the government. Most development banks combine the various funding options (De Luna-Martínez/Vicente 2012: 10).

One of the most important problems of development banks consists in their double characteristic as bank and bureaucracy or government agency. They have to administer credit portfolios and payment transactions while at the same time fostering development, which often represents a difficult balancing act for the institutions (Nitsch 2000). The critique of the old type of development banks for their poor lending practices, political influence, misuse of credit and the problem of financial repression has been mentioned above. A problem of the new type of public banks is, in contrast, what De la Torre calls the "Sisyphus syndrome" of public banks: that there is an "inherent contradiction between their social policy mandates, on the one hand, and pressures to avoid losses, on the other" (De La Torre 2002; De la Torre et al. 2007: 17). Whereas with the subsidization

of credits, losses for the state were calculated, nowadays development banks are supposed to operate in a financially sustainable manner (see also section 2.2.4 below). This, though, poses a considerable challenge for these financial institutions: On the one hand, their social policy mandate implies high risk clients and limits their capacity to diversify risks, which usually entails low profits or losses (often intensified by other administrative and related problems of the banks). When they, on the other hand, try to minimize the losses and enter into more lucrative businesses, they increasingly part from their social mandate (De la Torre et al. 2007: 17). Nevertheless, development banks are considered to be interesting counterparts for the international donor community, as they represent an ideal vehicle to channel financial and technical cooperation, without the problems of allocating funds and with the possibility of designing projects according to the expectations of the donors (Nitsch 2000).

The second type of institutions of importance for the present study are financial cooperatives.⁵³ They are financial institutions owned by their members and doing business often solely with their members, who contribute to the equity of the cooperative with their shares (Cuevas/Fischer 2006: 1; Krahn/Schmidt 1994: 53). The members control the institution democratically with the principle of “one member one vote”, regardless of the respective participation with savings or shares (Lapenu/Pierret 2006: 63; Ledgerwood 1999: 101f.). Financial cooperatives are characterized through their principles of self-help and often through their orientation towards the public interest as well. Friedrich Wilhelm Raiffeisen and Hermann Schultze-Delitzsch, who independently from each other elaborated similar models to provide financial services to the non-served rural and urban population in Germany in the middle of the 19th century, are often called the pioneers of today’s cooperatives (Roodman 2012: 54ff.; Von Pischke 1991: 43ff.). Financial cooperatives often serve both the low and middle income population, whereby the fact that they also address middle income clients enables them to reach out to the poor without necessarily risking their financial sustainability (Cuevas/Fischer 2006). They often have a regional focus with financial intermediation restricted to their area of operation. A basic characteristic is that they collect deposits, that is, their services comprise at least credits and savings; the cooperatives’ members can thereby be both net borrowers and net savers (Krahn/Schmidt 1994: 43, 55; Ledgerwood 1999: 10ff.). Some financial cooperatives have traditionally placed a strong emphasis on the cooperative education of their members (Guinnane 2011: 96). Another characteristic of credit cooperatives is that they usually aspire to balance their social and commercial mission, operating with a financially sustainable approach (see also below). Whereas credit cooperatives are often said to be not-for-profit institutions (see e.g. Ledgerwood 1999: 103), this is not necessarily

⁵³ There are different denominations of cooperative financial institutions, depending also on the regional context. Usually, they refer to institutions with very similar or identical traits: financial cooperatives, savings and credit cooperatives, and credit unions (Cuevas/Fischer 2006: 2).

the case. The crucial aspect regarding the profits of cooperatives is rather that these are distributed among the members of the cooperative – with different possible distribution schemes – or remain within the institution (Krahn/Schmidt 1994: 53). The funding of credit cooperatives usually consists only in the shares and deposits of the members; although the opening to outside investors is possible, it is rather limited (Lapenu/Pierret 2006: 41, 62).

Among the problems cooperatives face, especially among the low income population, are the member quotas, which may represent a considerable barrier to join the institution, especially as they represent a completely illiquid contribution. Another access barrier at some cooperatives might be the requirement to participate in obligatory courses and regular general assemblies (Klaehn et al. 2006: 11; Krahn/Schmidt 1994: 53). If participation is not obligatory, though, members might de facto not exercise their power as owners and leave decision making to the elected management. The latter, though, might be rather interested in securing their jobs and incomes and less in growing the cooperative's shares, as these cannot be used for profit maximizing on the capital market. Likewise, the management's interest in securing jobs and incomes may also lead to a rather conservative lending policy in order to avoid risky operations. Even if this guarantees safer deposits, the growth of cooperatives may thus remain rather moderate (Krahn/Schmidt 1994: 55ff.).

Non-governmental organizations are the third relevant institutional type in the context of this study.⁵⁴ In the 1970s, first microcredit programs with an explicit focus on poverty reduction were realized, often through NGOs sponsored by governments and international donors. That was the "birth of modern microfinance", as for example in the case of Muhammad Yunus' idea to provide credits to poor female entrepreneurs in Bangladesh (and the subsequent foundation of the Grameen Bank) (Helms 2006: 4; Schmidt 2010: 107). NGOs, unlike cooperatives, do not have members and are thus usually not managed by the target group itself but often by middle class individuals who aspire to support the poorer population. In NGOs, there is, moreover, a dissociation between funding source and decision makers, as decisions are not made by the funders but by the management (Lapenu/Pierret 2006: 41). The target group of NGOs is usually the low income population, whereby the geographical focus depends on the size of the institution. Whereas some microfinance NGOs offer a broader range of supporting services in addition to financial services to their clients, accompanying the provided credits, others focus on financial service provision only. Regarding the services, NGOs usually limit their offer to credits, which they finance through international donor funding. Yet, if they are legally "upgraded", that is, if they get banking licenses or similar authorizations, they also have the possibility to take in savings from the public and offer

⁵⁴ According to the study's interest, this paragraph focuses only on NGOs in microfinance.

other types of financial services (Schmidt/Zeitinger 1996: 132ff.). Due to their strong social orientation and focus on the low income population, many NGOs do not aspire to cost-coverage in order to keep from burdening their target group. Others, in contrast, assume that cost-coverage interest rates are socially acceptable, arguing that such rates are the only possibility for securing the permanent supply of financial services to the target group (ibid. 1996: 129f.) (see also the next section). Depending on the selected “business model”, the funding of NGOs also varies with financial support, partly in form of external credits or grants and subsidies (Lapenu/Pierret 2006: 41).

Whereas the (usual) non-profit orientation of NGOs, on the one hand, is arguably supportive to ensure their commitment to the target group, on the other hand, the reliance on donor funding is problematic if there is no incentive to operate efficiently (Schmidt/Zeitinger 1996: 129, 139). Often, the aspirations to foster social aims are followed in such an ambitious way that business and financial aspects are neglected. In any case though, for NGOs it is often difficult to benefit from economies of scale due to their limited scale of operations; in order to institutionally survive, they thus often have to transform their institutional structure (Ledgerwood 1999: 103f.). From a donor view, NGOs are nevertheless interesting institutions, as they are assumed to be highly motivated and especially close to the target group in terms of local presence and understanding of the population’s needs – or they are at least capable to transmit such an image (Ledgerwood 1999: 103; Nitsch 2000; Schmidt/Zeitinger 1996: 126). Thereby, international donors from the opposing ideological strands welcome NGOs either because of the “leftist” market critical logic of NGOs or because these are seen as a possibility to foster market development from below (Nitsch 2000). NGOs appear as suitable partners filling a gap after the closing down of development banks in the context of structural adjustment programs; they thus fit into the ideological landscape of the 1980s and the laissez-faire era, assuming moreover that “they are not government-related and are therefore likely to be flexible, innovative and socially responsive” (Schmidt/Zeitinger 1996: 139). Whether NGOs de facto live up to these expectations is highly contested, and the initial euphoria about the positive development role of NGOs in general has been reduced to more balanced views of their strengths and weaknesses (see e.g. Fisher 1997).

2.2.4 The challenge to balance social and commercial goals to foster financial inclusion

Even if, intuitively, one might relate different types of actors automatically with a respective non-profit or profit-orientation, the interrelation is more complex, as a brief overview of the discussion on microfinance actors’ challenge to balance the commercial and social goals fostering financial inclusion shows. The aspiration to achieve their social aims with a financially sustainable or profitable approach has been discussed in the

microfinance literature especially under the label of the “double-bottom line” (see e.g. Christen et al. 2004). As mentioned in the introduction, especially from the 1990s onwards, within large parts of the microfinance community the idea gained ground that small financial services can be provided on a large-scale to poor households in a financially sustainable or profitable way (see the specifications of these notions below). This idea to some seemed path-breaking to the extent that they called it the “microfinance revolution” (Robinson 2001), others have labeled this new approach the “financial market paradigm” (Vogel/Adams 1997: 372ff.), “financial systems approach” (Robinson 2001: 22f.), and the “commercial approach” or the “commercialization” of microfinance (Schmidt 2010). Thereby, the “sustainability camp” (Rhyne 1998: 6) of microfinance experts argues that financial sustainability and outreach to the poor are not mutually exclusive, but two sides of the same coin. Likewise, the provision of microfinance to poor households in the long run is not only seen as impossible without a commercial approach, but also as a “win-win” proposition, as microfinance institutions with good banking principles will also be those alleviating the most poverty (Morduch 2000: 617). Representatives of the “poverty camp” (Rhyne 1998: 6), in contrast, who see a trade-off between reaching the poor(est) and sustainability and favor the former, doubt that commercialization will equally allow for the intended social impacts and fear a “mission drift” of microfinance, that is, the de-emphasizing of the social mission for the sake of higher financial returns, with the implied turning away from poorer population groups (Armendáriz/Szafarz 2011; Woller 2002: 15).

Thereby, it has to be noted that commercialization of microfinance can have two meanings. Whereas it can refer either to the transformation of a non-profit institution into a for-profit (or profit-maximizing) company, it may also just imply the application of market-principles in the operation of the institution. Regarding the first case, i.e. profit-maximizing, the fact that some microfinance actors have made spectacular profits in the last decade (see the Compartamos case mentioned in the introduction) has caused a new controversy in the microfinance sphere, which could be called a second generation debate on mission-drift, implying the question to what extent it is ethically acceptable to generate (extremely high) profits on the back of the poor (see e.g. MacFarquhar 2010; Yunus 2011) – or to exploit them, in a neo-Marxist perspective (Harper 2009). This tendency has led a leading microfinance expert to state that “ethical principles and even rules and “right-minded thinking” might be more important in the realm of microfinance than [...] previously believed was the case” (Schmidt 2010: 124).⁵⁵ In the second case (the

⁵⁵ The initial public offering (IPO) of the Mexican Microfinance Bank “Compartamos” in 2007 has been the initial spark of that discussion that has been further pushed by the recent microfinance crisis in the Indian federal state of Andhra Pradesh (Rosenberg 2007). The grade of emotionality of the debate is well documented through articles such as Tim Hardford’s (2008) Financial Time piece entitled “The battle for the soul of microfinance”.

application of market-principles), albeit aiming at financial sustainability, the MFI would not necessarily pursue profit-maximization but would still have to generate some profits in order to be able to operate in a financially sustainable manner (see e.g. Woller 2002: 12f.). The problem arising thereby is that the “optimal degree” of profit generation in order to do so represents a small line.

In sum, a profitable institution can either aim solely at financial sustainability, that is, covering at least the costs without aiming for further profits, or it can pursue a moderate profit, or even a profit-maximizing strategy. The (non-)profit orientation or the aspired profitability is thereby largely independent from the type of institution. To give some examples: While NGOs usually are considered to be non-profit institutions, they may be either financially self-sufficient (sustainable) or dependent on subsidies. They might, however, seek to generate (some) or maximize profits, albeit the latter is less probable. Financial cooperatives, as mentioned above, usually aim at balancing their social and commercial objectives with a financially sustainable approach, but there might be also cooperatives aiming for profit maximization. Different from commercial banks, the profits are distributed between the members of the cooperative or left within the institution. Likewise, a government owned bank can be either subsidy-dependent or operating on market principles and envision the creation of a surplus. Consequently, among the selected state and non-state actors there are also different possible approaches to balancing their social and commercial goals. These approaches will be considered in the analysis as one element of their logics, as will be further elaborated in section 2.4.

Based on this overview of the conceptual and theoretical aspects considered relevant for the present study, the next two sections elaborate more specifically on the frameworks used to analyze both the initiatives’ potential contribution to financial inclusion as well as the actors’ logics behind these initiatives and related conflicts.

2.3 Framework to examine the initiatives’ contribution to financial inclusion

As has been mentioned in the introduction and will be shown with more detail in chapter three, the selected state and non-state actors all express the goal of contributing to financial inclusion with their remittance-initiatives – albeit to different degrees. The present study takes these declarations of intentions as a starting point to ask to what extent the governance-initiatives may de facto realize such a contribution. The question is, thus, what governance-initiatives would have to do if they want(ed) to foster financial inclusion via remittances. Whereas the empirical analysis of this question is carried out in chapter four, this section develops the respective analytical framework.

Thereby, it has to be stressed again that the aim of the study is not to carry out an exact assessment of the *actual* contribution to financial inclusion, but to approach their *potential* in that regard, as this study's main interest lies in the logics of the state and non-state actors carrying out these initiatives and the implications of their parallel engagement linking remittances and microfinance.⁵⁶ The reasoning here is that the governance-initiatives have to fulfill at least some basic requirements in order to be at all able to contribute to the expansion of the remittance-receivers' access to and usage of finance. The selected aspects presented below therefore give insights about the initiatives' *potential* contribution to financial inclusion via remittances. In order to approach this potential contribution, the study draws on a conceptualization of Beisheim et al. (2008), based on Easton (1965). In order to assess the effectivity of governance-initiatives, the authors distinguish the three dimensions of "output", "outcome" and "impact". Table 1 outlines this conceptualization, including examples for the case of this study.

Table 1: Conceptualizing the potential contribution to financial inclusion

Goal attainment of the initiatives		
Output	→ Outcome	→ Impact
activities and measures of the initiatives	usage of the offer through target group	(contribution to the) solution of a development problem
<i>offer of remittance-transfers and other financial services</i>	<i>use of remittance-transfers and other financial services</i>	<i>(contribution to) financial inclusion (and poverty reduction)</i>

Source: Own elaboration based on Beisheim et al. (2008: 455)

The output comprises thereby the concrete efforts and measures undertaken by an initiative and is the main analyzed dimension in this study. Examples for an initiative's output would be the offer of remittance-transfers and other financial services. Outcome refers to the usage of the provided services by the target group and their possible change of behavior. In the case of this study, this would comprise the use of the initiatives' remittance-transfer services and other financial services through the transnational families. Both outputs and outcomes may potentially, but not automatically, cause an impact. Impact, thus, means the (contribution to the) solution of a specific problem or the accomplishment of a development aim. In the case of this study, this regards the aim of financial inclusion and the related (potential) reduction of poverty.

⁵⁶ An exact assessment of the contribution to financial inclusion would be, at any rate, also methodologically difficult. The conceptualizations presented above have shown that financial inclusion is a complex phenomenon, which per se is difficult to assess in its multidimensionality. Hitherto realized studies to measure financial inclusion thus usually focus on selected aspects and develop proxies. Often, the scarcity of relevant data reinforces the problem of measurement.

As the present study does not aim at implementing an impact assessment of the initiatives, it limits the analysis to factors regarding the output dimension together with a few outcome aspects, focusing thus on the initiatives' *potential* contribution to financial inclusion. In order to learn about the logics of the respective actors, it is arguably sufficient and especially insightful to look at their actual efforts and some of the preliminary outcomes of their initiatives without necessarily having to further deepen the analysis of their impact. Recalling the four dimensions of financial inclusion presented above (see section 2.1.1), the analysis of the initiatives in this study therefore focuses specifically on aspects of access and partly on quality and usage. The contribution to welfare is not explicitly addressed, as this would de facto consist in an impact assessment. Nevertheless, the dimension is kept in mind when discussing the other dimensions, which are supposed to be oriented as a contribution to welfare.

The following paragraphs introduce the respective aspects considered to be relevant for the analysis, grouping them as requirements on the supply-side, which are regarded as necessary for a contribution to financial inclusion, and as additional efforts especially targeting the demand side. Even if the latter are not considered as fundamental as the first group, they are also important and, as will be argued, moreover give additional insights about the actors' commitment to contribute to financial inclusion.

Drawing on the elaborations of the two preceding sections and relevant contributions from the policy literature, the following paragraphs present an analytical framework for approaching the potential of the selected initiatives to contribute to financial inclusion capitalizing on remittances. As the analysis of governance-initiatives linking remittances and microfinance under the perspective of their potential contribution to financial inclusion is a new endeavor in the academic landscape, there are no applicable frameworks available. There are, though, a range of policy-oriented contributions tackling similar questions (Jaramillo 2008; Orozco 2008b; Orozco/Fedewa 2007; Orozco/Hamilton 2008), which serve as references to elaborate the analytical scheme of this study. Especially Manuel Orozco, in cooperation with various other experts, has assessed various remittance-channeling MFI networks in Latin America. All the factors presented in the following are also proposed by these authors, even though they label and group them partly in different ways.⁵⁷ The classification and order chosen in the following is

⁵⁷ Orozco and Hamilton (2008) have presented one of the few contributions that aim to systematically analyze the intersection of remittances and financial intermediation of microfinance institutions. The authors list five requirements for increasing the development contribution of remittances through MFIs and present respective indicators to assess them: "Geographic presence", "market position" (resulting from partnerships with MTOs, low-cost transfers and the volume of distributed remittances), "provision of financial services", "systematic information management", and "technology". Orozco (2008b) partly draws on this contribution and focuses more explicitly on how initiatives use remittances for financial intermediation. He therefore adds other factors, without, though, explaining how these aspects were measured ("financial product design or adaption for remittance recipients", "financial product marketing", "staff awareness and/or training of the role of remittances in the financial asset chain", "familiarity with clients", "trustworthiness of institution", and

thus a combination of the different sources, considered as the most adequate in the context of this study. The different dimensions and indicators (in italics) identified as the most relevant are presented in the following paragraphs; Table 2 below contains a summarizing overview.

(1) Among the basic requirements regarding the supply-side, the first analyzed dimension is the initiatives' "network-size and geographic presence". The potential contribution to financial inclusion is arguably based on the size of an initiatives' network, because with more access points it potentially reaches more clients. The larger the number of served clients, the larger the contribution to financial inclusion in terms of "breadth of outreach" (Schreiner 2002: 595f.). The indicator chosen to assess this is consequently the *number of branches* of the initiatives' networks.⁵⁸ In addition to the size, also the geographic presence of the initiatives is relevant. One aspect thereof is the *territorial distribution* of the branches, which is assessed through the number and percentage of federal states and municipalities covered by the networks' branches. Another aspect of the geographic coverage is whether the financial institutions that are part of the initiatives are located near the remittance-receivers (Orozco/Hamilton 2008: 130). The MFI's *presence in remittance-receiving communities* allows the migrants' relatives to pick up their money and access other financial services in their home locations without having to invest considerable time and money to travel to the next larger town. Ideally, in order to assess this geographical presence, one would cross the information on the locations of the networks' paying points with the remittance-data of individual localities. As this information, though, is not available for the Mexican case,⁵⁹ the study uses the data for remittances per federal state and assesses the initiatives' respective presence in these states.

(2) In order to capitalize on remittances for financial inclusion, the initiatives, in addition to having a branch or paying network, also have to offer migrant transfers and provide the possibility of picking up the money at their branches.⁶⁰ The second analyzed

"institutional commitment" (Orozco 2008b: 32). As far as they were considered fundamental aspects and could be addressed within the scope of this study, these factors were included in the present analysis.

⁵⁸ Recalling the above mentioned "output-outcome-impact" scheme, it has to be noted that a branch network can be both an output and an input of an initiative. When it is especially organized by one central actor – as for instance in the case of BANSEFI and AMUCSS – it can be considered as a first output (whereby the own institutions would be one of the inputs). When an institution already has an extensive branch network (as in the case of Caja Popular Mexicana), to be exact, this would have to be regarded rather as an input factor of an initiative. Yet, for reasons of comparability, the networks are here all considered as one of the initiatives' fundamental outputs.

⁵⁹ Both the Mexican Central Bank (*Banco de México*) and the national statistics institute INEGI (*Instituto Nacional de Estadística y Geografía*), the main official sources for remittance data in Mexico, provide information only at the national and federal level. See for the Central Bank: <http://www.banxico.org.mx/ayuda/temas-mas-consultados/remesas.html>; and for the national statistics institute: <http://www.inegi.org.mx/sistemas/bie/default.aspx?idserPadre=11000390#D11000390>, both accessed 23.08.2012.

⁶⁰ The institutions could, obviously, also capitalize on remittances for financial inclusion if the money was transferred through other providers. The more direct and interesting option is though, if clients can receive remittances and use other financial services at the same institution.

dimension is thus “remittance transfers”, which regards various aspects related to the initiatives’ offer of international money transfers. A first question thereby regards the types and number of *partnerships with money transfer companies* on the US-side. These institutions may include banks, credit unions and the classical money transfer operators (MTOs); mostly, though, the MFI-networks cooperate only with the latter (Jaramillo 2008: 12ff.; Orozco/Hamilton 2008: 134f.).

A second indicator to assess the availability of remittance-transfers is the variety of *transfer forms offered* in cooperation with the partners on the Us-side. There are various types of remittance transfer options that have varying implications for financial inclusion. The classical model is the “cash-cash” transfer, where neither the sender nor the recipient has to own a bank account, as the money is paid in cash in the sending country (be it a branch of an MTO or a cooperating agent like a grocery store) and received in cash in the receiving country (again with different types of agents, be they banks, MFIs, supermarkets, post offices, etc.). In that case, remittances can induce the recipients to use other financial services (especially savings accounts and insurances) when the money is picked up at a financial institution, and this institution’s financial services are accessible to the remittance-clientele. Obviously, the receivers could also pick up their money in cash and save (part of) it with another financial institution. The link between remittances and other financial services is, though, much easier and more convenient for the receivers when these services are directly offered and accessible. Another model is “cash to account” transfers, where, again, the money is paid in cash in the sending country but transferred directly to the bank account of the receiver in the receiving country. With this form, though the migrant does not have to be the owner of an account, the recipient must have one in order to receive the money. In this way, remittances can foster the usage of financial services like bank accounts. The third modality, finally, is “account to account” transfers, where both the sender and the recipient have to maintain bank accounts. This form thus may contribute to enhancing the usage of financial services by migrant families on both sides of the border. With both options, by receiving remittances directly in a bank account, the receivers have the considerable advantage of not having to immediately pick up the money, thus saving them time and money.⁶¹ When they, moreover, use a debit or credit card linked to the account, they may even make use of the money via these financial instruments (see for an overview on transfer forms Hernández-Coss 2005: 32f.; Isern et al. 2008: 99ff.).

A third indicator looked at in the dimension of remittance transfers regards the *remittances channeled* de facto through the initiative (Orozco 2008b: 7ff.). Whereas the transfer-

⁶¹ Moreover, when there are interests paid on the bank accounts, the receiver profits from these from the moment the money is automatically deposited into the account. Even if these amounts may be minimal, this is a theoretical advantage.

partnerships and the offered forms are output-factors in the conceptualization presented above, the actual transfers are already an outcome of the initiatives, demonstrating the use of this offer by the transnational families. The more remittances are transferred through an initiative's network, the more receivers can potentially access and use other financial services. This aspect is assessed in the present study because it allows considerable additional insights into the potential contribution of the initiatives to financial inclusion – at least in a quantitative and absolute regard. Thereby, this indicator is looked at in four different manifestations: first, the absolute transfers of an initiative per year, as this gives an impression of the monetary value transferred. Second, the number of transactions per year is considered because the number of individuals that may come into contact with a financial institution when picking up their money at the receiving end depends rather on the number of transactions than on the channeled amounts. Thirdly, the analysis assesses the remittances channeled per branch of a network because the comparison of transactions per branch makes the initiatives of different sizes more comparable in relative terms (Orozco/Hamilton 2008: 135f.). Finally, the last indicator taken into consideration regarding the remittance transfers provides information regarding the weight of an initiative in the national context: the share of the total remittances sent to the country channeled through the initiative, which in this study is expressed as percentage of the governance-initiatives' market participation.

(3) A third fundamental requirement to capitalize on remittances for financial inclusion is the “offer of other financial services”, which the remittance-receivers can access at the branch where they pick up the money sent from abroad. Thereby, a first question is what *range of other basic financial services* the financial institutions participating in the remittance-initiatives offer (Jaramillo 2008: 7ff.; Orozco/Hamilton 2008: 138ff.). The services taken into account in the present analysis are savings, credits and insurances, as these (next to payment services like money transfers) constitute the basic services considered relevant by various institutions dedicated to fostering financial inclusion (see e.g. AFI 2010: 8; CFI/ACCION 2009: 4). In addition, the study asks whether the initiatives have developed other *specific financial services linked to remittances*, taking into account the particular necessities of migrants' families.⁶² Regarding the potential contribution to financial inclusion, the offer of a wide range of financial products, in Schreiner's conceptualization, would thus increase the “scope of outreach” of an initiative (Schreiner 2002: 596). A third indicator taken into consideration regarding the offer of financial services are their *benefits and costs*. This is interesting in the context of this study, as it explicitly focuses on

⁶² These may include, for instance, special insurance products covering the death of a migrant and guaranteeing the relative at home a continuous flow of remittances for a certain time after the death. Also, home-improvement loans could meet the demand of remittance-receivers, as migrants often send remittances in order to build or improve (their) houses at home (Jaramillo 2008: 8ff.). Such loans could thus complement the remittance transfers, when these – and/or the houses – are taken into account as collateral.

initiatives considered as welfare-oriented. The analysis thus, in this exception, compares the interest rates for savings products and loans offered by the analyzed initiatives with other (commercial) players in the field in order to assess to what extent they comply with their social claim.

In addition to the above outlined factors considered as basic requirements to link remittances and microfinance for financial inclusion, the study looks at some selected additional factors that comprise efforts specifically related to the demand side. These measures arguably also enhance the initiatives' potential contribution to financial inclusion. Moreover, they reveal the commitment of the state and non-state actors, as they comprise additional activities that do not (usually) imply a monetary compensation.

(4) A first group of such additional measures concerns the "information of the migrant families", as the families obviously have to be informed about the possibilities for sending and receiving remittances also via welfare-oriented initiatives. This is especially relevant considering the fact that migrants often cling to their habitual sending services as well as the high competition in remittance markets (Jaramillo 2008: 11; Orozco 2008b: 31). In the US-Mexican remittance corridor, which is particularly competitive due to the large Mexican population in the United States, both on the sending and receiving side, a large range of commercial players with considerably more presence and marketing power coexist with the analyzed MFI-initiatives (Hernández-Coss 2005: 11, 21). The present study therefore explores the initiatives' *range of information activities* about their remittance-transfers and other financial services offered, both to inform the migrants and their relatives at home.

Another indicator regarding the information of the transnational families is whether the state and non-state actors engage in any kind of *financial education activities*. Not last in the context of the recent global financial crisis, financial literacy – the basic competencies regarding financial issues – has become an issue not only in the microfinance community, and financial education initiatives are increasing on the global level (Manz 2011). Financial education, as is argued, can help remittance-recipients make informed decisions about how to use financial services, support them with the management of their household budgets, increase their awareness of the remittances' potential for the improvement of their situation, and encourage planning for future goals (Jaramillo 2008: 12). Financial literacy is thus considered to be important insofar as it improves, on the one hand, the ability of individuals and households to manage their personal finances, to plan for the future and to benefit from financial services. On the other hand, it enables them to be aware of and preferably avoid possible negative implications like over-indebtedness and/or exploitation by usurers. The potential that remittances offer in that respect consists in the fact that for remittance-receivers picking up their money is often the first or the only contact with financial institutions. When paying out remittances, these institutions have

thus a special opportunity to provide some kind of financial education to their clients and to thereby improve their financial inclusion.

(5) The last aspect addressed in the analysis regards the initiatives' "tracking of client information". The question thereby is whether the initiatives undertake any effort to monitor their potential contribution to financial inclusion. A basic indicator therefore would be the *registering of the so called "conversion rate"*, that is, the percentage of remittance-receivers that become clients of other services or members of an institution based on the reception of transnational money transfers (Orozco 2008b: 21ff.; Orozco/Hamilton 2008: 139ff.). Such a systematization would imply the compilation of data regarding both the remittance-recipients' financial profiles and the existing MFI clients' habits of receiving remittances (Orozco 2008b: 33). Generally, though, few institutions track such information (Orozco 2008b: 31ff.; Orozco/Hamilton 2008: 139). Yet, whether the initiatives measure the conversion rate is an interesting indicator for two reasons: Regarding the potential contribution of the remittance-initiatives to financial inclusion, it serves as an instrument for the actors to monitor their efforts' effectiveness and to be able to change their strategies, if necessary, in order to offer better adapted services for the clients and increase their memberships. Moreover, whether or not the actors monitor their respective results is a telling indicator regarding their commitment to contribute to financial inclusion via remittances. Table 2 summarizes the dimensions and indicators selected for analysis.

Table 2: Analytical frame for initiatives' potential contribution to financial inclusion

Dimensions		Indicators
basic requirements on the supply side	Network-size and geographic presence	- number of branches in Mexico - territorial distribution - presence in areas of R-receiving communities
	Remittance transfers	- type and number of MTC-partnerships in USA - offered transfer-forms - (de facto) channeled remittances
	Offer of other financial services	- range of other basic financial services offered - offer of services linked to remittances - benefits and costs of financial services offered
additional efforts regarding the demand side	Information of migrant families	- range of information activities about the services - implementation of financial education activities
	Tracking of client information	- registering of conversion rate (remittance-receivers converted into clients/members)

Source: own compilation

2.4 Framework to examine the logics and interactions of governance actors

Turning from the above outlined framework for estimating the initiatives' potential contribution to financial inclusion (which guides the analysis in chapter four), the subsequent sections present the framework that will guide chapter five's analysis of the role(s) and logics of the actors behind these initiatives and their potential conflicts. In what follows, the conceptual background and analytical tools that will shed light on the various actors' logics and interactions are presented in three steps. The first section explains the study's understanding of actors' logics as an interplay of norms and interests, based especially on Fritz Scharpf's and Renate Mayntz' approach of the "actor-centered institutionalism" (Mayntz/Scharpf 1995; Scharpf 1997). Secondly, the conceptual tools to describe the interactions of governance actors are outlined, focusing on their respective competencies and possible arising conflicts according to a conceptualization of Marianne Beisheim et al. (2011c).

2.4.1 *Actors' logics as interplay of norms and interests*

In order to conceptualize logics of actors, this study draws on Renate Mayntz' and Fritz Scharpf's actor-centered institutionalism (Mayntz/Scharpf 1995; Scharpf 1997), as it combines both actor and structure perspectives as well as different actor models to explain human behavior. Instead of constituting a general theory of action, this approach is focused on the analysis of empirical problems regarding the steering and self organization – or, in other words, the governance – of particular social sectors and is explicitly understood as a research heuristic or as a framework for analysis (Mayntz/Scharpf 1995: 39; Scharpf 1997: 36ff.). Due to its empirical focus and its integrating approach, Mayntz' and Scharpf's conceptualization of "actor orientations" provides suitable elements for analyzing the logics of the selected state and non-state actors. Without applying the actor-centered institutionalism in its entire conception, this study thus uses the approach as a heuristical framework to guide the empirical analysis.⁶³

⁶³ Among others, this study does not use Scharpf's (1997) game theoretical amplification (see on that point the next section), and it only partly includes the analysis of actors' capabilities: According to Scharpf's further development of the actor-centered institutionalism approach, actors can basically be characterized through their capabilities on the one hand and their "action orientations" on the other hand. He refers to capabilities as all the resources enabling an actor to contribute in a certain way to a specific result in different forms. They comprise personal characteristics like physical strength, intelligence and social and human capital, material aspects like financial and technological resources, access to information, etc. In the case of organizations, they regard especially also the institutional rules that circumscribe competences and rights (for instance of political participation) of actors (Scharpf 1997: 43, 51). As capabilities, especially in form of financial resources, though also play an important role for the actor orientations, because they partly condition their interests, financial resources and funding will be considered explicitly in the analysis of the logics of the actors and their initiatives. Other capabilities – which partly also depend on available resources, like technological infrastructure and human capital – will be referred to throughout the analysis whenever necessary, but not addressed in more detail.

The elements considered as especially useful to reconstruct actors' logics are introduced in the following paragraphs.

In order to analyze actors' orientations, Scharpf and Mayntz subdivide the complex concept into a variety of elements that are easier to identify via institutionally framed or empirically observable indicators, because intentional aspects, which are inevitably coined by subjectivities, are difficult to identify for social science researchers (Scharpf 1997: 60). Thereby, they distinguish the four elements "units of reference", "motivational aspects/preferences", "cognitive orientations", and "interaction orientations".⁶⁴ Whereas the first two elements refer to actors' orientations considered in isolation, the latter two concern actors' interactions and thus relational and situational dimensions of actor orientations, which will be considered in section 2.4.2.

When institutional actors are analyzed, different levels have to be distinguished. Even if it is obvious that, strictly speaking, only individuals are able to perform actions and have intentions, also collectivities of individual actors like development banks, credit cooperatives and NGOs can be conceived as actors on their own. In the case of such "composite actors", the capability to act is the result of internal interactions, yet their acting may be explained through factors related to this aggregate level (Mayntz/Scharpf 1995: 49ff.; Scharpf 1997: 52ff.) that is, for instance, related to the type of institution.⁶⁵ Even if the main focus of the present analysis is on such collective actors in the form of organizations, the distinction of individual and collective actors has to be kept in mind when actors' logics are analyzed, as in some cases the actions of individuals within organizations may determine the actions of an organization considerably (Mayntz/Scharpf 1995: 44).

The conception of "units of reference" refers thus to the observation that de facto only individuals are able to act intentionally, even if they do so in the name of a group of individuals, for instance, a company, organization, or other composite actors. Therefore, it is important to determine which social unit their action refers to in a specific situation, that is, from which perspective an action can be explained, as the intentions may respectively differ. When individuals act as representatives of complex actors, they may do so for a variety of organizations and perform different roles, guiding their behavior according to the respective normative role expectations. For instance, the director of a cooperative can be the highest representative of a federation of cooperatives at the same time. Even if actors are often able to separate these roles, sometimes they may also imply

⁶⁴ Mayntz and Scharpf (1995) and Scharpf (1997) use partly different denominations (motivational aspects vs. preferences) and group them differently. For Scharpf, the interaction orientations are part of the preferences (ibid. 1997: 63); Mayntz and Scharpf conceptualize them as relational aspects apart from cognitive and motivational factors (ibid. 1995: 57).

⁶⁵ This study uses a broader concept of institutions as Mayntz and Scharpf (1995: 43ff.), applying the notion also to organizations, which is almost inevitably dealing with "financial institutions".

conflicts of interest. Moreover, they may also pursue their own agendas and the individual's personal preferences may prevail over the interests of the represented organization. This may occur particularly in leadership positions, which are less constrained by institutional controls, routines and sanctions. If in such cases the individual perspective is not taken into account in the analysis, the logic of the respective institution may not be fully understood or may even be misunderstood. Yet, for pragmatic research reasons, explanations are first of all drawn out of institutional information before resorting to idiosyncratic orientations (Mayntz/Scharpf 1995: 52ff.; Scharpf 1997: 60ff.).

The most important element of Mayntz' and Scharpf's conceptualization of action orientations for the reconstruction of actors' logics in this study are the "motivational aspects" guiding actors' behavior. There are multiple models and theories to understand and explain the behavior of individuals, groups and organizations in the context of social interdependence in the social sciences (see for an overview Kron/Winter 2009). Among these, the two explanative models of the "*homo sociologicus*" and the "*homo oeconomicus*" have gained special importance, framing the logics of actors from different perspectives and stressing respectively different factors as the most relevant. These two models have often been applied and constructed as antagonistic and mutually exclusive. As human behavior is multifaceted, though, it can be explained through the interaction of different models. This fact is taken into consideration within the actor centered institutionalism, which is why it constitutes an interesting approach (see also Scharpf 1997: 36; Schimank 2000: 72, 145ff.).⁶⁶ Whereas in the case of individuals emotions and habitual acting would also have to be considered as motivational factors, Mayntz and Scharpf explain the orientations of corporative actors mostly through *interests, norms* and (partly) *identities* (Mayntz/Scharpf 1995: 54; Scharpf 1997: 63f.). Accordingly, this study understands actors' logics as the interplay of general principles guiding their behavior, influenced particularly by norms and normative role expectations and actors' interests. These elements are briefly introduced in the following paragraphs. Thereby, the present analysis starts the reconstruction parting from the norms and not from the interests, differently from the authors' suggestion, because the normatively coined mandate and the activities of an organization seem a more adequate starting point to reconstruct an organization's action orientation or logic (see for such a proceeding also Schimank 2004: 296; 2007: 172).⁶⁷

⁶⁶ Schimank moreover describes two other types explaining human behavior: the "emotional man" (ibid. 2000: 107ff.) and the "identity-affirming" actor ("*Identitätsbehaupter*") (ibid. 2000: 121ff.). Even if he conceives these types as important complementing explanations for human behavior, he does not consider them as relevant as the other two presented main actor models (ibid. 2000: 71). Note the parallels of these four models with Max Weber's ideal types of purposive-rational action (or the means-end rationality), value-oriented, traditional and affective action, which build the foundations of Schimank's types, except for the identity-affirming model (ibid. 2000: 21).

⁶⁷ Mayntz and Scharpf conceptualize the normative aspects guiding actors' behavior on different levels. On the one hand, there is the institutional context, in which the actors are embedded (regarding general rules like the constitution and relevant laws). On the other hand, there are normative orientations directly regarding

(1) Institutional rules and *norms* influence actors' orientations in the form of regulations or normative role expectations *vis-à-vis* specific positions or organizations.⁶⁸ The role(s) an actor plays or is expected to play is thus one important element of its logic. Norms can comprise both formal and informal rules; in the latter case, it is relevant that they are shared by the participants in a particular interaction. Moreover, norms define both certain conditions under which actions are to be realized and specific purposes to be achieved. The first aspect thus refers to the restricting or permitting function of rules. For organizations, though, rules of the second type are more important: As they are usually founded with a specific aim, normative institutional rules allow drawing conclusions on their respective intentions (Mayntz/Scharpf 1995: 56; Scharpf 1997: 64f.). Thus, parting from the institutional type it is plausible to expect a certain normative role orientation of an organization due to its mission or mandate. This study draws therefore both on general elaborations on the three actor types analyzed, which have been presented in the previous sections, and takes their particular institutional mandates or missions as the other main indicator for the reconstruction of their norms and normative role orientations.

(2) Whereas the institutional rules and norms influencing the actors – depending on their institutional type – vary between different organizations, the organizational *interests* are arguably more uniform and constant beyond different types of actors (Scharpf 2000a: 771).⁶⁹ Conceiving interests as reasonable “functional imperatives”, they are quasi objectively identifiable and refer to actors' most basic aspiration for successful continued existence. For corporative actors, likewise, one can assume that they have an interest in organizational survival and are therefore aspiring to secure the respectively necessary resources, institutional autonomy, growth and the control of a specific domain. Consequently, also the aspiration for power may constitute an important interest of actors (Mayntz/Scharpf 1995: 54f.; Scharpf 1997: 64; 2000a: 771; Schimank 1992: 263ff.). How these interests are manifested specifically and which are respectively activated, depends though on the institutional environment and the type of organization as well as on the

specific actors. After addressing the institutional context in general, presenting their modular concept of actor orientations, they first refer to the interests and then to the (specific) norms.

⁶⁸ The conceptualization of actors' norms and normative role orientations is based on the model of the “*homo sociologicus*”, through which especially sociologists have often tried to explain human behavior. This type of actor orients its actions by norms. These are embedded in social structures, guide the behavior of actors in particular situations and thus create a certain social regularity of actions. An important element of this actor model is the notion of roles, which, as it were, prescribe a certain behavior. A role comprises thus the normative expectations which are directed at actors in particular social positions (Kron/Winter 2009: 44f.; Schimank 2000: 37ff.).

⁶⁹ The conceptualization of actors' interests is related to the well-known model of the “*homo oeconomicus*”, which, not surprisingly, has been developed in economic sciences, but has gained widespread acceptance also in other social sciences. The actor in this model orients its action according to given conditions and intends to achieve particular aims through available means. Implicit in this actor's logic is that these means are principally restricted and that, under the given condition, the actor chooses the option maximizing its utility and minimizing the invested efforts or resources. This actor type is the basic underlying model of rational-choice theories (Kron/Winter 2009: 45; Schimank 2000: 71ff.).

particular situation. Thus, the securing of necessary financial resources arguably has different implications for a NGO than for a state development bank, and a situation of scarce resources may activate another interest than the entrance of another actor into one's own domain, for instance (Mayntz/Scharpf 1995: 55f.; Scharpf 1997: 64). Regarding the dimension of actors' interests, the study addresses the aspiration for institutional survival firstly looking at their financial resources and funding as basic requirements. As has been argued in the previous section, in the case of welfare-oriented institutions operating in the microfinance-sector, the aspiration to simultaneously achieve social goals while securing one's own institutional survival with a commercial approach implies a considerable challenge. Which strategies the actors thereby apply respectively to secure their necessary financial resources is thus one indicator analyzed as element of their logic. Moreover, the study considers other strategies that the actors pursue related to their interests. According to the research interest, this concerns especially the quest for political influence and power, manifested in respective political activities.

Table 3 gives an overview of the analytical dimensions and their manifestations that have been selected to reconstruct the logics of the state and non-state actors.

Table 3: Analytical frame to reconstruct actors' logics

Dimension	Theoretical description	Empirical manifestation/Indicator
Norms	institutional rules and normative role orientations	<ul style="list-style-type: none"> - orientation according to ideal-type - institutional mandate or mission - activities according to mandate
Interests	organizational interests in continued existence, resources, power, etc.	<ul style="list-style-type: none"> - interests according to ideal-type - commercial approach and strategies to secure financial resources - activities of political involvement

Source: own elaboration

The third aspect Mayntz and Scharpf take into account among actors' motivational factors is the specific actor *identity*. In the case of corporate actors, for example, such an idiosyncratic identity can be developed more or less intentionally in the form of organizational cultures, the so called "corporate identity". Identities encompass both specific characteristics, for instance the governmental or charitable character of an organization, and actions, for example the specialization in a specific product in the case of a company. Moreover, they are based on an emphasis of specific interests and norms. Identities influence actors' logics thus transversely to and beyond interests and norms (Mayntz/Scharpf 1995: 57f.; Scharpf 1997: 65f.). As a cross-cutting element of actors' logics, the identity dimension is therefore not treated separately in the empirical analysis of this

study, but is referred to whenever it might give additional insights, for instance, when an actor's specific behavior or orientation diverges from its "ideal-type".⁷⁰

2.4.2 *Interactions, competencies and conflicts of governance actors*

Whereas the former section addressed the individual actor orientations, this part presents additional tools for the analysis of actor constellations as well as possible conflicts between state and non-state actors that may arise from their parallel involvement in the same governance-field.

A first relevant factor regarding the interactions of governance actors is what Mayntz and Scharpf labeled their "cognitive orientations". These refer to the actors' perception of an action situation, including its causal structure, available options, the expected behavior of other actors, and possible results. How actors perceive a situation and their scopes of action is relevant, because they will choose their respective strategies accordingly. Due to the problem of "selective perceptions", it is to be expected that different autonomous actors with different tasks, roles and interests will also perceive different aspects of reality with different degrees of attention. In constellations of interdependent state and non-state actors, confronted with a similar problem, it is thus rather improbable that their perception of a situation coincides (Mayntz/Scharpf 1995: 53). Consequently, especially in constellations with various actors, the incompatibility or compatibility of preferences and therewith both the level of conflict and possible solutions to collective problems depend on the perceived options of the respective actors (Scharpf 1997: 63).

In order to analytically grasp the implications of the interplay of the state and non-state actors in the same governance-field, the study draws on an approach of Beisheim et al. (2011c), which seems suitable for understanding the actor constellations and probable conflicts emerging from the parallel involvement of state and non-state actors.⁷¹ In their book, the authors compare the roles and interactions of state and non-state actors in areas of consolidated and limited statehood⁷² and discuss the "remaining" role of the state in light of the increasing participation of non-state actors in governance. They propose a framework to grasp types of state and non-state actors, the competencies or functions that

⁷⁰ See also Mayntz' and Scharpf's table illustrating the interplay of interests and norms regarding the actor orientations, which also does not include the identity dimension as it is conceived as a transversal element (ibid. 1995: 55).

⁷¹ This study thus does not analyze the interaction orientations and the actor constellations with the game-theoretical models proposed by Scharpf (1997: 69ff.), because in order to realize such an analysis and construct the respective matrixes, considerably more empirical data on their perception of the specific action situation and their interaction orientations are relevant than could be gathered in the context of this study.

⁷² See the elaborations on "areas of limited statehood" in footnote 48. Even if Mexico cannot be unequivocally conceived as an area of limited statehood in the realm of the (micro-)financial sector, the conceptualizations of Beisheim et al. seem suitable tools in order to analyze the respective arising conflicts.

these exert, and the governance-constellations resulting from the interplay of state and non-state actors.

In the context of this study, especially the conceptualization of actors' functions and governance-constellations are useful for the analysis. This is also due to their categorization of various types of possible conflicts, which may result from the state and non-state actors' interactions and their respective exercise of different or overlapping competencies.

As far as functions of governance actors are concerned, Beisheim et al. distinguish three forms, which they conceive as necessary for "effective and legitimate governance" (ibid. 2011a: 16): Firstly, they conceptualize "decision competencies", which regard the task of adopting and interpreting collectively binding decisions. An empirical example in the case of this study would be, for instance, the decision to foster financial inclusion and to adopt respective regulations for the microfinance sector. Classically, these competencies would instead be exercised by state actors in the financial sector, as the brief overview on governance of the (micro-)financial sector in section 2.2.2 showed (see also Ambrosius/Stiegler 2011: 234ff.). Secondly, these collectively-binding rules have to be implemented or enforced through the respective necessary means (financial resources, personnel, technology, etc.). The authors label these tasks "organization competencies". Empirical examples from the context of this study would thereby be both the offer of financial services in order to contribute to financial inclusion and the necessary measures to implement the regulation of the sector. Whereas the provision of financial services is usually conceived as a non-state actor competency, the implementation of financial regulation is realized both by state and non-state actors (Ambrosius/Stiegler 2011: 236ff.).⁷³

In order to conceptualize different governance-constellations, the authors distinguish whether state and non-state actors exercise the presented functions in a complementary way, that is, specializing in different functions, or whether they act in a substitutional manner, with all actors taking over the same competencies (Beisheim et al. 2011a: 16). Based on this distinction, the authors conceive four different actor constellations, with the following two of particular interest in the context of this study. One of these governance-constellations is labeled "parallel governing of state and non-state actors" and refers to the case where both state and non-state actors exert competencies similarly; there is, thus, no identifiable functional division of labor. That is, both state and non-state actors exert or

⁷³ Beisheim et al. (2011a: 16) moreover conceive a third function, labeled "legitimacy competency", which is not taken into account in this study as it would go beyond the scope of the analysis. The concept of a "legitimacy competency" refers to the idea that in order to normatively legitimize the adoption of decision and organization competencies, actors have to be legitimated either through formal democratic procedures (input-legitimacy) or the broad recognition of their ability to effectively solve problems (output-legitimacy). Thus, for example, in the case of this study, the governmental development bank, exerting organization competencies in order to help implement the sectors' regulation, would be legitimized to do so due to its democratic legitimization as a governmental organization.

claim both decision and organization competencies. This has the following implication for the role of the state:

“The state is in this case of segmentary division of labor one player among others, who indeed disposes over both decision and organization competency, but is not able to monopolize one of them, because other actors likewise possess both decision and organization competencies, or claim these.” (Beisheim et al. 2011b: 257)

As in such a constellation all actors potentially exert every competency due to the missing division of labor, conflicts over the distribution of competencies, which can be understood as “domain conflicts”, are preprogrammed (Beisheim et al. 2011b: 261).

Another actor constellation regarding the parallel involvement of state and non-state actors in the same governance field, characterized though through a functional division of labor, is labeled by the authors “societal self-organization regulated by the state”. This is the case when states continue to exert central decision competencies and the organization competency is supposed to be taken over by non-state actors – be they private or civil society or other types of non-state actors. The state thus passes collectively-binding rules, and non-state actors are responsible for the implementation. When in such a governance-constellation the respective competencies are not clearly defined, “autonomy conflicts” may arise. That is, conflicts over the question which organization competencies should be assumed by non-state actors (Beisheim et al. 2011b: 255, 259f.).

The other two actor constellations described by Beisheim et al. (2011b: 254ff.) are labeled “internationally regulated governing by the nation state” and “transnational governing past the nation state”. These actor constellations, thus, both comprise cases where international governance actors come into play. Even if this is partly the case in the analyzed actor constellations, these models are less relevant in the present study, as the focus of the analysis lies specifically on the interplay of Mexican state and non-state actors.

With these actor constellations and potential conflicts, the presentation of relevant theoretical concepts and analytical tools is completed. Before applying these to the empirical cases, the next chapters introduce in greater detail the empirical context regarding the Mexican (micro-)financial sector and the governance of remittances for financial inclusion.

3 The Empirical Context and the Analyzed Cases

The actors and initiatives analyzed in the study are embedded in an empirical setting of different overlapping fields: the broader context of Mexican migration to the United States presented in the introduction, the Mexican financial system, especially the microfinance sector, and the transnational governance field concerning migration and (financial) development. This chapter introduces, in a first step, Mexico's financial system, focusing both on the (traditional) banking and the microfinance sector. The banking sector's exclusive structure explains the importance of the microfinance sector for the financial inclusion of large parts of the population in Mexico. The development and most important actors of the microfinance sector are outlined referring also to the problem of its regulation, which caused a decade of political struggles in the sector that are still unconcluded. In the first section, the chapter also presents the most important actors and structures of the Mexican remittance market, contextualizing the relevance of the selected actors and initiatives. In order to highlight the role of the Mexican government and the non state actors in the governance field analyzed in this study, in a second step, the chapter gives an overview on diverse initiatives undertaken in the last decades to capitalize on remittances for financial development, among which there are also the three cases selected for analysis in the present study. Finally, the last section describes the three main state and non-state actors of the analyzed initiatives in more detail and presents their declared aims concerning the remittance-initiatives. This section also expands upon why these are considered governance-initiatives and why they have been chosen for analysis.

3.1 Mexico's financial system and remittance market

Exploring possibilities for fostering financial inclusion in the Mexican case is interesting not least because Mexico's financial development is comparably low considering other countries of similar level of development. In both of the two generally analyzed dimensions used to determine the level of financial development – financial depth (the financial sector's penetration of an economy) and financial breadth (the population's access to financial services) – Mexico performs behind other comparable economies. Albeit there have been considerable improvements especially related to financial access in the last years. Concerning financial depth and taking the deposits of all financial institutions in the financial sector relative to the GDP as an indicator, Mexico's share was 24 percent in 2009, whereas other large Latin American economies like Brazil and Chile reached 65 and 55 percent respectively. Mexico even had a lower level than El Salvador or Guatemala, countries with a by far smaller GDP per capita. Compared to other emerging

economies on the global level and in comparison to other OECD-countries, financial depth in Mexico is low as well (CNBV 2011h: 30).

Also concerning the second dimension of financial development, financial breadth or access, Mexico is one of the countries with the lowest rates, both within Latin America, compared to similar economies in other world regions and within the OECD. According to a database of the World Bank's Finance for All report from 2008, only 25 percent of the Mexican adult population had access to financial services, whereas the shares for Brazil and Chile, for instance, were 43 and 60 percent respectively (Demirgüç-Kunt et al. 2008: 190f.). Other emerging economies and OECD countries also showed higher levels regarding this indicator. See Table 4 for a comparison with other selected countries.

Table 4: Access to finance in selected countries (% of adult population, 2008⁷⁴)

Argentina	Brazil	Chile	Mexico	India	China	Russia	Germany	United States
28	43	60	25	48	48	69	97	91

Source: Own elaboration based on Demirgüç-Kunt et al. (2008: 190f.)

It has to be noted that the indicator reported by the World Bank is actually a measure of the (adult) population's share that is *using* the financial services.⁷⁵ Yet, it is often cited as an indicator of Mexico's low level of financial "access" (see e.g. Ángel Mobarak 2010: 639; Esquivel/Hernández Trillo 2010: 224; Rojas Suárez/FELABAN 2007: 12) and mentioned here in the first place, as it is one of the most palpable indicators. A recent global database similarly indicates the share of Mexican adults with access to savings accounts at 27 percent (Demirgüç-Kunt/Klapper 2012: 51). The Mexican government, though, has published two new national surveys in 2007 and 2009, which document increasing levels of "financial inclusion", growing to 48 percent of the population using financial services in 2007 to almost 60 percent in 2009 (SHCP 2007: 8; 2009: 4, 10f.). These different estimations seem specifically due to the consideration of the usage of other financial services beyond savings in the calculation – like credit cards, for instance.

Common indicators informing (de facto) about financial access are, among others, the demographic branch penetration, measured as number of branches (either only banks or also other types of financial institutions) per 10,000 adults, and the percentage of administrative units with at least one access point.⁷⁶ As far as the first indicator is

⁷⁴ The database was published in 2008, yet the data are from different sources from previous years (Honohan 2008: 2497).

⁷⁵ The indicator provides information about the share of the population using savings and credit services and is constructed above all with data from financial institutions and household surveys. See Honohan (2008) for a detailed description of the methodology.

⁷⁶ See AFI (2011) for an overview and explanation of recently proposed core indicators for financial inclusion measurement. As mentioned in the introduction, Mexico was part of the subgroup of an AFI working group

concerned, Mexico, with 1.8 branches per 10,000 adults, attains a similar level as other comparable Latin American countries but scores far lower than other OECD countries (CNBV 2010c: 330f.; 2011h: 36). According to the most recent financial inclusion report of the Mexican banking authority, the *Comisión Nacional Bancaria y de Valores* (CNBV), 70 percent of Mexican municipalities had at least one access point to financial services (including branches of financial institutions, correspondent banking agents, automated teller machines (ATMs), and points of service), which translates into 97 percent of Mexican adults having (in theory) the possibility to access at least certain types of financial services. If only branches of financial institutions are counted, these cover only 43 percent of the Mexican municipalities, serving, though, 90 percent of the population (CNBV 2011h: 38f.). There is, however, a strong regional divide concerning access points. Whereas in more than 80 percent of the municipalities in the northern and central regions there was at least one financial access channel, in the southern and southeastern region – which is also the poorest of the country – this was the case in only around half of the municipalities (CNBV 2011h: 42f.).⁷⁷

The low levels of financial access and use in Mexico can be partly explained by the fact that, like in many other developing countries, the Mexican (traditional) banking sector attends to only a small part of the national population – particularly the better off. Even if there is a growing microfinance sector in Mexico, large parts of the low income population remain unattended. As the phenomenon of financial exclusion in Mexico is a result of the historical development and the current structure of the Mexican financial system, the following sections introduce briefly both the histories and actual compositions of the financial sector, focusing specifically on the banking and microfinance sector.

3.1.1 The (traditional) banking sector

The modern Mexican banking sector, which emerged during the dictatorship of Porfirio Díaz (Moreno-Brid/Ros 2009: 5), has experienced a checkered history over the last century. After its development slowed due to the revolution and the Great Depression, the Mexican banks resurged during the period of sustained growth between 1940 and 1970 and contributed to finance the “golden age of industrialization” in Mexico (ibid.: 93, 110f.). Especially in the subsequent three decades, the banking sector has again experienced considerable transformations. In 1982, at the end of president López Portillo’s *sexenio*, the Mexican banks were expropriated in the context of the country’s debt crisis

on financial inclusion data developing relevant indicators, and has adopted part of these for the elaboration of the CNBV’s financial inclusion reports (CNBV 2011h: 19f.). Also the World Bank’s and CGAP’s “Financial Access project” (see: <http://www.cgap.org/p/site/c/financialindicators/>, 8.01.2012) and the International Monetary Fund’s financial access survey (see: <http://fas.imf.org/>, 08.01.2012) use similar indicators.

⁷⁷ See for an overview on the five regions defined in the National Development Plan (CNBV 2011h: 41).

(Moreno-Brid/Ros 2009: 138f.). Having remained around ten years in state propriety, the banks' privatization was reinitiated by president Carlos Salinas de Gortari, a process that did not work as successfully as expected – among others because banks were sold to new owners without previous experience in banking – and partly contributed to the banking crisis in 1994 (Moreno-Brid/Ros 2009: 180). Both the privatization and the banks' rescue after the crisis still today cause considerable controversy among Mexican bankers, experts and in the society in general (see e.g. Espinosa Rugarcía/Cárdenas Sánchez 2011). The third seminal change in the last decades was the internationalization of the banks, with the result that the majority of Mexican banks at present are owned by foreigners (Haber 2005). Notably the crises at the beginning of the 1980s and in 1994 and the related losses of savings of many Mexicans caused enormous distrust in financial institutions among the population that still prevails today (see e.g. SHCP 2009: 27). Likewise, the mentioned transformations resulted in a banking structure which is still highly exclusive. This structure is reflected in the performance indicators of the financial system presented above and in the institutional setting, that is, the main players participating in the banking sector and their behavior in the market.

A remarkable characteristic of the Mexican commercial banking sector is the high concentration of the industry: the three largest banks concentrate more than half of the total banking sectors' assets, and the five largest over 70 percent (CNBV 2011b: 7).⁷⁸ While high concentration was a historical constant of the Mexican banking sector since its founding under Porfirio Díaz, the privatization and liberalization processes from the 1990s onwards have not altered this picture considerably (Haber 2005, 2008, 2009). Though it cannot automatically be concluded that this high concentration leads to limited competition and an oligopolistic market structure resulting in higher prices for the consumers (Banco de México 2007: 79), Haber (2009: 294ff.), indeed, finds certain oligopolistic tendencies in the Mexican banking sector. He analyzes the oligopolistic behavior of banks in Mexico on the basis of various indicators (returns on equity (ROE), net interest rates, lending behavior, commissions) and concludes that the banks use their powerful position for applying high commissions to accounts and other user transactions (see also Moreno-Brid/Ros 2009: 202). Often, commercial banks have considerable minimum deposits, charge high monthly fees and do not offer appropriate financial services for low-income clients (Klaehn et al. 2006: 11). Thus, depending on the amounts of such commissions, next to other factors of exclusion, they become arguably prohibitive for individuals with lower incomes, as they reduce the savings of these clients disproportionately even in the absence of negative or low real interest rates. Other factors aggravating this financial exclusion by the banking sector are the lack of contract or

⁷⁸ In detail: BBVA Bancomer: 20.09%, Banamex: 18.47%, Santander 14.06%, Banorte 10.41%, HSBC 8.55% (CNBV 2011b: 8).

property rights, manifested among others in missing credit bureaus and other possibilities to demonstrate collateral, or the weak application of these rights due to a fragmented and politically dependent judicial system and an often inefficient police (Haber 2009: 304ff.).

Another characteristic of the Mexican banking sector, which Campos Bolaño (2001) describes as “the political problem of the Mexican financial system”, is the considerable intertwining of the political and financial spheres. According to her, during the history of the Mexican banking sector, politicians have protected (the bankers’) private interests and instrumentalized the banking sector for short-term economic and political goals, neglecting the development of a solid financial system promoting the development of the country. Also Haber (2008) describes how the evolving banking sector was designed in a way to guarantee mutual benefits to bankers and politicians alike, leaving large parts of the demand for credit and saving options unattended. The arguments of both authors may explain what Del Ángel Mobarak (2010) calls the Mexican “paradox of financial development”: the fact that, during the 20th century, a relatively sophisticated and efficient banking sector evolved, which, nevertheless, showed low levels of penetration in the economy and limited access to financial services for the population.

In order to lessen the problem of scarce access to bank credit, in the last decades, new legal forms for financial institutions were introduced in Mexico. Since 2008, specialized niche banks (*bancos de nicho*) are allowed to operate. Moreover, there are the so called “*bancos tienda*”, that is, banks belonging to commercial chains, like Banco Walmart and Banco Azteca, the latter being part of ELEKTRA, a large supplier of electric household appliances and consumer electronics. Banco Azteca has reached considerable growth in a short time, using the large branch network of ELEKTRA and extending its clientele beyond the middle-class salaried employees to lower income clients (CFI/ACCION 2009: 18). Moreover, so called Sofoles (*sociedades financieras de objeto limitado*), financial institutions with “limited objectives”, and Sofomes (*sociedades financieras de objeto múltiple*), financial institutions with “multiple objectives”, were introduced as new legal forms. Both are non-bank financial institutions that the main supervisory body, CNBV, sometimes classifies as banking institutions, though usually they are classified among the category of “other supervised” institutions⁷⁹ – next to the banks and the institutions of the so called popular savings and credit sector (*sector de ahorro y crédito popular, SACP*) (see below). The Sofoles were created after the financial crisis of the mid 1990s and provide chiefly housing and automotive credit. The Sofomes were introduced in 2007 and offer moreover consumer credit and credit cards (Garrido/García 2009: 44f.). It is important to note that there are regulated and unregulated Sofomes. The latter are not supervised by the CNBV

⁷⁹ See CNBV’s website: <http://www.cnbv.gob.mx/otrossupervisados/padrondeentidadessupervisadas/Paginas/Sofoles.aspx> and <http://www.cnbv.gob.mx/OTROSSUPERVISADOS/Paginas/OtrosSupervisados.aspx>, both accessed, 4.01.2012.

and have only to register with the national commission for the protection of consumer rights in the area of financial services – CONDUSEF (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*). The governments’ reason for not regulating them is that they do not take deposits from the public and thus do not put the clients and institutions at jeopardy – obviously not taking into account that potential over-indebtedness represents a considerable risk both for clients and institutions.

According to CNBV’s statistics, in 2011, the financial sector – focusing here only on institutions serving the public directly – was composed as shown in Table 5, which gives an overview of the different institutions’ numbers, assets, credit portfolio and participation in the Mexican financial system. Even if not classified as microfinance or popular finance institutions, some of the Sofoles, Sofomes, and niche banks, as well as the development bank BANSEFI, operate in the microfinance sector, considering the clientele they serve (ProDesarrollo/MIX 2011: 10f.). The institutions listed by the CNBV as part of the popular finance sector (see the next section) are included in this table in order to show their comparably low relevance within the Mexican financial system.

Table 5: Overview of institutions in the Mexican financial system (2011)

Type of institution	Nr.	Assets (billion MXN)	Credit Portfolio (billion MXN)	Assets of Mex. Financial System ⁸⁰
Commercial Banks	41	5914.4	2355.6	50%
Development Banks⁸¹	2	Banjercito 45.1 Bansefi ⁸² 21.0	15.0 0.1	< 1%
Sofoles	20	61.8	55.5	1.1%
Sofomes (regulated)	18	45.2	35.8	
Sofomes (unregulated)	3,400	220.5	n.d.	1.9%
Ancillary Credit Organizations	33	15.5	n.d.	0.1%
SACP institutions⁸³	224	104.9	81.7	1%

Sources: Number, assets and credit portfolio of all institutions except unregulated Sofomes (CNBV 2011a, 2011b, 2011c, 2011d, 2011e), number and assets of unregulated Sofomes and participation of institutions in total assets (Banco de México 2011: 33, 81).

⁸⁰ The missing percentages refer to other financial intermediaries of less relevance for the present study such as pension and investment funds etc. As the data for the participation in the total assets and on the respective assets of the institutions are from different sources, the amounts and percentages do not entirely coincide.

⁸¹ The other development banks, i.e. NAFIN, Banobras, Bancomext and Sociedad Hipotecaria Federal only offer second tier funding (CNBV 2011h: 34).

⁸² Note that BANSEFI provides credit only as a second tier institution.

⁸³ Including *Sociedades Financieras Populares* (Sofipos), *Sociedades Cooperativas de Ahorro y Préstamo* (SCAPs) and Credit Unions. The total amounts of assets and credit portfolios are own calculations, based on the indicated sources.

Nevertheless, as there are no prospects that commercial banks will soon serve the vast un(der)served population in the near future, among other reasons due to banks' cost structure and difficulties like inflexible banking laws to reach out to the low-income clients (Klaehn et al. 2006: 8, 17f.). Also, previous governmental efforts to incentivize commercial banks to downscale to the poorer population have widely failed in Mexico (see e.g. Taber 2004: 120). Thus, as a complement to the mainstream banking sector, the microfinance sector plays an important role to create access to finance for the Mexican population.

3.1.2 *The microfinance – and popular finance – sector*

An important note before describing the microfinance segment in Mexico regards the denominations of this sector, as there is no clear definition of the microfinance sector or of microfinance activities or institutions in Mexico. Often, the topic of microfinance in general is treated among the denomination of "*finanzas populares*". The CNBV, though, lists among the institutions of the popular savings and credit sector SACP or the "popular finance sector" only cooperatives, Sofipos and Credit Unions (see below). On the other hand, microfinance is often used to refer especially to profit oriented/maximizing microfinance institutions, or it is used only for institutions providing credit to micro-entrepreneurs (Campos Bolaño 2005: 85ff.; Marulanda Consultores/DAI 2011: 1; ProDesarrollo/MIX 2009: 13f.). BANSEFI again introduces the term of the "social banking sector" as composed by the SACP and the microfinance sector. Thereby the former institutions also provide savings services, whereas the latter focus mostly on credit (BANSEFI n.d.: 2). This study uses microfinance and popular finance and credit sector or institution synonymously, keeping in mind that this may cause confusion for the Mexican case; nevertheless, microfinance is the internationally established term for the entirety of financial sectors, instruments and services in question.

The Mexican microfinance sector has a remarkable history and a complex actual structure, comprising a great variety of institutions with different (non- or for-) profit orientations. As a tendency of the last decade, commercially oriented institutions increasingly dominate the scene. As the following brief overview of the historical development of the Mexican popular finance sector shows, all three main actors of the present study – BANSEFI, Caja Popular Mexicana and AMUCSS – have surged as important actors in different moments or are descendents of important historical players in the sector.

The first institutions of popular finance emerged in Mexico around the middle of the twentieth century.⁸⁴ They included the governmental entity *Patronato del Ahorro Nacional* (PAHNAL), financial cooperatives (so called *cajas de ahorro popular*), and credit unions⁸⁵ (Campos Bolaño 2005: 95). The governmental organization PAHNAL whose main objective was to foster savings among the population started operations in 1950. It both offered savings accounts via the network of post offices and through its own branches throughout the country (Mansell Carstens 1995/2003: 115). In 2001, PAHNAL was transformed by a presidential decree of Vicente Fox into BANSEFI (*Banco del Ahorro Nacional y Servicios Financieros*), the governmental development bank selected for analysis in this study, which continues to operate in the microfinance sector with its own branches and is the initiator of La Red de la Gente. BANSEFI began operating in 2002 and its transformation was implemented in the context of a larger regulation and restructuration process of the Mexican microfinance sector, part of which was a new law, the *Ley de Ahorro y Crédito Popular* (LACP) of 2001 (see below) (Interview 68).⁸⁶

Financial cooperatives in Mexico had different origins: Either they were fostered by the church or by the state, or emerged as independent institutions. The first *caja popular* was founded in 1951 as a result of the initiative of a priest, inspired by the Canadian *caisses populaires* and the US American credit unions. Many of the *cajas* that emerged in the following years, formed the *Confederación Mexicana de Cajas Populares*, which was the precursor of Caja Popular Mexicana, today Mexico's largest cooperative. Caja Popular Mexicana, the second main actor analyzed in this study, was established as an integrated institution in 1995 (Imperial Zuñiga 2004: 607f.; Mansell Carstens 1995/2003: 121ff.).⁸⁷ Next to CPM there is today an overwhelming number of other *cajas de ahorro y crédito popular* in Mexico (see the overview below). Among these, there is the group of so called *cajas solidarias*, which were founded by the Mexican government in the context of the social program Pronasol (*Programa Nacional de Solidaridad*) in 1993. These *cajas* were initially funded with repaid credits of the governmental program "Crédito a la Palabra" and, after the initial subsidization, were supposed to operate in a financially sustainable manner (Campos Bolaño 2005: 95; Mansell Carstens 1995/2003: 135f.). In general, today, there are financial cooperatives of very different sizes: from very small community institutions

⁸⁴ There were some attempts to found credit cooperatives already during the Porfiriato at the end of the 19th century. Yet, due to the instability of the economy in the decades around the turn of the century they did not prosper (Mansell Carstens 1995/2003: 122).

⁸⁵ There is a difference between credit unions in Mexico and other countries. Whereas credit unions and financial cooperatives in Europe or the USA are synonyms, in Mexico, credit unions have other origins, clienteles and regulations than (other) financial cooperatives (see e.g. Mansell Carstens 1995/2003: 136ff.).

⁸⁶ See "Antecedentes" on BANSEFI's website: <http://www.bansefi.gob.mx/bansefi/Paginas/Antecedentes.aspx> and the presidential decree on: http://www.bansefi.gob.mx/bansefi/Marcojuridico/Decretos/DTPANA_BANSEFI.pdf, 11.01.2012

⁸⁷ See also "Vive nuestra evolución" on Caja Popular Mexicana's website <http://www.cpm.coop/evolucion.php>, 23.10.2011.

located in marginalized rural areas to large sophisticated financial institutions with region- or nationwide coverage (see e.g. Klaehn et al. 2006: 9). The financial cooperatives operated in Mexico without regulation until 1991, when the General Law of Auxiliary Credit Organizations and Activities was modified (Mansell Carstens 1995/2003: 121ff.). In the subsequent decades, the regulation of the *sector de ahorro y crédito popular* has been a complex process with several changes and ongoing uncertainties (see below and in section 5.4).

Different from other countries, the majority of Mexican credit unions did not surge as part of the cooperativist movement. Instead, they originated as a mechanism of established enterprises to gain access to governmental funding from development banks. The legal base of the Mexican credit unions dates back to 1932 (*Ley General de Instituciones de Crédito*), the first of which was founded in 1942 (*Unión de Crédito Ganadera*). The subsequent growth of that sector was rather slow until the reform of the development bank and of the trusteeships/funds (*fideicomisos*) at the end of the 1980s. Another difference from credit unions in other countries is moreover the fact that for a long time Mexican credit unions were not allowed to take deposits. Even if that was changed with the regulation from 1991, in general their focus remains in channeling funds from commercial and development banks to their members. Another line of credit unions arose as a genuine self-help movement from the social and agricultural sector. The first of these *uniones de crédito campesinos* or credit unions of the social sector was founded in 1975 in Sonora. However, the movement gained more dynamism with the foundation of UNORCA (*Unión Nacional de Organizaciones Regionales Campesinas Autónomas*). As UNORCA's aim was to foster the participation of the farmers in the decisions about production, distribution and financing, the Mexican authorities viewed this movement with considerable skepticism because it openly challenged the government's traditional paternalistic control of the rural economy. The group of rural credit unions within UNORCA left the union at the beginning of the 1990s to reunite formally in 1992 under the name of AMUCSS (*Asociación Mexicana de Uniones de Crédito del Sector Social*), the NGO analyzed in this study (AMUCSS 2009; Mansell Carstens 1995/2003: 141ff.). Today, AMUCSS represents different types of rural microfinance institutions, among these are rural credit unions, financial cooperatives, other rural financial institutions and so called *microbancos*, their own type of rural microfinance institutions, which function similarly to cooperatives.⁸⁸

From the end of the 1980s onwards, the first "modern" microfinance institutions surged in Mexico, applying new lending technologies for the low income population (Campos

⁸⁸ See "Socios" on: <http://www.amucss.org.mx/Portal/index.php/socios.html>, 26.08.2011, and "Triptico AMUCSS 2010", on: <http://www.amucss.org.mx/Portal/index.php/documentacion/folletos/172tripticoamucss2010.html>, 8.08.2011. See also the information on AMUCSS and its *microbancos* in section 3.3.3.

Bolaño 2005: 95; Marulanda Consultores/DAI 2011: 3ff.). They operate under different legal forms and – different from the governmental institutions – the financial cooperatives and the credit unions, which are usually non-profit institutions, often have a for-profit or a profit maximizing orientation. Banco Compartamos, for instance, which has caused controversy in the Mexican and the international microfinance community due to its Initial Public Offering in 2007, after starting operations as NGO and transforming in the meantime into a Sofol, now operates as bank (CGAP 2007; Marulanda Consultores/DAI 2011: 23ff.). Most of the other microfinance institutions that have emerged in the last decade are (regulated and unregulated) Sofomes, like, for example, Financiera Independencia, one of the largest MFIs in terms of clients and credit portfolio (ProDesarrollo/MIX 2011: 48ff.). Others operate as so called Sofipos (*Sociedades Financieras Populares*), a legal form created with the microfinance sector law of 2001 (*Ley de Ahorro y Crédito Popular*, LACP, see below), which, in contrast to the financial cooperatives owned by their members, take the form of private enterprises and are owned by their shareholders (De la Torre et al. 2007: 44; Klaehn et al. 2006: 17). The largest of these is Caja Libertad, which has transformed from a cooperative into a Sofipo in 2008 (CNBV 2011f: 4ff.).

According to the different origins of the Mexican microfinance institutions, the present composition of the sector is characterized by the coexistence of manifold regulated and unregulated institutions. This large diversity complicates the attempt to give an overview of the sector for various reasons: As there is no unique entity compiling the data of all institutions in question, the information has thus to be combined from different governmental and civil society sources. Moreover, these often have no clear parameters to classify the institutions as part of the microfinance sector, as basically every legally constituted financial organization can realize activities in that area (ProDesarrollo/MIX 2009: 13).⁸⁹ The diversity of institutions has not only complicated the regulation process of the microfinance sector considerably, but in general constitutes a problem both for the governance of the sector and for the clients, who have to orient themselves within the manifold offers of competing institutions (at least in some areas).

The largest group of organizations are the cooperatives (*sociedades cooperativas de ahorro y préstamo*, SCAPs). In 2011 there were around 620 cooperatives registered in Mexico,⁹⁰ almost 60 of them regulated. Their total assets amounted to 80 billion pesos (around 55 billion pesos thereof correspond to the regulated). The cooperative sector served 5.7

⁸⁹ The main sources used here are the statistical bulletins of the national supervising body CNBV, the benchmark reports of ProDesarrollo, a Mexican NGO compiling data especially of MFIs founding micro-entrepreneurs, and the information from the MixMarket database, the most comprehensive and comparable international data compilation on microfinance (<http://www.mixmarket.org/>, 08.01.2012).

⁹⁰ The new law financial cooperative law LRASCAP (*Ley para Regular las Actividades de las Sociedades Cooperativas de Ahorro y Préstamo*) from 2009 for the first time prescribes a central register for the cooperatives. This might, however, still not comprise all the operating institutions.

million members (3.7 in regulated institutions) (CNBV 2011e; Sánchez Arriola Luna 2011: 32). The by far largest cooperative, Caja Popular Mexicana, alone accounts for almost half the sector's assets and almost two million members (CNBV 2011e: 6). Along with the cooperatives, there were 38 Sofipos, serving almost two and a half million clients. Moreover, the CNBV lists 127 regulated credit unions.⁹¹ See Table 6 for a general overview on the composition of the Mexican microfinance sector.

Table 6: Types of institutions in the Mexican microfinance sector (2011)⁹²

Type of institution	Nr.	Assets (billion MXN)	Credit Portfolio (billion MXN)	Nr. of members/ clients (million)
Cooperatives (SACPs)	620	80.3	n.d.	5.7
thereof: regulated	59	55.4	43.5	3.7
Sofipos	38	17.1	13.7	2.4
Credit Unions	127	32.5	24.4	n.d.

Sources: Data of all cooperatives (Sánchez Arriola Luna 2011: 32); data of the regulated cooperatives, Sofipos and credit unions (CNBV 2011e, 2011f, 2011g).

Table 7 below gives an overview of the largest and most relevant single institutions in the Mexican microfinance sector. This table also includes institutions regulated as banks because some of these, as mentioned above, are also active in the microfinance sector. The most important of them in terms of assets and clients are Banco Azteca and Banco Compartamos. Even if Banco Azteca is not listed in any of the data compilations on the Mexican microfinance sector, it is included in this overview, as it realizes at least part of its operations among the respective clientele and is operating with similar methodologies as other MFIs (Bruhn/Love 2009: 2). This bank is also an interesting institution of reference because it is the largest one operating and transferring remittances in the microfinance sector, next to cooperatives and Sofipos. Moreover, in order to elucidate the differences in

⁹¹ How far credit unions are counted as part of the microfinance sector is contradictory in the literature and statistics: Whereas the CNBV and authors like Mansell and Campos group them together with the financial cooperatives and Sofipos as part of the popular finance sector, the publications of ProDesarrollo/MIX (e.g. 2009, 2011) do not include them in that sector, and the MixMarket lists them as "Credit Organizations and Ancillary Activities" next to the popular finance institutions (see the MIX' country report on Mexico: <http://www.mixmarket.org/mfi/country/Mexico/report>, 8.01.2012).

⁹² Even if also commercial banks, development banks, Sofoles and Sofomes are operating in the microfinance sector, they are not included here because, due to a lack of data, it is not possible to determine which share of their operations are in the sector and which part of their clients could be counted as microfinance clients. Prodesarrollo even states that 67 percent of the institutions of the Mexican microfinance sector were Sofomes in 2010, yet, the NGO does not indicate precisely, which number and part of the Sofomes it considers, and it only counts the regulated cooperatives, which obviously changes the picture considerably (ProDesarrollo/MIX 2011: 11). Thus, this table de facto represents the institutions the CNBV classifies as popular credit and savings sector.

the dimensions of the three analyzed main actors, Table 7 also includes the NGO AMUCSS and data of its system of micro-banks (see more in detail section 3.3).

Table 7: The largest institutions in the Mexican microfinance sector (2011)

Name	Institutional Type	Assets (billion MXN)	Credit Portfolio (billion MXN)	Nr. of members/clients (million)
Banco Azteca	Bank	72.7	35.2	15.0
Caja Popular Mexicana	Cooperative	24.3	19.3	2.0
BANSEFI	Development bank	21.0	0.1	1.5 (9.6) ⁹³
Banco Compartamos	Bank	14.8	12.0	2.1
Caja Libertad	Sofipo	9.0	7.6	1.4
Financiera Independencia	Sofom	n.d.	5.7	1.4
AMUCSS	NGO	n.d.	0.04	0.02

Sources: Data of all institutions except Financiera Independencia (CNBV 2011a, 2011b, 2011e, 2011f); data of Financiera Independencia (ProDesarrollo/MIX 2011); Banco Azteca clients⁹⁴; Compartamos clients (Banco Compartamos 2011); AMUCSS (AMUCSS 2011).

Beyond the registered and authorized institutions, the banking regulation authority estimates that hundreds of other not well defined institutions (in the form of cooperatives or social associations) and thousands of savings societies and community groups (“*tandas*”) are offering financial services to the low income population (CNBV 2010a: 12). For the remittance-receivers, large parts of the recently emerged institutions operating in the microfinance sector are less relevant and interesting because they are focusing on the provision of credit, and many are not even allowed to take deposits. Remittance-receivers, though, rather demand saving options than credits, as has been argued in chapter two. Accordingly, credit only institutions usually do not transfer remittances and the MFIs that are more promising for financial inclusion are the cooperatives and the Sofipos. Whereas this will be further addressed in section 3.1.3, the following paragraphs briefly outline some fundamental aspects of the complex issue of the popular finance sector’s regulation.

⁹³ This much higher number of clients is due to the fact that the development bank also disburses governmental support programs through its branches, which adds large numbers of clients to the institution. These, though, only use that service without being clients of the “normal” BANSEFI products (information per email from BANSEFI 4.1.12). The smaller number of clients indicated is thus more informative for comparative reasons.

⁹⁴ The institution indicates on its website that they serve more than 15 million clients: <http://www.bancoazteca.com.mx/PortalBancoAzteca/publica/conocenos/historia/quienes.jsp>, 29.10.2011.

As has been mentioned above, many institutions in the Mexican microfinance sector (still) operate without authorization. There have been various attempts in the last decades to regulate the sector; however, this has been a complex, politically conflictive process that is still not concluded. The political implications of the sector's regulation will be addressed in section 5.4, after having portrayed the logics of the different main actors of the remittance-initiatives who have played a significant role in this process. The following section only traces the most important data and facts of the microfinance regulation in Mexico and focuses on the regulation of the financial cooperatives and Sofipos, as these are the institutions of main interest in the context of this study.

After the first *cajas de ahorro* had been founded in Mexico in 1951, they operated for decades without specific regulation. In fact, the first intent to regulate the *cajas populares* was realized in 1991, introducing the legal form of "*Sociedad de Ahorro y Préstamo*" (SAP) into the General Law of Auxiliary Credit Organizations and Activities ("*Ley General de Organizaciones y Actividades Auxiliares del Crédito*") from 1985.⁹⁵ Even if there had been a law regulating cooperatives since 1938 (*Ley General de las Sociedades Cooperativas*), this only recognized the cooperatives of producers and consumers and did not include the financial ones (Mansell Carstens 1995/2003: 130). In 1994, though, this law was modified as well, introducing the legal form of "*Sociedad Cooperativa de Ahorro y Préstamo*" (CNBV 2010a: 6). Due to a range of fraudulent cases using these legal forms between 1998 and 2000, there was broad demand and consensus among the affected population, the sector itself, and the government about the necessity of creating a new comprehensive law, and a broad dialogue to develop such a law was initiated (Taber 2004: 111f. and Interview 22).

Consequently, in 2001, the *Ley de Ahorro y Crédito Popular* (LACP) was published, including as only legally valid figures the Savings and Loan Cooperatives (*Sociedades Cooperativas de Ahorro y Préstamo*, SCAPs) and the above mentioned Popular Finance Associations (*Sociedades Financieras Populares*, Sofipos). However, due to delays in applying the law by the banking authorities and considerable opposition towards the new regulation by a powerful group within the microfinance sector, the law was reformed nine times up until 2009.⁹⁶ Among the problems regarding the regulation process was the aforementioned diversity of the sector, with heterogeneous institutions that considerably complicated the development of adequate unified standards. Even with the application of different regulatory levels, this problem has not been completely solved (Interview 74). Moreover, many institutions lacked the capacities and experience to meet the standards of the new regulations, whose supervision in addition implied a considerable cost for the MFIs (Klaehn et al. 2006: 15; Taber 2004: 114). After almost a decade of struggles, finally in

⁹⁵ Caja Popular Mexicana, for instance, received its authorization as SAP in 1995. See: "*Vive nuestra evolución*" on: <http://www.cpm.coop/evolucion.php>, 28.10.2011.

⁹⁶ See the reforms indicated in the LACP's version of 2009: <http://www.diputados.gob.mx/LeyesBiblio/pdf/17.pdf>, 25.08.2011.

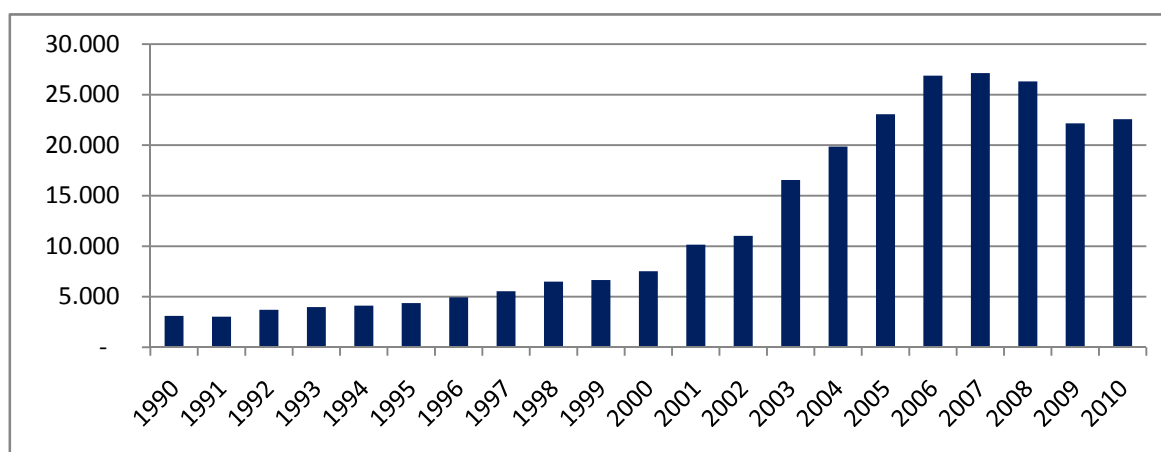
2009 a new additional law regulating in particular cooperatives was published. Thus, at present the cooperatives are regulated under the “*Ley para Regular las Actividades de las Sociedades Cooperativas de Ahorro y Préstamo*” (LRASCAP) and the Sofipos under the LACP. However, the new regulatory bodies of the LRASCAP were established to begin operations only in 2011, and, as mentioned above, only about ten percent of the cooperatives have been regulated up to now – even if the regulatory authority CNBV stresses that the regulated institutions represent two thirds of the assets and members served of the sector (Sánchez Arriola Luna 2011: 32). Thus, even after a decade, the regulation process of the popular finance sector has not been concluded. Some of the causes for the numerous reforms as well as the complexities of this whole process will be further addressed in section 5.4.

The problem with the high number of (still) unregulated (or even unregistered) institutions is that, accordingly, they operate largely without any supervision. In the case of the cooperatives, which are allowed to take deposits from the public, this represents a considerable risk for the depositors, as unregulated institutions may more easily fail or disappear with the savings than supervised institutions. In the case of the Sofomes it is estimated that among the over 3,400 registered institutions around almost a third operate with illicit practices, for example, they accept deposits, which they are not allowed to do (Cardoso 2011). Moreover, even if Sofomes do not accept deposits, and thus do not represent a risk for the public in that sense, their operations add risk to the sector because they may contribute to the over-indebtedness of large groups of the population, which could lead to similar effects like the subprime crisis in the USA (Garrido/García 2009: 45). Additionally, over-indebtedness represents a definite risk for the low income population who might thereby worsen their situation instead of improving it through access to microfinance services.

3.1.3 The relevance of remittances in Mexico and the Mexican remittance market

Having presented the fundamentals of the Mexican mainstream finance and microfinance sectors, this section introduces the relevant information regarding the remittance flows to Mexico, focusing both on remittance data and important players in the market. With almost 23 billion US-\$ in 2010, Mexico is the third largest receiver of remittances in the world (following India and China with 55 and 51 billion US-\$ respectively, which both, though, have far larger populations) (The World Bank 2011: 13). After a long period of growth, especially from 1990 onwards, the remittance flows to Mexico experienced a short period of decline due to the global financial crisis of 2007/2008. Thereafter, they have started to increase again, albeit at a slower rate. Figure 1 shows the development of absolute flows to Mexico from 1990 to 2010.

Figure 1: Absolute remittance flows to Mexico 1990-2010 (millions of USD)



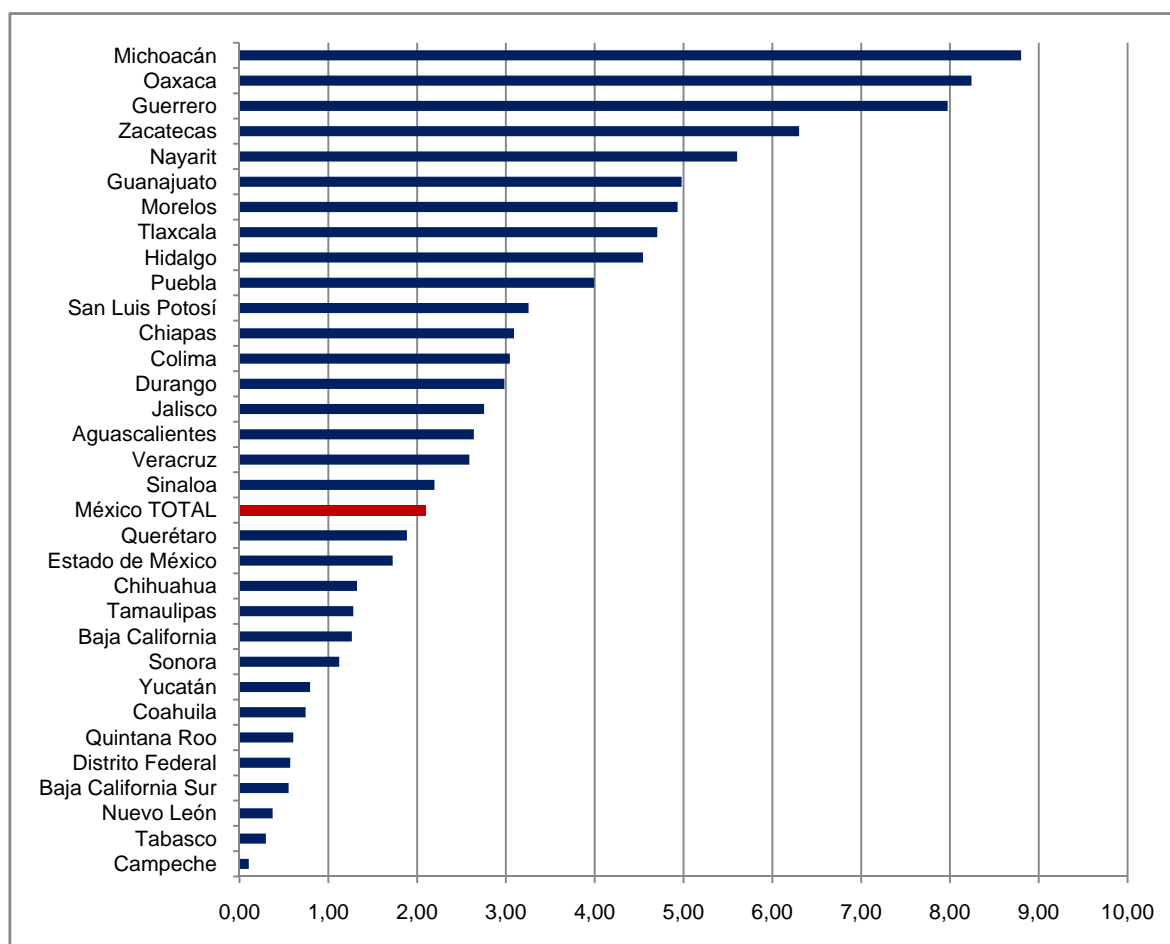
Source: own elaboration based on remittance data from the World Bank⁹⁷

Even if in absolute terms Mexico is one of the largest receivers worldwide, in relative terms, remittances amounted for only 2.1 percent of the Mexican Gross National Product in 2010. Thus, in terms of economic relevance on a national level, remittances are far less important in Mexico than in other – smaller – countries like El Salvador or Honduras, for instance, where remittance account for around 15 percent of the GDP respectively.⁹⁸ This picture changes, though, if one considers the remittance data by Mexican federal states. As migration is a markedly regional phenomenon, the relevance of remittances in the respective migration states varies considerably. Figure 2 gives an overview on the relevance of remittances in Mexico relative to the GDP, both on a national and on the federal level. The figure shows that in federal states with considerable amounts of migrants abroad, like Michoacán, Oaxaca, and Guerrero the relation of remittances to the respective GDP also reaches levels between eight and nine percent.

⁹⁷ See the regularly updated database on the World Bank's website: <http://go.worldbank.org/092X1CHHD0>, 04.09.2012.

⁹⁸ See the World Bank's database cited in footnote 97 above.

Figure 2: Remittances to federal Mexican states as shares of their GDP (% , 2010)



Source: own calculation based on data of the Mexican Central Bank and of INEGI⁹⁹

As far as the composition of the Mexican remittance market is concerned, it is highly difficult to gather data on the market shares of the different actors involved, both concerning the transfer itself and the paying side, as up to now there is no respective comprehensive publication and the companies' respective market participation is often treated as confidential information.¹⁰⁰ Existing studies estimate that the market share of banks on the paying side is between 33 percent (Bendixen 2007) and 55 percent (Orozco 2006). Most of the rest, according to these sources, is paid via MTO agents (estimated at 47 percent by Bendixen 2007 and 40 percent by Orozco 2006) or other transfer channels (microfinance institutions, personal transfers, or the postal service). These data, however,

⁹⁹ See the remittance data on the federal level on *Banco de México's* website: <http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadroAnalitico&idCuadro=CA79§or=1&locale=es#>, and the data on the federal states' GDP on INEGI's website: <http://www.inegi.org.mx/sistemas/olap/proyectos/bd/consulta.asp?p=16859&c=17383&s=est&cl=3#> 17.01.2012

¹⁰⁰ CEMLA, the *Centro de Estudios Monetarios Latinoamericanos* has published various reports about remittance markets in Latin American countries, including El Salvador and the Dominican Republic, for instance. The report for Mexico is in preparation but is not yet published (see: <http://www.cemla-remesas.org/medicion/informes.html>, 04.09.2012). Respective data could not be obtained from the Mexican Central Bank either, as it does not collect remittance data according to the type of paying institution.

are somewhat contradictory, as banks usually (also) act as paying agents for money transfer operators. Accordingly, and differing from the information presented above, the bank BBVA Bancomer, which operates its own transfer service company – Bancomer Transfer Services (BTS) – states that it covers almost 60 percent of the remittances paid in the Mexican market.¹⁰¹ Other important paying institutions in the market, according to Hernández-Coss (2005: 30), are Banamex/Citibank and Banco Azteca with around 10 percent each.¹⁰² Finally, according to an interviewee at CNBV, TELECOMM-Telégrafos is one of the most important payers in Mexico, cooperating with commercial banks (Interview 66).¹⁰³

Overall, there are no recent data about the number and share of microfinance institutions realizing remittance transfers. A study of ProDesarrollo and Microfinance Information Exchange (MIX) from 2008 indicates, though, that only four percent of Mexican MFIs operate remittances (ProDesarrollo/MIX 2008: 16). As these data show and as will be further elaborated in chapter four, the participation of microfinance institutions in the Mexican remittance market is rather limited up to now. Among the above listed largest MFIs, along with the actors selected for analysis in this study, only Banco Azteca and the Sofipo Caja Libertad offer money transfers, whereas Banco Compartamos and Financiera Independencia do not operate this service.¹⁰⁴ Thereby, it is interesting to note that in general (with the exception of Banco Azteca), the more the institutions tend towards a profit-maximizing approach, the less probable it seems that they offer remittance-services. Thus, the three initiatives selected for analysis in this study are among the few remittance-payers in the Mexican microfinance sector and are thereby among the most important ones considering their network sizes and market participation.

3.2 Governance linking remittances and finance in the US-Mexican context

In the context of the Mexican financial system that, in spite of recent improvements, does still not ensure access to adequate and affordable financial services to vast parts of the population, the large amounts of remittances sent to Mexico every year theoretically represent a considerable potential for financial inclusion. In practice, though, that

¹⁰¹ See the press notice: “BBVA Bancomer sigue incrementando su participación en el pago de remesas en México” from July 14th, 2009, in: http://www.bancomer.com.mx/salaprensa/cornu_comup_140709.html, 13.12.2010.

¹⁰² See also Román Pineda, Romina, 17.1.2006, El Universal: “Amplía Elektra negocio de remesas en México” in: http://www2.eluniversal.com.mx/pls/impreso/noticia.html?id_notas=49446&tabla=finanzas, 13.12.2010.

¹⁰³ See also the information on TELECOMM-Telégrafo’s website: http://www.telecomm.net.mx/index.php?option=com_content&view=article&id=87&Itemid=124, 4.09.2012.

¹⁰⁴ See the websites of the respective institutions: <http://www.libertad.com.mx/ProductosyServicios/ServiciosAdicionales/tabid/150/Default.aspx>, <http://www.compartamos.com/wps/portal/Home>, <http://www.independencia.com.mx/index.aspx>, 8.01.2012.

potential has hardly been leveraged, especially because the majority of (profit-oriented) financial institutions paying out remittances are not interested in gaining remittance-receivers as clients, among others due to the high transaction costs individual low sums imply. Against that background, the Mexican government and welfare oriented civil society actors have undertaken a range of initiatives in order to foster financial inclusion via remittances. These are presented in the following paragraphs, highlighting thereby both the remarkably active role of the Mexican state regarding the governance of remittances and finance and contextualizing the three initiatives selected for analysis in the present study.¹⁰⁵

With the aim of underlining why they are understood as governance-initiatives, in each case, the respective actor constellations are presented, showing that the state is mostly cooperating in diverse actor constellations with non-state actors. The initiatives introduced below suggest thus that, (also) in the transnational field of migration and remittances, the state seems to be increasingly dependent on other (non-state) actors to implement certain activities with a public aim. At the same time, though, the state still plays a relevant role, as the government is (still) often the initiator of such programs and only a few of the initiatives operate entirely without state participation.

3.2.1 State and non-state initiatives along the remittance-transfer chain

The governance-initiatives are systemized here according to their position in the remittance-transfer-chain, which has been divided in remittance-corridor studies by the World Bank (e.g. Hernández-Coss 2005) in the following three stages: The “First Mile”, where the transfer originates, the “Intermediary Stage”, which refers to the transfer systems enabling the cross-border transmission, and the “Last Mile”, where the money reaches the receivers. Initiatives with the potential to improve financial development through remittances can be realized at the different stages of a remittance transfer, with a more or less direct probable impact. The three initiatives analyzed in this study are all classified here as part of the Last Mile, where they realize their most important contribution to financial inclusion offering other financial services to the remittance-receivers. It must be kept in mind, though, that all these initiatives are operating also in the First Mile, where they offer service points for the remittance-senders, and in the

¹⁰⁵ The presented initiatives are all cases known to the author that the Mexican government and other governance actors have implemented in the last decades in the field of remittances and finance. See the description of the Mexican government’s programs for migrants and their classification related to different sectors (health, culture, education, finance, etc.) on the website of the *Instituto de los Mexicanos en el Exterior* (IME), a special entity of the Mexican government to support Mexicans abroad: http://www.ime.gob.mx/index.php?option=com_content&view=article&id=45&Itemid=382&lang=es, 04.09.2012) and in IME (2006). The famous remittance-program “3x1” is not included in this section because its main aim is not a contribution to financial but to social or productive development. See also footnote 16 and the IME’s respective classification in (IME 2006: 39).

Intermediary Stage, in which they transfer the money beyond the border. The same is true for some of the other governance-initiatives described in the following sections, but not further analyzed in the study. Also these operate at different stages of the remittance-transfer-chain, yet, they are presented here according to their most important sphere of action.

In the First Mile, where migrants have to find ways to send their money home, considerable challenges exist in terms of access to financial institutions and services. This is above all due to two factors: First, immigrants are often part of the lower income population in the host country and face access problems due to their social and economic situation. Secondly, there is often a matter of legal access restrictions. Since many migrants from Mexico have entered the United States without official immigration documentation, they also often lack required documents to access money transfer services, above all those offered by institutions of the formal financial sector. Beyond that, migrants often face difficulties to get reliable information about different transfer options, in part due to a lack of transparency in the remittance markets. Moreover, many show low levels of financial literacy combined with a general distrust in financial institutions.

In that context and with the aim of tackling the problem of legal access, the Mexican government has been promoting the distribution and use of the so called "*Matrícula Consular*", a consular identification document (ID) that is issued by the Mexican consulates independent of the immigration status of the migrants. While the Mexican consulates have issued IDs for Mexicans abroad for more than 130 years, the "*Matrícula Consular de Alta Seguridad*" was launched in 2003 with a range of security features to prevent forgery. Mexican consulates were quite active in lobbying for the acceptance of this document among US banks and authorities (Castañeda 2007: 146). And in fact, despite immigration critics who claim that this document subverts the US immigration system and call it an "ID for illegals" (Dinerstein 2003), this alternative form of documentation is now accepted by many banks and other institutions in the United States, thus granting access to financial services, including the sending of remittances through bank accounts, also to undocumented migrants (Hernández-Coss 2005: 11). Even if the initiative in the case of the *Matrícula Consular* is a unilateral measure by the remittance receiving state, Mexico, it involves a variety of state and non-state actors from both sides of the border.¹⁰⁶ The particularity is that in order to achieve the goal of fostering financial inclusion the Mexican authorities are dependent on the cooperation of actors in the sending state: The United State's legal authorities and private actors, such as US-based financial institutions, have to accept the IDs to expand financial access for the migrants.

¹⁰⁶ Also as merely governmental initiative, according to the wider conception of governance, which includes sovereign acting by the state, this consular service can be understood as governance, as elaborated in chapter two.

As far as the problems of lacking information, financial education and market transparency are concerned, there are various initiatives in the Mexican case. Some are part of the specific programs of the Institute for Mexicans Abroad (*Instituto de los Mexicanos en el Exterior*, IME), an institution that was founded within the Mexican Ministry of Foreign Affairs in 2003 to support the issues of emigrated Mexicans. The IME plays the role of a coordinator and information agency in this field and launches new initiatives. In addition to a variety of programs in the areas of community development, health, education, etc., it also implements a range of activities in the field of remittances and financial sector development. Among these are agreements with US-banks that allow banks to advertise their products in Mexican consulates located in the United States, with the aim of contributing to the financial education of the migrants. Moreover, the IME informs migrants in the waiting rooms of the consulates with videos and other information material about financial issues. Another activity is the organization of so called “information days”, where the institute brings together policy makers, representatives from the private sector as well as NGOs (non-governmental organizations), scholars and migrant activists for problem solving in migration-related topics such as “financial intermediation and remittances”, among others (Interview 46).¹⁰⁷ Due to its role as mediator, the IME can be called a “governance enabler” par excellence, because it perceives its role in coordinating and harmonizing the actions of the public and private sectors, of migrant organizations and other civil society actors (IME 2008: 7).

A program specifically targeted at providing information to potential and current customers and ensuring greater transparency in the market called “*Quién es quién en el envío del dinero?*” was started by the Mexican consumer protection agency PROFECO (*Procuraduría Federal del Consumidor*) in 1998. This program currently provides information about remittance transfer options in nine US-cities. With the aim of orientating remittance-senders and providing transparency regarding the prices of different remittance transfer operators, PROFECO collects information from MTOs and banks, which either provide the information on their own or on request of the Mexican consulates. The data are presented weekly in the form of posters in the consulates and are available on PROFECO’s website or through a phone hotline (PROFECO 2007: 3ff.).¹⁰⁸

Another initiative initiated by a Mexican governmental entity to improve information and transparency regarding remittance transfers was the creation of an internet platform called “*Calculadora de Envíos de Dinero*” (money transfer calculator). This service was launched by the national commission for the protection of consumer rights in the area of financial services CONDUSEF (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*) in 2006. It allows the remittance-senders to compare the fees of a

¹⁰⁷ For more information about IME’s activities see also its website: <http://www.ime.gob.mx/> 30.10.2011.

¹⁰⁸ See also the information on PROFECO’s website: <http://www.profeco.gob.mx/envio/envio.asp>, 30.10.2011.

wide range of transfer companies operating in the market, which themselves are responsible for the actualization of the data base. The internet platform provides the remittance-senders with information on prices according to the amount, the origin and the destination of the money transfer. Furthermore, it shows the proximity of the respective bank or MTO branches to the location of both the senders and the receivers (Interview 49).¹⁰⁹

Similar to the governance arrangement of the *Matrícula Consular*, these information services were initially launched by Mexican state agencies. In terms of implementing and achieving the intended goals, though, these initiatives are also dependent on the collaboration of non state actors from the sending country, in this case from the private sector. As there is no contract between the participating institutions, the programs only function when private actors can be convinced and cooperate voluntarily, since the consumer protection agencies do not have the ability to force them to provide the information. The MTOs and financial institutions seem to participate because they also benefit from the arrangements: by presenting their information, they get “free” advertising to promote their services and gain the official “backing” of a public institution (Interview 60 and IME 2006: 51).

In the Intermediary Stage, governance-initiatives especially focus on facilitating cross-border transfers through formal channels and the financial system, because, besides legal, cultural and social barriers, there are also technical obstacles complicating the financial inclusion of remittance-senders and receivers into the financial system. One of those obstacles is the lack of access of smaller banks and financial institutions to cross-border funds transfer networks. One initiative that is especially interesting for fostering access to bank accounts is a program called “*Directo a México*”. With the explicit aim of facilitating efficient transfers through financial institutions, lowering costs and contributing to expanding access to financial services, the Mexican Central Bank and the Federal Reserve Bank of Atlanta agreed to the coordination of the respective payment systems. Originally created for the transfer of pension payments of the US government to retirees resident in Mexico, this service entered into operation in 2003 and is now promoted specifically for remittance transfers.¹¹⁰ Transfers via this mechanism are offered at one of the lowest fees in this bilateral corridor.¹¹¹ At present, around 300 financial institutions in the United

¹⁰⁹ See also the information on CONDUSEF’s website: <http://portalif.condusef.gob.mx:8000/Remesamex/home.jsp>, 30.10.2011.

¹¹⁰ The Federal Reserve Bank’s name of the service is ‘FedGlobal Mexico Service’. See the information on the Fed’s website: <http://www.frb.services.org/serviceofferings/fedach/mexico.html> and on *Directo a México*’s website: <http://www.directoamexico.com/>, 30.10.2011.

¹¹¹ One reason for the low cost is the usage of the FIX - the inter-bank exchange rate – as reference exchange rate for the transaction. MTOs in contrast usually apply less favorable exchange rates, often elevating considerably the remittance transfer costs. See <http://www.directoamexico.com/caract.html>, 8.01.2012.

States cooperate with *Directo a México*, including banks and credit unions.¹¹² Among the three analyzed initiatives of this study, the governmental development bank BANSEFI offers account-to-account transfers via this service (see also section 4.1.2).

The governance arrangement in the case of *Directo a México* consists of the cooperation of two state agencies from the remittance sending and receiving country as well as market actors from both sides of the border. Whereas the governmental Central Banks are the initiators of the initiative, the program can only be implemented with the voluntary collaboration of private commercial banks in the USA that have to actively join the program as collecting agents and close agreements with the Federal Reserve Bank in order to offer the service.¹¹³ The Mexican banks, as distribution agents, are equally important but do not have a choice whether or not to join, because they automatically receive transfers via *Directo a México* and must pay them due to their connection to the payment system of the Mexican Central Bank (Interview 48).

Governance-initiatives in the Last Mile, finally, aim to foster financial access for the remittance-receivers. Whereas in the First Mile and Intermediary Stage all identified governance-initiatives are initiated by Mexican governmental actors, in the Last Mile there are also initiatives by civil society actors without state participation. This is the case with the two initiatives by Caja Popular Mexicana and AMUCSS that link remittances and microfinance and which have been selected for analysis along with the governmental initiative of BANSEFI. Because in this stage both state and non-state actors implement parallel initiatives with similar aims, it is especially interesting to ask about the scope of action of the state, which has shown to be a relevant actor in all three stages, as well as about complementarities of the initiatives and possible arising conflicts between state and non-state actors.¹¹⁴

All three initiatives analyzed are MFI-networks¹¹⁵ that cooperate with money transfer operators (MTOs) and, partly, with banks in the United States, transfer remittances to Mexico and offer access to other financial services to the remittance-receivers. As has been outlined in the introduction and the section 3.1.3, the selected cases are the only initiatives of that type in Mexico; that is, there are no other networks or large financial institutions operating remittances in the microfinance sector that, due to their orientation towards public goals, can be conceived as governance-initiatives. As the three initiatives and their

¹¹² Information per email from BANSEFI, 4.01.2012.

¹¹³ See the information on the Federal Reserve Bank's website: http://www.frbservices.org/forms/fedach_services.html#fedachagreement, 8.01.2012.

¹¹⁴ As has been noted above, even if these initiatives have their main focus of operation and potential impact in the Last Mile, they operate in all three transfer stages. However, it is in the Last Mile where the remittance-receivers pick up their money and – depending on the used transfer service – potentially come into contact with financial institutions and are offered the possibility to access other financial services.

¹¹⁵ These networks consist of different institutions in the case of BANSEFI and AMUCSS, whereas in the case of Caja Popular Mexicana it is the branch network of one institution, see below.

main actors have been presented in the introduction and will be addressed in more detail in the subsequent sections, only one fundamental difference will be stressed here before explaining their basic mode of operation.

This important difference regards the network models of the three institutions: All members of the initiatives' paying networks in Mexico are institutions operating in the popular savings and credit sector. However, there are differences between the governmental development bank BANSEFI and its network La Red de la Gente and AMUCSS and its social company Envíos Confianza, on the one hand, and Caja Popular Mexicana and its remittance-service on the other. The networks of the two former institutions follow a consortium approach, in which one actor works as central agent for different MFIs and closes contracts with MTOs for all of them. Thereby, the networks comprise both the MFIs of this central actor (branches in the case of BANSEFI, and above all *microbancos* in the case of AMUCSS) and other microfinance institutions of diverse types. Caja Popular, in contrast, only distributes remittances to its own branch network; that is, here only one MFI is taking part in the remittance-initiative (see for diverse "business models" for money transfers for MFIs Isern et al. (2008: 32ff.)).

3.2.2 The selected microfinance initiatives' mode of operation: a short introduction¹¹⁶

In order to clarify how the remittance transfers and the cooperation with the money transfer operators actually work in practice, this section offers a brief introduction of the initiatives' general modes of operation, before addressing their aims and the various activities potentially contributing to financial inclusion in the next section. When explaining the functioning of the initiatives in the following paragraphs, the focus lies on the general modes of operation similar in all three cases and specificities are only indicated if they diverge from the norm.

The main actors of the remittance-initiatives – in the case of this study, the governmental development bank BANSEFI, the financial cooperative Caja Popular Mexicana, and the NGO AMUCSS – fulfill various functions. As initiators and main organizers of the remittance-initiatives they are also the central knot of the transnational network: they receive the money transfers from remittance transfer operators located in the United States, administer the funds centrally in the headquarters, and distribute them to the microfinance institutions forming part of their paying networks in Mexico. As mentioned above, in the case of BANSEFI and AMUCSS these networks consist both of members of the institutions themselves and other microfinance institutions, with whom the two actors

¹¹⁶ The information documented here is from different interviews with members of the respective institutions as well as from communication per email. As it regards a broad range of rather technical questions, the single sources are not documented in detail in this section.

close contracts in order to form their networks. These contracts, in general, last for one year and are renewed automatically if none of the contracting parties cancels within a certain term.¹¹⁷ In order to be able to receive and distribute remittances, as far as the respective technical requirements are concerned, all three main actors have installed centralized software systems linked to the internet. Moreover, the main actors, that is, in the case of the cooperative, the headquarters, carry out different kinds of support for the member institutions or their branches: they give or foster trainings concerning the operation of the service and the introduction of new products, provide promotion material, and advice in case of technological problems, among other things.

One major challenge for all the remittance-initiatives is the establishment of cooperation agreements with money transfer operators on the US-side, in order to be able to transfer money across the border at all. This requires intensive negotiations and considerable potential for negotiation. The contracts with the MTOs in general are similar for all transfer partners. Usually, they are closed without time limitation and can be cancelled by each party with minimum terms that may vary between the MTOs. They contain stipulations for the operation of the service, like the responsibility for the money, the terms of commissions and payments, as well as regulations concerning money laundering and similar issues. In general, the MTOs fix the commissions that the migrants have to pay for sending the money as well as the exchange rates. The partners in Mexico do not have the possibility to influence these prices. The part of the commissions they receive for paying the remittances via their branch networks, though, are established in the contracts and vary between the different transfer companies. The same is true for the part of the commission that BANSEFI and Envíos Confianza share with their members (see therefore also the part on the initiatives' logics in sections 5.1.3 and 5.3.3).

A central idea of the networks is that remittance-receivers can pick up their money at any paying point of the network in Mexico once a transfer is realized. This is true for all three initiatives with some limitations in the case of Envíos Confianza. Both at Red de la Gente and Caja Popular Mexicana, it is not a prerequisite to be an account holder or a member of an institution of the network in order to receive remittances; the service is open to everyone. In the case of Envíos Confianza, there are some participating cooperatives (around ten percent, according to an interviewee) that pay the transfers only to their members. This is often explained by the fact that for smaller institutions located in more marginalized areas it is more complicated and expensive to have the necessary liquidity available to pay out remittances. As the costs of the remittance-service – both for staff hours and security during the transport of the money – in these cases often surpass the revenues, smaller MFIs often decide to limit the service to their members.

¹¹⁷ In the case of Caja Popular Mexicana, no additional contracts with MFIs are necessary because the network consists only of branches of CPM; that is, all form part of the same institution.

Concerning the costs of the transfers, in none of the cases do the remittance-receivers have to pay an additional fee picking up their money in Mexico. The transfer fees are generally paid by the sender. Thereby, the costs of sending remittances via the different networks depend on the respective money transfer operators, but also on the location in the United States, as these prices are highly dependent on the respective competition within a specific remittance-corridor.¹¹⁸ Usually, the costs are the same for all the three networks with a specific money transfer operator, as the partners in Mexico do not have (much) influence on the transfer prices on the US-side. In the case of some MTOs, though, prices differ according to the payment partner in Mexico. Sometimes, they may also vary when a promotional campaign with one special paying institution or network is offered. The cheapest transfer option when writing this study was one offered by La Red de la Gente in cooperation with *Directo a México*, as here the participating banks have to apply the inter-bank exchange rate and the transfer fees lie usually clearly below the MTOs' commissions. This transfer option, according to staff members of BANSEFI, is also far cheaper than usual international bank transferences.

The transfer modalities themselves vary slightly, both between the initiatives and the cooperating money transfer operators. Between the initiatives, the terms of payment and refunding show differences. BANSEFI, due to its internal regulations, does not give credit to the Money Transfer Operators. Therefore, these have to maintain accounts with BANSEFI that they prefund with estimated sums of channelled remittances. In the USA, the MTOs also have bank accounts where the money from the different cooperating agents is collected. From these the remittances are transferred once a day in a complete sum to the BANSEFI-accounts of the MTOs. La Red de la Gente's members in Mexico, in turn, have to pay out the remittances before the development bank restitutes the whole sum of paid remittances at the end of the day; that is, they finance the operation for BANSEFI. Also in the case of AMUCSS/Envíos Confianza the MFIs advance the money and finance the operation. Here the relation with the MTOs is insofar different from BANSEFI's network, as the money transfer operators only have to reconstitute the transferred remittances to Envíos Confianza when the payment in Mexico has been already realized. Having received the money from the MTOs, Envíos Confianza then pays the money to the member MFIs the next day. With Caja Popular Mexicana, the process works similarly, with the only difference being that the branches (and not other MFIs) finance the operation. In both cases, the Mexican main actors receive their part of the commissions from the MTOs once a month, and commissions from the main actors to the participating MFIs are also paid once a month.

¹¹⁸ As of September 2011, the cost to send 200 USD to Mexico averaged six percent or 12 USD (including fee and exchange rate spread). See for a comparison of remittance transfer prices the World Bank's Remittance Price Database: <http://remittanceprices.worldbank.org/> and the services offered by CONDUSEF and PROFECO mentioned in section 3.2.1.

Between the different MTOs cooperating in the initiatives, the options of delivery of the remittances also partly vary. In the case of most MTOs, migrants have to indicate to an agent in the US to which paying point or receiving network they want the money to be sent. That is, the receivers can thereby pick up their remittances with only one of the indicated networks, be it La Red de la Gente, Envíos Confianza or Caja Popular Mexicana. In contrast, money transfers sent through the MTO Moneygram can be collected at all paying points in Mexico that cooperate with that money transfer operator, no matter if they are banks or members of one of the MFI-networks. Thus, if migrants want their relatives to pick the money up at one of these networks, they have to indicate this explicitly to the receivers. That is, the decision of where the money is collected and which institution in Mexico profits from the transfer depends in the case of most MTOs only on the migrant and in the case of Moneygram on the migrant and its receiving family member. This again poses different challenges for the promotion of the service on each side of the border, as it depends on who has to be addressed and convinced of the service. Moreover, there is a different potential for financial inclusion if the transfers are automatically directed to a network linking remittances with other financial services or if they can be received at every type of paying point.

After this overview on the initiatives' modes of operation, the next section addresses in more detail their emergence and presents the aims declared by their main actors in relation to their remittance-initiatives.

3.3 The selected actors and initiatives and their declared aims

The brief historical overview in section 3.1.2 showed that all three main actors of the study, BANSEFI, Caja Popular Mexicana, and AMUCSS are well established actors in the Mexican microfinance sector. All began to operate remittance-services in the last two decades, all three as actors that are more or less explicitly oriented towards fostering the public interest. Beyond these shared characteristics, though, both their size and weight as actors vary considerably. As Table 8 summarizes, the governmental development bank BANSEFI and the financial cooperative Caja Popular Mexicana are of similar dimensions: they have similar amounts of total assets and are among the largest in the sector concerning the number of members (in the case of CPM) or clients (in the case of BANSEFI). The NGO AMUCSS, in comparison, is far smaller concerning all aspects taken into consideration: its micro-banks, for instance, count a hundred times less members than Caja Popular Mexicana, and the latter's credit portfolio is even five hundred times larger than that of the NGO's financial institutions. Also the branch networks of the three

institutions differ considerably, with the two larger actors having a similar number of own branches, whereas the NGO counts comparably few micro-banks as its members.¹¹⁹

Table 8: Overview of the three initiatives' main actors¹²⁰

Name	Institutional Type	Assets (billion MXN)	Credit Portfolio (billion MXN)	Nr. of members/clients (million)	Nr. of branches
BANSEFI	Development bank	21.0	0.1	1.5 (9.6) ¹²¹	494
Caja Popular Mexicana	Cooperative	24.3	19.3	2.0	427
AMUCSS	NGO	n.d.	0.04	0.02	20

Sources: Data for BANSEFI (CNBV 2011a), for Caja Popular Mexicana (CNBV 2011e), for AMUCSS (AMUCSS 2011).

Whereas the respective missions and activities of the three main actors will be treated in detail in chapter five as part of the analysis of the actors' logics, this section briefly portrays the emergence of their remittance-initiatives before presenting their declared aims. The latter, on the one hand, expands upon why these are considered governance-initiatives and have been chosen for analysis: As has been argued in the introduction and the theoretical chapter, they all share the more or less explicit intention to contribute to public or social aims. On the other hand, the presentation of their declared objectives aims to clarify to what degree BANSEFI, Caja Popular Mexicana and AMUCSS describe financial access or inclusion as an explicit goal of their remittance-initiatives. As the comparison of the reported statements below shows, the explicitness of the three actors concerning this aim varies.

3.3.1 *BANSEFI and La Red de la Gente*

BANSEFI was founded as governmental development bank focusing on the popular finance sector in 2001. La Red de la Gente, a network in form of a commercial alliance between the Mexican development bank and the joining MFIs of the popular credit and savings sector, was initiated in 2002 and began operating in January of 2003 (Interview

¹¹⁹ See on AMUCSS' *microbancos* also section 3.3.3.

¹²⁰ This table contains partly the information of Table 7 in section 3.1.2, adding the branch numbers. The data are repeated here in order to allow for a direct comparison of the three main actors.

¹²¹ As has been mentioned above, the numbers in BANSEFI's case vary because the development bank counts clients to whom it disburses governmental support programs through its branches, and clients that only use that service without being clients of the "normal" BANSEFI products. The smaller number of clients indicated is thus more informative for comparative reasons.

75).¹²² The network facilitates the offer and promotion of diverse financial services as well as the distribution of governmental support programs throughout the country. The transfer and payment of remittances is thus now one service offered among others, though at the beginning it was the only service available. Also before launching la Red de la Gente, BANSEFI had been cooperating with a few Money Transfer Operators in order to transfer remittances to its member institutions (Interview 75).

The officially declared aims of the initiative, on the websites of both BANSEFI and La Red de la Gente, refer to the network's goal of financial inclusion – although not explicitly using that term:

“en La Red de la Gente brindamos servicios financieros integrales para que todos los mexicanos puedan enviar y recibir dinero, realizar pagos de servicios, abrir cuentas de ahorros y obtener préstamos, entre muchos más [...]. En la actualidad, más de una tercera parte de los mexicanos no cuentan con servicios financieros en sus localidades, por eso La Red de la Gente se creó para que todos los mexicanos sean incorporados al sistema financiero nacional y aprovechen las ventajas que dichos servicios les ofrecen. La Red de la Gente [...] tiene como fin ofrecer a la población una amplia gama de servicios financieros en forma rápida y eficiente [...] con la firme intención de llegar a las regiones de difícil acceso en el país, ofreciendo estos servicios a las personas que más lo requieren.”¹²³

The social orientation of the initiative is made explicit in a section on the website labeled “*utilidad social de La Red de la Gente*”, which, among others, indicates that the provision of access to financial services increases local wealth and the quality of life of the users, as well as their social and economic wellbeing. This again is supposed to foster local and regional development:

“Genera riqueza local a través del aumento en el ahorro, financiamiento, principalmente para actividades productivas, y otros servicios financieros que mejoran la calidad de vida de los usuarios. [...] Entre los usuarios finales de los servicios financieros del sector y segmentos poblacionales desprovistos de servicios financieros formales: el acceso a servicios financieros integrales que fortalezcan su bienestar social y económico, en apoyo al desarrollo local y regional.”¹²⁴

A staff member responsible for La Red de la Gente stresses the social goals of the network stating that

“el beneficio simplemente es social y busca ofrecer servicios financieros a las personas que no lo tenían, en este caso las personas de escasos recursos, el sector popular” (Interview 70)

¹²² In some interviews, the foundation of La Red de la Gente is also related to a cooperation initiative between the United States and Mexico at the beginning of the new millennium, the so called “Partnership for Prosperity” (P4P). One of P4P's goals was the reduction of the high remittance transfer costs between the two countries (Interviews 69 and 74). According to some staff members of SHCP, RdG had been already founded and was not a result of the P4P initiative (informal interview, 20.3.2009).

¹²³ See “¿Qué es La Red de la Gente?” on: <http://www.lareddelagente.com.mx/v4/Conocenos/QueEs/queEs.php> and: <http://www.bansefi.gob.mx/redgente/Paginas/QueEs.aspx>; both accessed 27.09.2010.

¹²⁴ See “¿Qué es La Red de la Gente?” on: <http://www.lareddelagente.com.mx/v4/Conocenos/QueEs/queEs.php>, 27.09.2010.

And according to a former member of BANSEFI's directorate, both the bank and La Red de la Gente were designed as part of a larger public policy for the fostering of financial inclusion and economic development:

"fue todo una política pública, que buscaba la formación del Sector como un instrumento de bancarización de la población y de promover el crecimiento y el desarrollo económico [...] Entonces, eso fue, era una política más amplia de desarrollo." (Interview 79)

As far as the remittance-service is concerned, the staff members of BANSEFI also explicitly relate the aim of fostering access to financial services to the money transfers, conceiving them as an "entrance" to the financial sector and a "mechanism" for "banking" the un-served population, as the following statements indicate. Thereby, the first citation also indicates that La Red de la Gente is conceived as a transnational initiative, addressing the migrants' families on both sides of the border:

"El objetivo de BANSEFI es fortalecer el sector de ahorro y crédito popular, para darle servicios financieros a la gente de menores ingresos. Y las remesas las vemos como una entrada al sistema financiero [...]. Como lo hemos estado viendo, es que es una misma familia que está dividida en varios lados. Unas partes están en México y otras partes están en Estados Unidos y a esa familia hay que darle el mismo trato. Servicios financieros en México y servicios financieros en Estados Unidos. Entonces parte de la estrategia que estamos queriendo seguir es bancarizar de los dos lados de la frontera [...] Entonces hemos estado buscando alianzas también con instituciones financieras en Estados Unidos, para poder darle esos servicios financieros a estos mexicanos que están allá." (Interview 68)

"nosotros no queremos ser liquidadores de remesas, estamos utilizando las remesas para ofrecerle servicios financieros a la gente y eventualmente que estén bancarizados y ofrecerle servicios a toda la población, eso es el objetivo. Y utilizamos las remesas como un mecanismo." (Interview 68)

The following statement of a former member of BANSEFI's directorate, which again refers to the transnational idea of La Red de la Gente, explicitly mentions the aim of financial inclusion, underlining that the creation of access to financial services via remittances is supposed to improve the social situation of the migrants and their families:

"lo que queríamos es que las remesas se convirtieran en productos financieros, créditos productivos, hipotecas, también algo para el consumo, pero en general que le permitiera al migrante a través de esto, construir un patrimonio para cuando regresara o para su familia. Y los hacías bancándolo de los dos lados de la frontera, entonces convertías el mercado de remesas de un mercado transaccional a un mercado de inclusión financiera. [...] Y del lado de México los ibas bancando a ellos y sus familiares y a través de la bancarización esperabas también cambiarles sus condiciones de ingreso y de pobreza por el sólo hecho de tener acceso a servicios financieros, y de seguridad. Y en el camino bajábamos el costo de la transacción, entonces llegaba más dinero." (Interview 78)

Thus, as the reported citations suggest, the development BANSEFI and their network La Red de la Gente aim at fostering the financial inclusion of the Mexican population.

Remittances are thereby conceived as a mechanism to create access to financial services especially for the receivers. The development bank also manifests that La Red de la Gente is supposed to contribute to social aims in the sense of improving individual wellbeing and social and economic development in general – which is the reason for conceiving it as a governance-initiative in the context of this study.

3.3.2 *Caja Popular Mexicana and its remittance-service*

Caja Popular Mexicana, the first non-state actor with its own remittance-service to be analyzed in the present study, is Mexico's by far largest financial cooperative and was established as an integrated institution in 1995 (Imperial Zuñiga 2004: 607f.; Mansell Carstens 1995/2003: 121ff.).¹²⁵ It began to offer remittance transfer services in August 2003 (Interview 81). The financial cooperative started with one money transfer operator and was initially supported by the World Council of Credit Unions (WOCCU). Caja Popular Mexicana's website announces remittance-service as one "additional benefit" next to the offer of other financial services. The information on the remittance-service points towards its general accessibility and the possibility for members to save a part of the received money in their accounts:

"Más de 400 sucursales a tu servicio, no se cobran comisiones al recibir tu dinero, servicio abierto para socios y público en general; como socio puedes dejar una parte de tu dinero en Servicuenta para ganar intereses. Con el respaldo de las principales empresas remesadoras en los Estados Unidos."¹²⁶

An institutional presentation highlights that the main goal of the remittance-initiative is to provide the service in the communities with presence of Caja Popular Mexicana and to contribute to better conditions and prices for the remittance-receivers:

"El principal objetivo del programa de remesas, es proporcionar servicio a las comunidades donde tenemos presencia y contribuir a que se generen mejores condiciones en los precios, para los usuarios." (Imperial Zuñiga 2008: 26)

According to a staff member, the financial cooperative started to offer remittance-transfers because in a previous study they had noted that about one third of their members received money from abroad, and thus they wanted their members to benefit from remittance-services too. Moreover, in an estimated ten percent of municipalities, the cooperative's branches were the only financial intermediary; consequently, the staff responsible for the service describes the transfer and payment of remittances as an

¹²⁵ See also "*Vive nuestra evolución*" on Caja Popular Mexicana's website <http://www.cpm.coop/evolucion.php>, 23.10.2011.

¹²⁶ See "*Más por tus remesas*" on Caja Popular Mexicana's website: <http://www.cpm.coop/remesas.php>, 27.09.2010.

additional service both for Caja Popular Mexicana's members and the general public, especially in remote areas without the presence of other institutions paying remittances:

“nosotros previo al estudio de ofrecer el servicio, hicimos un estudio previo más bien, antes de arrancar con el servicio, identificamos que casi uno de cada tres de nuestros socios ya recibía remesas, entonces nosotros buscamos también beneficiar a nuestros socios con ese servicio. De cualquier manera alguna cantidad de sucursales [...] tal vez un diez por ciento de nuestras sucursales está en lugares donde no hay ni un banco, entonces también hay lugares donde podamos ofrecer el servicio, mucha gente a veces en la localidad no tenía quien le pagara la remesa y tenía que desplazarse de la zona rural a la ciudad o a la zona más cercana donde pudiera cobrar su remesa, y eso le generaba un gasto. Eso también nosotros lo vemos como la manera de beneficiar a la gente de esa localidad donde nosotros damos nuestros servicios.” (Interview 81)

Even if financial inclusion is not mentioned explicitly as an aim of the remittance-service, the information about the service on the institution's website cited above and the declared aims in the interviews suggest that remittances are also seen as a means to reach out to new customers and as a point of entrance to other financial products. Accordingly, in the same interview a staff member expresses the idea of gaining new members for the cooperative with the remittance-service, which is, unlike other financial services at cooperatives, available both for members and non-members:

“este servicio lo damos tanto a socios como a no socios. Las cooperativas por lo general sólo brindamos servicios a los socios, este servicio en lo particular sí lo damos tanto a socios como a no socios. Hasta ahora, este servicio en realidad para nosotros no es, digamos un gran negocio en la parte de comisiones, pero también lo hacemos para tratar de acercarnos nuestro servicio, de ofrecerles nuestro servicio a esas personas que no son socios y que están recibiendo remesas. Pues aprovechamos que están en contacto con nuestras sucursales y los invitamos a que se afilien [...] utilizamos el acercamiento que tenemos con ellos para tratar de afiliarlos y ofrecerles nuestros servicios.” (Interview 81)

However, both the interviewed staff member and an institutional presentation express that the affiliation of new members via the money transfers is seen as a complementary option and is not pursued as a primary goal:

“aprovechamos que la que no es socio y que recibe remesas pues la invitamos, le platicamos de nuestros servicios, le explicamos los beneficios, y si él quiere bueno pues se puede afiliar, si no, pues, tampoco los podemos forzar.” (Interview 81)

“Tratamos de aprovechar este servicio para atraer nuevos socios a la cooperativa, pero no es la prioridad.” (Imperial Zuñiga 2008: 26)

Despite this certain reluctance, the same presentation stresses the necessity of transforming remittances into savings because remittances are conceived as a mechanism to foster the development of the receiving communities and to combat poverty. Also the financial cooperative thus appreciates remittances as a mechanism to support social goals:

“Las remesas son un mecanismo adicional que utilizamos para impulsar el desarrollo de las comunidades y para incrementar nuestra presencia y aceptación entre la gente que potencialmente puede convertirse en socio de nuestra cooperativa. [...] Las remesas son un mecanismo complementario y debemos aprovechar la bonanza temporal, debemos evitar que esos recursos se consuman, y convertirlos en ahorro productivo. Para combatir la pobreza es necesario generar riqueza, y no se puede generar riqueza a través del consumismo. Debemos fomentar una cultura de ahorro, ya que está demostrado que cualquier comunidad, región o país, serán tan ricos, como ahorro acumulado tengan sus habitantes.” (Imperial Zuñiga 2008: 32ff.)

According to these citations, contributing to financial inclusion through their remittance-service is not the central aim for Caja Popular Mexicana. Even though, the transfers are seen as a possibility to attract new members for the institution, and the cooperative is conscious about the respective potential of remittances. Moreover, channeling remittances into savings is associated with benefits for the remittance-receivers and their communities. In that sense, also Caja Popular Mexicana points towards the social utility of its remittance-service, which is the reason why this is also considered as governance-initiative in the present study.

3.3.3 *AMUCSS and Envíos Confianza*

The second of the two analyzed non-state actors, AMUCSS (*Asociación Mexicana de Uniones de Crédito del Sector Social*) is a NGO with a focus on rural microfinance, representing different types of institutions, among these are rural credit unions, financial cooperatives, and so called *microbancos*.¹²⁷ The latter are rural microfinance institutions developed by AMUCSS, which function similarly to cooperatives, are located in marginalized rural areas with a large percentage of indigenous population, and are administered by local staff.¹²⁸ The first micro-banks were founded in 1999 in Oaxaca, before the NGO extended this model to other Mexican federal states (Rita/Paquette 2005: 50). The initially independent micro-banks in the course of the time were organized into regional networks of several institutions. In 2011, five networks of micro-banks were members of AMUCSS, two of them operating in Oaxaca, the others in Hidalgo, Michoacán, and Puebla.¹²⁹

The first experiences of AMUCSS in the area of remittances date back to 1994 with some attempts in Zacatecas, where the NGO's idea was to channel remittances towards productive projects and to capitalize on the money transfers for the creation of rural financial intermediaries (Interview 86). Several years later, AMUCSS began to offer

¹²⁷ See “Socios” on: <http://www.amucss.org.mx/Portal/index.php/socios.html>, 26.08.2011.

¹²⁸ See “*Triptico AMUCSS 2010*”, on: <http://www.amucss.org.mx/Portal/index.php/documentacion/folleto/172-tripticoamucss2010.html>, 8.08.2011.

¹²⁹ There were several changes concerning the memberships of the micro-banks with AMUCSS and the formation of networks. Earlier on there were seven networks of *microbancos* that were members of AMUCSS. Two of them, both located in Guerrero, now operate independently (Interview 93).

remittance transfers itself because of the demand of the migrant families that had to travel long distances to collect their remittances from their remote villages (Interview 85). The first micro-bank started to offer remittance-services in 2001 in Santa Cruz de Mixtepec, Oaxaca, with a rather artisanal method: the director of the micro-bank received the transfers on its personal bank account and then distributed them to the indicated remittance-receivers. In 2004, the NGO transferred remittances to several of the micro-banks on the basis of an agreement with a Mexican money transfer operator (InterMex Puebla). From 2006 onwards, some networks of micro-banks joined La Red de la Gente, the government supported MFI-network (Interview 85).

Finally, AMUCSS founded its own consortium in the form of a socially oriented firm, Envíos Confianza, which in 2008 started to transfer remittances both to the micro-banks and other Mexican MFIs (Interviews 88, 89 and 90).¹³⁰ Whereas AMUCSS' reasoning to start its own initiative will be addressed in detail in chapter five, at that point it is sufficient to note that most of the micro-banks consequently left La Red de la Gente and some now transfer remittances with both initiatives. Like AMUCSS itself, also Envíos Confianza comprises institutions that are members and others that are only affiliated. The member institutions were the first ones to join paying a membership contribution. Since 2009, MFIs collaborating with the social company affiliate without fee, and therefore have, different from the members, no voting rights in the annual assembly.¹³¹

Regarding the aims of AMUCSS' remittance-initiative, a member of the directorate explains that the money transfers initially were conceived as an impetus for the creation of rural financial institutions:

“el concepto original de lo que buscábamos era encontrar un mecanismo que vinculara el pago de remesas como detonante, como servicio financiero detonante para crear instituciones financieras rurales.” (Interview 86)

The aims of Envíos Confianza, expressed in the mission statement on the social companies' website, read somewhat differently. The social company is supposed to offer money transfers in rural marginalized areas, creating thereby access to financial services and fostering financial education. Through the banking of the remittances it is expected to moreover contribute to socioeconomic development reducing migration:

“Brindar servicios de transferencias y pagos, ampliando el alcance de servicios financieros a zonas rurales marginadas y promoviendo la educación financiera en comunidades transnacionales para aumentar el impacto de las remesas en el desarrollo local mediante su

¹³⁰ Envíos Confianza was founded as “*Sociedad Civil*” (S.C.), that is, a civil society organization. Due to legal changes for money transfer companies, it had to change its legal form into a company in the form of a “*Sociedad Anónima de Capital Variable*” (S.A. de C.V) (Information per email from AMUCSS, 20.06.2012). Nevertheless, as will be shown in section 5.3, it is conceived as social company (Interview 85).

¹³¹ Information from a skype-interview with a staff member of Envíos Confianza, 1.12.2011.

bancarización en intermediarios financieros de proximidad, generando dinámicas económicas que permitan desincentivar la migración.”¹³²

Envíos Confianza’s website contains further information about the aims and the expected effects of linking remittances with financial services. It explicitly describes the network as “innovative model for financial inclusion”, which has been created to bring remittance-services specifically to the rural low income population so that they can access other financial services like savings accounts, credits, micro-insurances and payment services:

“Envíos Confianza es una empresa: transmisor-dispersor de remesas sin fines de lucro. Está constituida como una amplia red de instituciones microfinancieras que operan en comunidades rurales de México. Ha sido creada para responder a la necesidad de acercar el servicio de recepción de remesas a las personas que más lo necesitan: las familias rurales transnacionales de bajos ingresos. Envíos Confianza no es un pagador más en la cadena de servicio. Es una empresa especializada con fines sociales, atractiva para las grandes remesadoras porque amplía la frontera del mercado y proporciona valores agregados como capacitación a operadores, asesoría permanente a instituciones, medidas de control de lavado de dinero, servicios de tesorería y educación financiera a usuarios. Es una red que promueve la bancarización de los migrantes y sus comunidades. Sus familiares ya no tienen que trasladarse a la ciudad para cobrar su envío y además, pueden obtener servicios financieros como cuentas de ahorro, acceso a créditos, microseguros de vida y pago de servicios. Todo cerca de su comunidad.”¹³³

In an article the director of AMUCSS moreover explains the reasoning for promoting financial inclusion: The banking of remittances and migrant families is conceived as a “superior step of economic development” that allows for improving the wellbeing of the migrant families and their communities and reducing poverty more than remittances without linking those to financial services. Also AMUCSS expresses the social orientation of its remittance-initiative explicitly:

“Las remesas familiares tienen como destino central mejorar el capital humano familiar (salud, educación, nutrición) y son una estrategia de superación de la pobreza mediante la constitución de activos y patrimonios; pero la bancarización de las remesas y de las familias migrantes es un paso superior de desarrollo económico que impacta positivamente a las comunidades de origen y reduce la vulnerabilidad de las familias migrantes. Por ello es tan importante el desarrollo de modelos institucionales de base comunitaria y mecanismos a través de los cuales se vinculan las remesas, las comunidades transnacionales y los servicios microfinancieros como micro-ahorros, micro-créditos, micro-seguros, para incrementar la inclusión financiera de las familias migrantes y sus comunidades de origen.” (Cruz 2011: 21)

As the above cited statement suggests and is further elaborated in the same contribution and on Envíos Confianza’s website, the NGO sees the impacts of banking remittances in two complementary dimensions: on the level of the migrant families, reducing their

¹³² See “Nuestra Misión” on: <http://www.enviosconfianza.org/home/acerca-de/nosotros>, 11.01.2012.

¹³³ See “Modelo Innovador de Inclusión Financiera” on: <http://www.enviosconfianza.org/home/acerca-de/modelo-innovador>, 27.08.2011.

vulnerability,¹³⁴ and on the level of their communities, where local financial institutions contribute to foster development.

“Muchas de las zonas rurales más pobres de México están impactadas por la migración a los Estados Unidos de sus habitantes y particularmente por los hombres en edad de trabajar. Al enfocar su trabajo en estas zonas la Asociación Mexicana de Uniones de Credito del sector Social (AMUCSS) está convencida que las remesas deben ser incluidas en la lógica de bancarizar a los migrantes, a sus familias y a sus comunidades en instituciones locales con servicios financieros integrales: ahorro, crédito, microseguros y medios de pago. La inclusión de los flujos financieros generados por las remesas en sistemas locales de intermediación financiera es una condición y oportunidad para impulsar el desarrollo económico en las zonas de origen de la migración.”¹³⁵

A staff member of Envíos Confianza explains in more detail how far remittances and financial inclusion are expected to contribute to local development through multiplier effects. The interviewee argues that financial intermediation on a local level creates access to financial services for the population beyond the remittance-receivers, providing them with capital for productive investments and fostering employment:

“llegan las remesas y no sólo se quedan para las personas que reciben las remesas y las otras siguen siendo más pobres y más pobres cada vez, sino, se hace ya un círculo en donde ellos pueden invertir y a través de esa inversión se pueden colocar créditos y ellos puedan hacer proyectos productivos y entonces ya se genera un círculo.” (Interview 89)

“La vinculación de las remesas a circuitos locales [...] produce efectos multiplicadores en el desarrollo de las localidades porque aumenta el número en las cuentas de ahorro y así, ese monto y esa liquidez nos ayuda a poder colocar los créditos, en corto y mediano plazo, se ven beneficiados a través de la retribución de los ahorros y por otro lado se realizan los flujos financieros y se re invierten a través de créditos, activando los empleos, etcétera. En síntesis es una oportunidad para poder ampliar los servicios financieros y bancarizar una población que anualmente recibe sumas considerables de envíos de dinero en remesas, en las zonas indígenas marginadas, el acceso a pago de remesas puede apoyar a ese reforzamiento de capital social transnacional.” (Interview 89)

As the cited statements show, AMUCSS formulates explicitly that its remittance-initiative aims to offer transfer-services to the rural and marginalized population and to use remittances for creating access to other financial services. The especially founded social company for transferring remittances is even labeled as an “innovative model for financial inclusion”. The NGO, thereby, explains extensively the social idea of the remittance company, reasoning behind which is to improve the wellbeing of the receiving families and, beyond that, the development of the migrants’ communities of origin. Consequently, the NGO’s remittance-initiative Envíos Confianza is conceptualized as governance-initiative in this study as well.

¹³⁴ See “Remesas y vulnerabilidad de hogares rurales” on: <http://www.enviosconfianza.org/home/acerca-de/vulnerabilidad-de-hogares>, 11.01.2012.

¹³⁵ See “Las remesas en zonas rurales”: <http://www.enviosconfianza.org/home/acerca-de/zonas-rurales>, 27.08.2011

3.3.4 *Interim conclusions*

The above cited statements have shown that all three main actors of this study, BANSEFI, Caja Popular Mexicana and AMUCSS, express more or less explicitly that they aim to capitalize on remittances to foster financial inclusion, or that they conceive the money transfer as an opportunity to increase their membership. All state, albeit in different ways, their goal of creating access to finance via remittances, be it for their members or the broader public. Even if not all of them explicitly mention the aim of “financial inclusion”, due to the fact that all relate a broader social contribution to the creation of financial access, it is possible to interpret their ambitions in that direction. This is based on the understanding of financial inclusion, presented in chapter two, with its different dimensions among which the fostering of wellbeing is an important additional aspect beyond “pure” financial access.

There are also clear differences between the declarations of the three actors though. Whereas both the development bank and the NGO articulate decidedly their aim to contribute to fostering financial inclusion with their remittance-initiative, the cooperative is less explicit. AMUCSS is thereby still more extensive, both on Envíos Confianza’s website and in the interviews, describing their initiative as an innovative model for financial inclusion and explaining the expected associated social gains more in detail. This observation is not surprising, as the NGO founded the social company Envíos Confianza, whose only aim is to transfer and disburse remittances and create access to financial services. Also BANSEFI has created a special network to foster access to financial services. In the case of La Red de la Gente, though, remittances are only one – even if an important – service among others, provided via the joining MFIs in the popular savings and credit sector. Caja Popular Mexicana, finally, does not explicitly state the aim to foster financial inclusion via remittances. The money transfers are first of all offered as an additional benefit for their clients. Yet, they also conceive the remittance-service as a possibility to attract new members for their institution, which implies a first step towards financial inclusion, and they are aware of their respective potential contribution to the public interest when remittances are channeled into savings, for instance.

Having presented in this chapter the relevant aspects in order to understand the contextual embedding of the three selected actors and initiatives, the following two chapters contain the empirical analysis of the three cases: Whereas chapter four compares the initiatives’ potential contribution to financial inclusion, chapter five addresses the respective logics which guide the remittance-initiatives of the three state and non-state actors – the development bank BANSEFI, the financial cooperative Caja Popular Mexicana and the NGO AMUCSS.

4 The Initiatives' Potential Contribution to Financial Inclusion

Against the background of the still broadly excluding Mexican financial system, where profit-oriented market actors usually do not create financial access in the process of capitalizing on the large remittance-inflows, the present chapter analyzes to what extent, instead, the three socially oriented remittance-initiatives of BANSEFI, Caja Popular Mexicana and AMUCSS might potentially contribute to financial inclusion via migrants' money. As shown in the last chapter, albeit to a different degree, all three of the actors analyzed in the present study express the aim or assume their potential to contribute to financial inclusion with their remittance-initiatives. Parting from these declarations, the present chapter asks how far they de facto put this into practice. That is, the initiatives are compared in terms of their potential contribution to financial inclusion, shedding light on each of the respective aspects considered as relevant according to the elaborated analytical framework. The analysis of each dimension is based on the operationalization proposed in the theoretical chapter, comparing each aspect and the selected indicators for all the initiatives.

At this point, it has to be stressed again that the following analysis is not intended to be an assessment of the initiatives' actual impacts. Such an endeavor would require considerably more empirical data than was possible to collect within the scope of this study, both on the usage of financial services related to remittance-reception and on the respective changes in the wellbeing of the receivers. These data, though, are often not (yet) compiled by the institutions and their collection or reconstruction by the author would have gone far beyond the scope of the study. Thus, the analysis primarily focuses on the initiatives' outputs and presents related outcomes, whenever feasible and of special interest in the context of this study, in the case of some of the aspects analyzed below. Even if it is focused on the output-dimension, the analysis permits an estimation of the initiatives' respective *potential* contribution to financial inclusion via remittances, because the selected analytical dimensions and indicators cover fundamental aspects in this regard.

Taking the framework elaborated in chapter two as guideline, the first section analyzes different requirements on the supply side considered relevant for a potential contribution to financial inclusion via remittances. The second section focuses on additional efforts of the three main actors, which are especially relevant to lower access-barriers on the demand-side. Although the selection of the respective dimensions and indicators has been explained in the theoretical chapter, in order to remind the reader, the respective arguments are recalled briefly at the beginning of each section. The interim conclusions in the last section of this chapter detail the most relevant aspects, discussing both to what extent the three actors may contribute to financial inclusion through their remittance-initiatives and their respective levels of involvement corresponding to their declared aims.

4.1 Supply-side requirements to foster financial inclusion via remittances

The analysis in the following sections addresses three aspects that are considered fundamental for a potential contribution of the remittance-initiatives to financial inclusion. That is, without fulfilling these requirements it seems unlikely that the initiatives can at all make a difference. The dimensions analyzed here concentrate above all on aspects related to the supply-side. To start with, the first section sheds light on the initiatives' network size and their geographic presence in the remittance receiving country. Secondly, the variety of offered transfer forms and data on the initiatives' actual remittance transfers are presented. The third section addresses the question what range of other financial services they offer, whether they develop specific products linked to remittances, and what the benefits and costs of these services are.

4.1.1 *Network-size and geographic coverage*

One of the fundamental aspects for a contribution to financial inclusion of remittance-initiatives is the existence of access points where individuals can receive money transfers and obtain and use the other financial services they demand. Thus, on the Mexican side, the initiatives' network size and the territorial distribution of their branches, especially in the areas where the migrants' families live, are crucial for their potential contribution to financial inclusion. The larger the network and the better the coverage of migrant areas, the more remittance-receivers can be potentially reached, contributing thus to their "breadth of outreach" (Schreiner 2002: 595f.).

Number of branches and territorial distribution in Mexico

The size of the networks is measured in this analysis through their number of branches or service points, their territorial presence through the number and percentage of federal states and municipalities covered by these branches. All networks have been steadily growing since the beginning of their operation. As previously outlined, in the case of La Red de la Gente, the MFIs participating in the network comprise both the branches of BANSEFI itself and other financial institutions of the microfinance sector. Having started with six institutions and almost 700 branches in 2002, at the end of 2011 the network comprised almost 290 institutions with almost 2,400 branches. Among these, just under 500 were BANSEFI branches (CNBV 2011a: 14), representing around 20 percent of the network. Altogether, La Red de la Gente covered all of the 32 federal states and more than 980 of the almost 2,500 Mexican municipalities (around 40 percent).¹³⁶ It thus represents

¹³⁶ Information per email from BANSEFI (3.01.2012). Mexico has 2,457 municipalities. See INEGI's website: <http://www.inegi.org.mx/geo/contenidos/geoestadistica/catalogoclaves.aspx>, 2.12.2011.

the largest financial network in Mexico, both in terms of branches and municipal presence: It outnumbers both the largest single commercial banking network, BBVA Bancomer (with almost 1,800 branches at the end of 2010 (CNBV 2010b: 29)), and is present in more municipalities than all commercial banks together (these covered only 804, in 2010 (CNBV 2011h: 39)).¹³⁷ It has to be noted, though, that among the members of La Red de la Gente, in 2011, only around 70 institutions with about 900 branches were regulated, which represents less than a quarter of the institutions and 40 percent of the branches.¹³⁸ This is an interesting observation in so far as one of BANSEFI's mandates, as will be outlined further in chapter five, is to contribute to the authorization of institutions in the popular finance sector.

As Figure 3 shows and will be further addressed below, La Red de la Gente has a strong regional presence in the center and the southeast of Mexico. The map indicates branches of BANSEFI in yellow, other MFI-members in red.

Figure 3: Distribution of La Red de la Gente's branches



Source: Carrasco (2005: 6).¹³⁹

¹³⁷ Note that the CNBV's financial inclusion report indicates the banks' presence in municipalities as almost twice as large as the cooperatives' (CNBV 2011h: 39). This is due to the fact that the banking authority only includes regulated institutions in its report, whereas BANSEFI counts all its Red de la Gente members, be they regulated or (still) unregulated.

¹³⁸ Own calculations based on information on members provided by BANSEFI per email (4.01.2012) and on the statistical bulletins of the national banking authority CNBV (CNBV 2011e, 2011f, 2011g).

¹³⁹ Even if this map dates from 2005, it gives an impression of the distribution of La Red de la Gente's branches. What has changed though is that there are now far more other MFI members than branches of BANSEFI.

The second largest network is Caja Popular Mexicana's, comprising almost 430 branches at the end of 2011, which covered 22 (or two thirds) of the Mexican federal states and almost 240 municipalities, that is, 10 percent of the total.¹⁴⁰ As Caja Popular Mexicana has been a regulated institution since 1995, its entire network, consequently, consists only of regulated branches. Its geographical focus lies in the centre of Mexico; in some of the northern and south-eastern states Caja Popular is not (yet) present at all, nor are there branches in Mexico City any longer (see Figure 4).¹⁴¹

Figure 4: Distribution of Caja Popular Mexicana's branches

Source: (Torres Ramírez 2006: 16).¹⁴²

The hitherto smallest network is the one of AMUCSS' remittance-network, Envíos Confianza. The foundation of this social business, though, amplified significantly the service points of the NGO's remittance-initiative, as it included also many other microfinance institutions beyond the members of AMUCSS (Interview 89).¹⁴³ Whereas the NGO transferred remittances with only a few *microbancos* from 2001 onwards, the network of Envíos Confianza, by 2011, had grown to over 40 organizations (four of these were networks of micro-banks) with almost 215 paying points in half of the federal states and almost 170 municipalities (which corresponded to around seven percent of the

¹⁴⁰ Information according to the list of CPM's branches in 2011 (received per email, 4.10.2011) and information from CPM's website: <http://www.cpm.coop/finanzas.php>, 22.01.2012.

¹⁴¹ Caja Popular used to have some branches in the Federal District of Mexico as well, but closed them because of operational difficulties and security reasons (Interview 82). Different from BANSEFI and AMUCSS, that have their main office in Mexico City, Caja Popular Mexicana has its headquarter in León, Guanajuato.

¹⁴² Even if this map dates from 2006, the branch distribution in the federal states was still the same in 2011.

¹⁴³ In 2011, next to other rural financial institutions, 20 micro-banks in five regional networks were members of AMUCSS (AMUCSS 2011).

total).¹⁴⁴ Regarding the membership of regulated institutions, it is worth noting that only ten percent of the institutions (that is, four) and less than a fifth of the branches of Envíos Confianza’s network were regulated in 2011.¹⁴⁵ These low shares may partly be due to considerable number of small and rural institutions participating in the network. At any rate, though, they are in remarkable contrast to the statement of a responsible staff member that the initiative only accepts regulated institutions (Interviews 91 and 92). Moreover, it is interesting to note that, in 2011, more than half (57 percent) of the MFIs cooperating with Envíos Confianza and almost half (47 percent) of their branches were at the same time members of La Red de la Gente.¹⁴⁶ This fact arguably limits their common or rather complementary potential to broaden financial inclusion, as they thus do not necessarily reach other un-served clienteles with these overlapping branches. Whereas Envíos Confianza distributes remittances in several parts of the country, its regional focus is south central Mexico, with a stronger presence in the federal states of Guerrero, Morelos, Oaxaca, Puebla and Veracruz.¹⁴⁷

Summarizing the analyzed indicators concerning the size and geographical presence of the initiatives, the governmental network La Red de la Gente shows to have the largest potential to increase financial inclusion in terms of breadth of outreach. With almost 2,400 branches, it has the largest network, compared to around 430 in the case of Caja Popular Mexicana, and over 215 in the case of Envíos Confianza. That is, concerning the number of branches, it is more than five and more than ten times larger than Caja Popular Mexicana’s and AMUCSS’ networks respectively. Also, in view of the national coverage, it is the only initiative present in all Mexican federal states, whereas the other two only cover parts of them. Similarly, BANSEFI’s network has the greatest presence in Mexican municipalities. See Table 9 for an overview on the initiatives’ size and coverage.

Table 9: Size and coverage of the initiatives’ networks in Mexico (2011)

Initiative	MFI-Members	Branches	Coverage of Mexican federal states		Presence in municipalities	
			Nr.	%	Nr.	%
Red de la Gente	287	2,391	32	100	984	40
Caja Popular Mexicana	1	427	22	66	237	10
Envíos Confianza	42	215	16	50	130	7

Source: own compilation with data from the respective institutions.

¹⁴⁴ Information per email from Envíos Confianza (1.12.2011) and from AMUCSS (AMUCSS 2011).

¹⁴⁵ Own calculations based on information provided by Envíos Confianza per email (1.12.2011) and on the statistical bulletins of the national banking authority CNBV (CNBV 2011e, 2011f, 2011g).

¹⁴⁶ Own calculation based on the respective directories, which were provided per email by BANSEFI (4.01.2012) and Envíos Confianza (1.12.2011).

¹⁴⁷ Unfortunately, it was not possible to obtain a map from AMUCSS/Envíos Confianza.

Presence in remittance-receiving areas

The following analysis approximates the coverage of remittance-areas on the level of the Mexican federal states, taking the respective remittance-amounts received on average per capita as indicator of the intensity of remittance-inflows.¹⁴⁸ As an approximation for the degree to which the initiatives' presence was congruent with the states receiving most remittances, their coverage was estimated calculating the relative distribution of the initiatives' branches per states and relating them to the remittance-amounts per capita.¹⁴⁹

Table 10: Branch coverage by federal state with high remittances per capita (2010/11)¹⁵⁰

Mexican states	R/capita (US-\$, 2010)	RdG branches per state		CPM branches per state		EC branches per state	
		Nr.	Share of RdG branches	Nr.	Share of CPM branches	Nr.	Share of EC branches
Mexico total	190	2391	100%	426	100%	215	100%
Michoacán	493	169	7%	29	7%	6	3%
Zacatecas	390	23	1%	17	4%	0	0%
Guanajuato	361	177	7%	123	29%	1	0%
Guerrero	355	72	3%	9	2%	55	26%
Oaxaca	341	156	7%	57	13%	67	31%
<i>Nr. and % of branches in the five states with the highest R/capita</i>		597	25%	235	55%	129	60%
Morelos	312	32	1%	13	3%	17	8%
Nayarit	311	51	2%	18	4%	0	0%
Hidalgo	268	57	2%	0	0%	6	3%
Colima	264	57	2%	7	2%	3	1%
Aguascalientes	248	13	1%	9	2%	0	0%
<i>Nr. and % of branches in the ten states with the highest R/capita</i>		807	33%	282	66%	155	72%

Source: own elaboration based on data from the institutions, from Banco de México and INEGI.

¹⁴⁸ One of the most informative indicators concerning the initiatives' presence in remittance-receiving areas would be the number of branches covering those municipalities with high remittance-inflows per household or individual, because it would be of high utility for the receivers to be able to pick up their remittance directly in the localities they live in. Unfortunately though, as has been outlined in section 2.3, data on remittance receipt on a municipal level were not available at the time this study was carried out.

¹⁴⁹ For the analysis of the potential contribution to financial inclusion, the number of *transactions* per capita would be more telling. Yet, the remittance data for the federal entities are only available in absolute amounts.

¹⁵⁰ Remittance data per capita are from 2010, calculated on information from Banco de México (remittance data) (<http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadroAnalitico&idCuadro=CA79§or=1&locale=es#>, 21.09.2012) and INEGI (population data) (<http://www.inegi.org.mx/sistemas/sisept/Default.aspx?t=mdemo148&s=est&c=29192>, 21.09.2012).

As the comparison in Table 10 shows, considering the relative distribution of the initiatives' branches, only around a quarter of La Red de la Gente's branches were located in the five states that received the most remittances per capita (data from 2010). In contrast, more than half in the case of Caja Popular Mexicana and almost two thirds of Envíos Confianza's branches were distributed over these five states. Looking at the ten states with the highest remittances per inhabitant, the picture changes slightly: BANSEFI's network still has a third of its branches located in these states, whereas two thirds of Caja Popular Mexicana branches covered the top ten states, and the network of Envíos Confianza had almost three quarters of its branches in the top ten receiving entities. That is, both Caja Popular Mexicana and Envíos Confianza had by far the majority of their branches in the top ten states regarding remittances per capita, whereas only a third of the governmental initiative's branches were present in these states. Moreover, both Caja Popular Mexicana and Envíos Confianza have strong regional foci in states with high remittance-inflows (Guanajuato and Guerrero respectively). La Red de la Gente, in contrast, has no such focal point in one of the top receiving states. Having stated this, it has to be noted, though, that the latter is present in all the top ten remittance-receiving states, whereas Envíos Confianza does not cover, among others, Zacatecas, the state with the second largest amount of remittances per inhabitant.

Comparing the initiatives' presence in areas of high migration density – a factor that is arguably at least as important for a potential contribution to financial inclusion via remittances than the absolute size of the network – it is, however, difficult to draw a definite conclusion, as there is considerable variance both between the initiatives and within their respective coverage of remittance-receiving areas. The network most focused on those federal states receiving most of the migrants' money per capita, considering the relative branch distribution, is Envíos Confianza, followed by Caja Popular Mexicana and La Red de la Gente. In relative terms, thus, Envíos Confianza's potential contribution to financial inclusion via remittances considering the coverage of receiving states, can be interpreted as slightly higher than Caja Popular Mexicana's and distinctly higher than La Red de la Gente's. Beyond this *relative* attention to the remittance receiving areas, in *absolute* terms BANSEFI's network still has more branches in each of the federal states that are focal points in the other cases, due to its enormous size.

4.1.2 Remittance transfers

If an initiative can potentially contribute to financial inclusion via remittances also depends on the transfer options and forms offered and the remittances actually

transferred.¹⁵¹ The different transfer options can be conceptualized as part of the access-categories and are related both to the “breadth” and the “scope of outreach” of an institution (Schreiner 2002: 595f.), which refers to the number of clients reached and the range of financial services offered, respectively. Thereby, this section compares in a first step the initiatives’ range of MTO partnerships as a proxy for the number of transfer options from the United States. Secondly, it addresses the initiatives’ variety of remittance-transfer forms offered because these represent different options to link remittances with other financial services. The use of these transfer options, manifested in the number and amounts of transfers de facto carried out, is actually a usage category. This indicator is also analyzed here in a third step, as it gives further insights on the initiatives potential contribution to financial inclusion: The more transactions are carried out, the more individuals can potentially be reached and offered additional services, contributing thus to the breath of outreach. As has been outlined in the theoretical chapter, the actual transfers represent already an outcome of the institution’s performance and thus a further step towards a (potential) contribution to financial inclusion than the mere offer of such transfers.

Partnerships with money transfer companies

The number of the governance-initiatives’ partnerships with money transfer operators was selected as a proxy in order to estimate their coverage on the US-side, informing about the possible breadth of outreach among the remittance-senders.¹⁵² Thereby, the assumption is that the more partnerships an initiative has, the more clients it can potentially reach. See Table 11 for an overview on the initiatives’ remittance-transfer partners.¹⁵³

¹⁵¹ This section only takes into account international remittance transfers, as the focus of the study lies on transnational governance-initiatives. Nevertheless, in order to foster financial inclusion, also national remittances evidently can be capitalized on.

¹⁵² For a large outreach, the MTO-partners have to cover those areas in the USA with a high density of (Mexican) migrant population. Unfortunately, though, there are no comparable data sets available concerning the geographical and market coverage of the US-MTOs. Many MTOs also do not display such data on their website for confidential reasons. As it can be assumed, though, that MTOs, for business reasons, especially cover immigration areas, the following analysis takes the number of MTO-partnerships as proxy.

¹⁵³ Until 2011, none of the three initiatives cooperated with the world’s most renowned player, Western Union, especially due to the MTO’s exclusivity policy: Western Union usually expects from their partners that they do not close agreements with other MTOs. BANSEFI stated that, as a public bank, they have the mandate to be open for all possible cooperation partners and therefore do not close exclusivity contracts (Interviews 68 and 72). For Envíos Confianza, in addition to the exclusivity clause, other reasons for not cooperating with Western Union are their high prices and their bad reputation among migrants (Interview 90). Caja Popular Mexicana did not cooperate with Western Union in the beginning because their first MTO-partnerships were arranged with the support of the World Council of Credit Unions (WOCCU) and these did not include Western Union. The cooperative considers, though, closing contracts with all the trade-marks of Western Union proximately (information per email from Caja Popular Mexicana, 8.12.11).

Table 11: MTO-partnerships of the remittance-initiatives (2011)

Money Transfer Operator	BANSEFI/RdG	CPM	AMUCSS/EC
Bancomer Transfer Services, Inc.	x		x
Bank of America	x		
Dolex envois S.A. de C.V.*	x		
Groupepex Financial Corporation	x		
Inter-Cambio Express			x
Intermex Wire Transfer, LLC*	x		x
Moneygram Payment Systems, Inc.*	x	x	x
Omnex Group, Inc. (Giromex)	x		x
Ría Telecomunicaciones, Inc.	x		x
Sigue Corporation	x		
Trans-Fast Remittance LLC			x
Transnetwork Corporation	x		
UniTeller		x	x
Viamericas Corporation*	x		x
Vigo Remittances, Corp.*	x	x	x
Total of MTO-partnerships	12/>100	3	10/>100

Source: own compilation with information from the respective Mexican institutions.

La Red de la Gente, in 2011, had contracts with eleven transfer companies and one bank (Bank of America).¹⁵⁴ The transfer partners included the allegedly largest MTO in the US-Mexican remittance-corridor, Bancomer Transfer Services (BTS).¹⁵⁵ As some of the participating MTOs like BTS have their own networks of other multiple MTOs, it is possible to transfer remittances to La Red de la Gente with over 100 money transfer operators.¹⁵⁶ Caja Popular Mexicana had the smallest coverage in the US in terms of MTO-partnerships. Starting as a direct agent with one money transfer operator in the beginning (Vigo), by 2011 it offered remittance transfers with three MTOs (with Moneygram, the cooperation started in 2005, with Uniteller in 2007). Despite the fact that Envíos Confianza had the smallest network in Mexico, it also has extensive coverage in the United States in terms of the number of partnerships with MTOs. By 2011, after two years in operation, the initiative had closed agreements with ten Money Transfer Operators, also including the largest player in the US-Mexican corridor, BTS. Due to this transfer companies' multiple

¹⁵⁴ See: "¿Con quién enviar?" on La Red de la Gente's homepage: <http://www.lareddelagente.com.mx/v4/NuestrosServicios/EnviasDinero/ConQuien/conQuien.php>, 29.01.2012.

¹⁵⁵ According to BBVA's website, its Remittance-Transfer-Company is with around 40 percent market share the largest player in the corridor: <http://www.bbva.com/TLBB/tlbb/jsp/ing/conozca/areanego/index.jsp>, 12.1.12

¹⁵⁶ Since the number of the MTOs cooperating in such networks is constantly changing, the overall number of cooperating money transfer companies working with La Red de la Gente also changes (Interview 72).

MTO-alliances, Envíos Confianza, like la Red de la Gente, was able to receive remittances from over 100 MTOs in total (Interview 91).

Thus, resuming the US-coverage measured in numbers of MTO-partnerships, both La Red de la Gente and Envíos Confianza, with more than 100 partnering MTOs, clearly outnumber Caja Popular Mexicana. Thereby, BANSEFI cooperates with the five largest MTOs regarding their coverage of payment points in Mexico (see the MTOs marked with asterisk in the table (Orozco et al. 2010: 27f.)), and Caja Popular Mexicana and Envíos Confianza partner with the two and three largest, respectively. Even if a precise estimation is not feasible based on of these data, the larger number of transfer partners arguably enables the development bank and the NGO to potentially reach more remittance-senders in the US than the cooperative.

Offered transfer forms for receiving remittances

The initiatives' potential contribution to financial inclusion also depends on the range of transfer forms offered, which are analyzed therefore as a further indicator. As the overview on possible models of remittance transfers in section 2.3 outlined, the classical form is the cash to cash transfer, which can be capitalized on to create *access* to other financial services. With cash to account or account to account transfers, receivers must already own accounts; the potential effect of the transfers thus concerns the increased *usage* of these accounts.

La Red de la Gente offers various forms of international remittance-transfers. The most important is the traditional form of cash-cash-sending (Interview 68). Cash to account transfers are offered with eight of the twelve cooperating money transfer companies.¹⁵⁷ As the only one of the three initiatives, La Red de la Gente also offers account to account transfers. Thereby they cooperate with Banco de México's *Directo a México* service, presented in section 3.2.1. This option is explicitly seen as a means to foster the remittance recipients' access to financial services (Interview 68). A special service for migrants, related to the account to account transfer option of *Directo a México*, is the so called "Beneficiary Account Registration" mechanism, through which a remittance-sender in the United States can open a bank account in the name of a recipient family member in a branch of La Red de la Gente in Mexico. The receiver then has to formally open the account in person when receiving the remittances (Interview 68).¹⁵⁸

Caja Popular Mexicana offers the remittance-service predominantly in the form of cash to cash transfers. They used to offer also cash to account transfers with one MTO (Interview

¹⁵⁷ Information per email from BANSEFI, 4.01.2012.

¹⁵⁸ See also "Beneficiary Account Registration Website" on: <http://www.directoamexico.com/en/lared.html>, 31.07.2010.

81). This service was, though, suspended at the time of writing this study, due to a redesign of the cooperative's technological system. Yet, CPM's responsible staff expressed the intention to offer this option with all of the MTOs in the future.¹⁵⁹ Even if Caja Popular Mexicana also considered joining Banco de México's *Directo a México* service in order to be able to offer account to account transfers, they refrained from doing so, apparently because the cooperative's priority has been other projects up to now (Interview 82).

Envíos Confianza has only offered cash to cash transfers up to now. According to the interviewed staff, though, they plan to install a platform through which cash to account and account to account transfers are possible in the future. In contrast to Caja Popular Mexicana, they have not considered joining the *Directo a México* service of the Central Bank (Interview 91). Instead, in order to offer more transfer options, AMUCSS and Envíos Confianza have developed new products like transfers with mobile phones and credit/debit cards. At the time of writing this study, these options had been tested with some pilot projects but were not yet offered in general, among other reasons because of the difficulties and high costs to introduce the necessary technologies in rural areas (Cruz/Sulmont 2010: 73ff.).

In conclusion, as far as the forms of the transfers are concerned, La Red de la Gente, theoretically, shows the largest potential for financial inclusion. It offers the largest variety of transfer options, being the only one among the three networks that also provides the possibility of account to account transfers. Whereas the cash to account option was and is supposed to be offered again by Caja Popular Mexicana as well, this service is not (yet) available at Envíos Confianza.

In practice, though, there does not seem to be a considerable difference between the three initiatives regarding the transfer options, considering some information about the usage of these services: Even if La Red de la Gente offers cash to account transfers, this option is not promoted actively, as according to a staff member, it is more complicated technically (Interview 76). Likewise, the account to account transfer option with *Directo a México* is barely used: Among the overall remittance-transfers paid by La Red de la Gente, with a total of slightly over three million US-\$ between 2008 and 2011,¹⁶⁰ the transactions via this service represented a vanishingly low fraction of the remittances sent via the network (see the data on BANSEFI's remittance transfers in the next section). Moreover, only nine of the MFIs participating in the network offered the service in 2011, of which only three de facto transferred remittances using this option. Likewise, between 2006 and 2011 only 408 savings accounts were opened through the Beneficiary-Account-Registration option described above.¹⁶¹

¹⁵⁹ Information sent per email from Caja Popular Mexicana (8.12.2011).

¹⁶⁰ Information sent per email from BANSEFI (5.01.2012).

¹⁶¹ Information sent per email from BANSEFI (4.01.2012).

Without going into too much detail of the reasons for the rather low use of this transfer option, it is worth mentioning two. On the demand side, one problem is that it seems to be extremely difficult to change the habits of the remittance-senders and receivers that are used to the less bureaucratic cash-cash option (Interview 76). For the cash-cash option it is not necessary to own or to open a bank account, and it is easier to access, as the agents cooperating with the money transfer operators have longer opening hours and are more widely distributed than banks (Interview 68). On the supply side, the crux is that, for the participating banks, transfers via *Directo a México* do not represent a huge business, because, among other reasons, they cannot fix the exchange rate. Their interest in participating in and promoting the service remains therefore rather low (Cirasino et al. 2008: 321). In sum, even if La Red de la Gente, thus, offers more transfer options in theory, in practice, the dominant form is also in this case cash to cash transfers.

De facto channeled remittances

Remittance transfers are usually measured by the initiatives in two ways: the total amounts transferred and the number of transactions. For the potential contribution to financial inclusion, the second indicator is more telling, as it provides information about the number of potentially reached clients.¹⁶² Beyond the total transactions and amounts, the following paragraphs also compare the respective number of transactions and amounts per branch. This indicator reveals how effective an initiative is in terms of channeling remittances and reaching out to clients: The more transactions per branch are paid, the more remittance-receivers can potentially be offered other financial products. Finally, as a third indicator, the participation of the initiatives in the national remittance market demonstrates their quantitative potential to contribute to financial inclusion via remittances in the Mexican context.

As a general tendency, the amount of remittances channelled through the three networks has been steadily growing. Only as a consequence of the recent global financial crisis, the transfers partly declined in 2008 and 2009. From 2010 onwards, they rose again. Tables 12 and 13 compare the remittances transferred through the various networks between 2003 and 2011, regarding number of transactions and absolute volumes. As the tables show, in both of these indicators BANSEFI's initiative La Red de la Gente lies distinctly before Caja Popular Mexicana and AMUCSS/Envíos Confianza. In 2011, La Red de la Gente paid over 1.5 million remittances with a total amount of almost 600 million US-\$, whereas Caja Popular Mexicana paid over 300,000 transactions totaling almost 115 million US-\$, and Envíos Confianza channeled almost 60,000 remittances totaling over 18 million US-\$.

¹⁶² Although, this indicator does not indicate the exact number of potentially reached clients either, as one person might receive just one remittance per year, whereas others might receive monthly transfers.

Table 12: Remittance transfers from 2003-2011 (Nr. of transactions, thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
BANSEFI/RdG	187.0	282.0	469.6	928.6	1,245.0	1,580.2	1,457.6	1,423.0	1,547.0
CPM	3.0	43.3	142.1	247.5	306.6	296.3	264.8	269.2	314.5
AMUCSS/EC¹⁶³	-	-	-	-	-	1.6	12.1	24.0	58.8

Source: own compilation with data provided by the respective institutions.

Table 13: Remittance transfers from 2003-2011 (Mio. USD)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
BANSEFI/RdG	52.0	89.0	155.1	337.9	453.5	576.7	504.5	514.0	596.3
CPM	1.2	21.2	60.1	101.2	117.3	110	90.2	91.7	114.7
AMUCSS/ EC	-	-	-	-	-	0.5	3.8	8.1	18.4

Source: own compilation with data provided by the respective institutions.

Beyond the absolute transactions and amounts, it is interesting to calculate the transactions per branch, as this indicator is independent of the size of a network and might be also higher for a small initiative if it is geographically well located. According to the analysis of the geographical coverage above, this could be expected for AMUCCS' initiative Envíos Confianza. However, the comparison of the initiatives' transaction rates per branch in Table 14 shows an opposite picture. Envíos Confianza not only transfers fewer remittances in total, but it also proportionally performs far below the other two initiatives by branch. La Red de la Gente and Caja Popular Mexicana, throughout the observed period, reached similar rates per branch – both channeled over 50 transactions on average per month between 2004 and 2011 – which were between four and five times larger than those of Envíos Confianza. Whereas the cooperative ranked behind the development bank's initiative during some years of the decade, in others it had larger transfer rates per branch. In 2010 the two initiatives had the same transaction rate, and in 2011 the cooperative again transferred more remittances per branch.

Table 14: Transfers per branch 2003-2011 (transactions on average per month)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
BANSEFI/RdG	22	32	33	58	65	77	61	53	54
CPM	1	14	39	61	72	66	55	53	61
AMUCSS/EC	-	-	-	-	-	1	8	12	23

Source: own calculation with data provided by the respective institutions.

¹⁶³ The data for AMUCSS/EC in this and the subsequent tables start in 2008 due to the later date of foundation of Envíos Confianza.

Table 15: Transfers per branch 2003-2011 (amount in USD, average per year)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
BANSEFI/RdG	74,354	120,701	132,780	254,791	282,308	336,268	252,250	228,039	249,394
CPM	5,066	83,629	200,313	297,523	328,651	294,601	225,597	218,218	268,557
AMUCSS/EC	-	-	-	-	-	5,184	29,764	48,795	85,547

Source: own calculation with data provided by the respective institutions.

Finally, beyond the absolute transactions and volumes of the three analyzed initiatives, also their shares of the totally transferred remittances to Mexico have increased over the years of operation. Thereby, the governmental initiative, corresponding to their higher volumes of remittances, always had the largest share. As Table 16 shows, La Red de la Gente's participation in the national remittance market increased from 0.3 percent in 2003 to almost 2.5 percent in 2011 and Caja Popular Mexicana's from 0.01 to almost 0.5 percent in the same period. Envíos Confianza, after four years of operation, channelled 0.08 percent of all the Mexican remittances in 2011. Yet, these data also manifest that even if the initiatives' respective participation in the national remittance market has grown over that decade, their overall participation remains strikingly low: In 2011, altogether they paid only around three percent of all the remittances sent to Mexico. Table 17 shows that the overall participation in the transactions is even lower, even if this is a counterintuitive result, because one would expect the social initiatives to transfer smaller sums and therefore have relatively larger numbers of transactions.

Table 16: Participation in the Mexican remittance market 2003-2011 (% of amounts)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
BANSEFI/RdG	0.31	0.45	0.67	1.26	1.66	2.19	2.28	2.28	2.53
CPM	0.01	0.11	0.26	0.38	0.43	0.42	0.41	0.41	0.49
AMUCSS/EC	-	-	-	-	-	0.002	0.02	0.04	0.08
All initiatives	0.32	0.56	0.93	1.64	2.09	2.61	2.71	2.73	3.1

Source: own calculation with remittance data from the World Bank and of the respective institutions.

Table 17: Participation in the Mexican remittance market 2003-2011 (% of transactions)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
BANSEFI/RdG	0.39	0.49	0.83	1.25	1.65	2.18	2.18	2.11	2.21
CPM	0.01	0.08	0.25	0.33	0.41	0.41	0.40	0.40	0.45
AMUCSS/EC	-	-	-	-	-	0.002	0.02	0.04	0.08
All initiatives	0.40	0.57	1.08	1.58	2.06	2.59	2.6	2.55	2.74

Source: own calculation with remittance data from the World Bank and of the respective institutions.

In sum, as far as the remittance transfers are concerned, and assumedly due to its much larger network, La Red de la Gente transfers by far most remittances both in numbers of transactions and in absolute terms. Regarding both indicators, it transfers around five times more than Caja Popular Mexicana and around 60 times more than Envíos Confianza. Concerning the transfers per branch, BANSEFI's and CPM's initiative both reach a similar level, with more than 50 transactions per month on average per branch, whereas Envíos Confianza, in contrast, paid four times less remittances per branch on average. One possible explanation might be that their network has grown at an extraordinary rate since its foundation, but the customers on both sides of the border are not yet well aware of the new transfer option. Considering the fact that around half of the branches in Envíos Confianza's network pay out remittances with La Red de la Gente as well, another reason might be that remittance-senders and receivers simply keep on sending and receiving through La Red de la Gente, it being the first option offered. Moreover, as AMUCSS' remittance network broadly works with the same transfer companies as BANSEFI's, there does not seem to be a large difference in areas covered in the USA, that is, the NGO's initiative does potentially not reach that many other groups of remittance-senders beyond the state's initiative.

4.1.3 Offer of other financial services

One of the most "palpable" indicators for the potential contribution to financial inclusion via remittances is their link to other financial services. Thus, the question is whether remittance-receivers can obtain access to the general product portfolio of the institutions where they pick up their remittances. Moreover, financial institutions may develop specific financial services linked to remittances. Whereas the provision of access to adequate basic financial services for the receivers implies already a potential contribution to their financial inclusion, the offer of specific remittance-linked products may be even more effective in that respect, as the remittance-receivers are directly addressed. The more types of financial services an institution offers to the receivers, the larger its "scope of outreach" (Schreiner 2002: 596).

Since in the case of La Red de la Gente and Envíos Confianza, the remittance networks comprise a large number of different participating institutions, whose offers vary between the different MFIs, it would go far beyond the scope of the present study to display all the respective financial services offered. For a comprehensive appraisal, it would be necessary to analyze all these portfolios – more than 250 in La Red de la Gente's and around 30 in Envíos Confianza's case. Therefore, the elaborations in the following sections are limited to the services offered by institutions belonging to the respective main actor (the branches of BANSEFI and the *microbancos* of AMUCSS) and, in each case, to two other institutions

participating in the respective networks. Thereby, those institutions were selected that represented the (next) largest ones in the networks in terms of served clients or members – as these potentially also serve a larger group of remittance-receivers – and that were already authorized from the national banking authority CNBV. The latter was taken as a criterion because the authorized institutions are obliged to publish their interest rates in a comparable manner, which is often not the case with non-authorized institutions and thus complicates the comparison of prices and services.¹⁶⁴ For La Red de la Gente, thus, the analysis was realized additionally for the financial cooperative Caja Morelia Valladolid and the Sofipo Fincomún, and in the case of Envíos Confianza for the financial cooperative ACREIMEX and the network Red Eco de la Montaña.¹⁶⁵

Range of basic financial services offered

The basic financial services remittance-receivers can potentially obtain access to, in addition to picking up their money transfers, are savings, credits and insurances, as has been outlined in section 2.3. Remittance-receivers picking up their money at branches of La Red de la Gente have access to the general product portfolio of the member institutions at BANSEFI branches and the participating Sofipos. When the money is transferred through cooperatives, the receivers have to join as members in order to access other financial services besides the remittance-service. As far as savings products are concerned, BANSEFI, consistent with their institutional mission to foster the culture of savings among the population, offers a broad range of options, including six different savings accounts, four extra saving options for housing, and term deposits.¹⁶⁶ The other two analyzed MFIs participating in the network (Caja Morelia Valladolid and the Sofipo Fincomún) offered two different savings products each. A particularity of La Red de la Gente is that credits are offered only by the other participating MFIs but not by BANSEFI, because the governmental development bank is not authorized to give credit to the public according to its statutes (Interviews 69, 70 and 72). Still, as the other MFIs comprise far more branches than BANSEFI, credits are available at around 80 percent of the branches of La Red de la Gente. Caja Morelia Valladolid offered ten and Fincomún six credit options. According to the staff of la Red de la Gente in BANSEFI, some of the MFIs providing credits also take remittances into account for the credit history (see the elaborations on that point in section 2.1.2), however, every single institution decides

¹⁶⁴ At least on the respective institutions' websites, though, this information was not always easily found nor was it always complete, even in the case of the authorized institutions.

¹⁶⁵ ACREIMEX is at the same time a member of La Red de la Gente. Here it is analyzed as one of the institutions participating in Envíos Confianza's network, because there were only four regulated institutions in the network and ACREIMEX is the largest among these. Red Eco de la Montaña used to be a network of micro-banks belonging to AMUCSS but is now independent.

¹⁶⁶ See "*productos y servicios*" for "*personas*" on: <http://www.bansefi.gob.mx/prodyserv/personas/Paginas/default.aspx>, 20.09.2011, and related pages.

autonomously if it provides that option (Interviews 69 and 72). Since 2008 BANSEFI has also offered micro-life-insurances to its clients, the aim of which is to assist people with funeral expenses and provide them financial support if a family member dies (Interviews 69 and 72).¹⁶⁷ Among the two other analyzed member MFIs of La Red de la Gente, only Fincomún also offered insurances.¹⁶⁸

In Caja Popular Mexicana's case, remittance-receivers that are (or become) members of the cooperative have access to all the financial products offered by the financial institution. These include four types of savings and term deposit options and seven types of credits.¹⁶⁹ In general, remittances are taken into account as part of the credit history and to get access to other financial services that require an income proof (Interviews 81 and 82). The cooperative does not offer insurance products but provides some additional protection services that are automatically included with the membership for all joining individuals (Interview 83).¹⁷⁰

In Envíos Confianza's case, similar to La Red de la Gente, the remittance-receivers have access to the range of other products offered. In the case of the participating cooperatives, the receivers therefore have to join as members. Due to the variety of different independent MFIs, the offer of financial services varies accordingly – even between the networks of AMUCSS' *microbancos* and sometimes between the *microbancos* of the same network. Representatively, the case of the visited micro-bank in Oaxaca, belonging to the network FINCOAX, is presented here. Concerning saving options, the *microbancos* of this network offered three products, and the two other MFIs analyzed, ACREIMEX and Red Eco de la Montaña, both offered four. In all cases these included savings and term deposit options. Regarding credits, the *microbancos* of FINCOAX offered four types, and the other two institutions offered eight (ACREIMEX) and six (Red Eco de la Montaña); in all cases solidarity credits for group lending were offered. Some of the micro-bank(s), as well as some of the other microfinance institutions participating in Envíos Confianza, take remittances into account for the credit scoring of their clients, counting the money transfers as part of the household income (Interviews 90 and 91). A particularity in the case of AMUCSS is the fact that the NGO has created its own distribution network for micro-insurances, called RedSol (*Red Solidaria de Microseguros Rurales*, Solidarity Network of Rural Micro-Insurances), offering small-scale insurances to the rural population in a

¹⁶⁷ See also the information about the services of La Red de la Gente on: <http://www.lareddelagente.com.mx/v4/NuestrosServicios/nuestrosServicios.php>, 30.09.2010.

¹⁶⁸ See for the financial services of Caja Morelia Valladolid: <http://www.cajamorelia.com.mx/> and for Fincomún: <http://www.fincomun.com.mx/principal/index.html>, both accessed 20.01.2012.

¹⁶⁹ See the information on the financial services of Caja Popular Mexicana on its website: for savings <http://www.cpm.coop/ahorro.php>, for credit <http://www.cpm.coop/credito.php>, both accessed 5.10.2011.

¹⁷⁰ These include the protection of savings and credits as well as the payment for funeral expenses in the case of the death of a family member. See: <http://www.cpm.coop/pahorro.php>; <http://www.cpm.coop/pprestamo.php>; <http://www.cpm.coop/bapoyo.php>, all accessed 21.01.2012.

strategic alliance with large insurance companies like Zurich (AMUCSS/Redsol 2009: 5f.). Those MFIs that also cooperated with RedSol, around two thirds of Envíos Confianza's institutions, thus offered micro-insurances to remittance-receivers (AMUCSS 2011). Whereas this was the case for Red Eco de la Montaña, ACREIMEX also offered micro-insurances but with different providers (Interview 80).

Offer of services linked to remittances

As far as the development of specific remittance-based financial services is concerned, the only actor explicitly engaged in this respect has been AMUCSS. In Red de la Gente's case, BANSEFI's standardized range of products does not include specific remittance-related options (besides the Beneficiary Account Registration option described above). Even though the other member MFIs might have autonomously developed such specific services (Interviews 70, 75 and 76), the staff responsible for La Red de la Gente in BANSEFI was not informed about the existence of such products.¹⁷¹ The two other analyzed members of the network, Caja Morelia Valladolid and Fincomún did not announce extra remittance-related products on their websites either.

Even if at Caja Popular Mexicana the development of specific products for remittance-receivers had been already discussed some years ago (Interview 81), the cooperative has not yet pursued the offer of such remittance-based options (Interview 82). Thus, the institution with the most pronounced involvement in offering specialized financial services for transnational families has been AMUCSS with its own micro-insurance distributing-network. Next to basic life insurances, RedSol has developed insurances especially for migrant families: one for the repatriation of bodies from the US to Mexico (*certificado de repatriación*), another covering the failure of remittance transfers if a migrant dies (*seguro de remesas*) (Interview 90). The latter grants the ongoing payment of monthly remittances during one year after the death of the migrant.¹⁷²

In sum, this overview identifies a remarkable variation in the offer of financial services among the three initiatives. Yet, it is difficult to draw final conclusions in terms of their respective potential contribution to financial inclusion regarding their scope of outreach, due to the selected procedure of analyzing only the offer of the main actors and the (next) largest MFIs participating in the networks. Bearing in mind this caveat, nevertheless a basic estimation is feasible also on the basis of the information gathered in that way: In light of the fact that Caja Popular Mexicana limits its offer to savings and credits, the

¹⁷¹ Information sent per email from BANSEFI (4.01.2012).

¹⁷² See "*Productos RedSol*" on: http://www.microseguros.org/index.php?option=com_content&view=article&id=69&Itemid=58, 21.01.2012.

scope of outreach of the other two networks – taking the different participating institutions with their varying portfolios together – seems larger because they also offer insurances.¹⁷³ In the case of La Red de la Gente, even if BANSEFI that has a strong focus on saving options and offers no credits at all, these are available at the other MFIs of the network, and both BANSEFI and other Red de la Gente members offer micro-insurances. In Envíos Confianza's case, AMUCSS' micro-banks and other participating MFIs also offer a range of saving and credit options, and the majority of Envíos Confianza's MFIs cooperating with RedSol also provide specific micro-insurances. Taking into account that the NGO together with its micro-insurance network RedSol also has developed specific financial services for migrants and their families (the remittance and repatriation insurances), the scope of outreach might even be called larger in the case of the initiative Envíos Confianza. Even if a more precise statement would require detailed analyses of the products' features going beyond the scope of this study, what can be stated here is that all three fulfill the fundamental requirement to offer (basic) financial services and potentially contribute to financial inclusion providing access to these services to their remittance-receivers. Thereby, it is also important to stress that, in contrast to many commercial microfinance providers, all offer a range of savings services, which for remittance-receivers are in more demand than credits.

Benefits and costs of the financial services offered

This section briefly refers to the benefits and costs of the financial services offered, as these suggest the balance of social and commercial orientations of the respective institutions. As in the preceding section, due to the large number of member institutions in the case of La Red de la Gente and Envíos Confianza, the analysis is limited here to the respective offer of the main institutions, BANSEFI and AMUCSS, as well as the two largest regulated institutions participating in their networks.¹⁷⁴ The information presented in Table 18 below gives a general idea of the price ranges of the three initiatives. Whereas the institutions transferring remittances with Envíos Confianza offer the highest rates on saving options, Caja Popular Mexicana has the lowest range of interest rates on credits: none of the other institutions offered credits at an annual interest rate of around 13

¹⁷³ Yet, it has to be noted that this is complex to evaluate, as it depends on the criterion to measure "scope", as this might mean scope between products (that is, offering for instance savings and credits) and within products (offering diverse types of credits). Taking the first as a reference here, scope is larger in La Red de la Gente's and Envíos Confianza's case as they offer all three types of services including micro-insurances. Considering the scope within products, an analysis focusing on the different product features, not feasible in the context of this study, would be necessary.

¹⁷⁴ The analysis focuses only on savings and credits, as these are the basic products offered by most institutions, and the analysis of costs and terms of insurances would go too much into detail for the argument brought forward here. It has to be kept in mind also that the interest rates for savings and credit products are intimately linked with the respective amounts and terms, which cannot be displayed here in detail either.

percent. The comparably higher costs for credits in the case of AMUCSS' micro-banks in Oaxaca might be explained with the fact that the institution's loan sizes are far smaller and that they have higher transaction costs: the NGO sends promoters to the surrounding areas, serving the credit takers in work-intensive field trips in their home villages (Interview 97). Considering the revenues on savings, it is interesting to note that the range of interest rates in the case of BANSEFI, the development bank with a mandate to foster savings, is one of the lowest among the analyzed institutions. This might be due, though, to the fact that the bank does not generate revenues with the provision of credits and that its savings options are more secure than those of smaller unregulated institutions.

Beyond the comparison of interest rates between the three analyzed governance-initiatives, what is more insightful and more interesting in the context of this study, considering the welfare-orientation of the analyzed main actors, is the comparison with other – profit-oriented – players in the Mexican microfinance market. Table 18 compares the four major institutions operating in the market, presented in section 3.1.2, with the governance-initiatives analyzed in this study. The latter usually have higher interest rates for savings and lower interest rates for credits in comparison to the commercial banks and profit-oriented microfinance institutions.

Table 18: Interest rates of financial institutions in the Mexican microfinance market

Name of Institution	Network	Type of financial institution	Savings: Range of annual interest rates (%)	Credits: Range of annual interest rates (%)
<i>members of the remittance-initiatives</i>				
BANSEFI	RdG	Development bank	0.03 – 3.9	–
Caja Morelia Valladolid		Financial cooperative	n/d	16.8 – 43.5
Fincomún		Sofipo	1.7 – 6.4 ¹⁷⁵	32.9 – 132.9
Caja Popular Mexicana	CPM	Financial cooperative	2.7 – 4.5	12.7 – 24.9
AMUCSS/ Red FINCOAX	EC	Micro-bank	4.0 – 8.0	18.0 – 48.0
Cooperativa ACREIMEX		Financial cooperative	4.0 – 5.2	31.9 – 37.5
Red Eco de la Montaña		Financial cooperative	n/d	n/d
<i>other financial institutions operating in the microfinance market¹⁷⁶</i>				
Banco Azteca	–	Bank	0.0 – 6.5	66.6 – 309.0
Banco Compartamos	–	Bank	–	69.0 – 117.8
Caja Libertad	–	Sofipo	0.0 – 4.3	31.4 – 39.5
Financiera Independencia	–	Sofom	–	79.0 – 405.9

Source: Own elaboration mainly based on websites of the institutions.¹⁷⁷

¹⁷⁵ Fincomún only indicated the interest rates for term deposits but not for basic savings accounts.

¹⁷⁶ These are listed according to their size and the number of their served clients (see table 7 in section 3.1.2).

Whereas the difference in the case of savings is not that marked – if savings options are offered by commercial institutions at all – the highest interest rates for credits found among the analyzed profit-oriented institutions have risen up to more than 400 percent annually, compared to a maximum of less than 50 percent for non-profit institutions.¹⁷⁸

In comparison to the commercial actors in the Mexican microfinance market, the institutions belonging to the analyzed governance-initiatives thus, in general, offer conditions that seem far more affordable for the clients. Taking affordability as one criterion for financial inclusion – as does the Alliance for Financial Inclusion’s conception presented in section 2.1.1 – in that respect, the institutions of La Red de la Gente and Envíos Confianza as well as Caja Popular Mexicana have thus a far larger potential to contribute to financial inclusion than their commercial competitors. Beyond that, the governance-initiatives’ better conditions are insofar telling for the institutions’ logics, as these de facto seem less interested in realizing profits than in contributing to the wellbeing of their clients or members and thereby to the collective welfare in general.

4.2 Additional efforts regarding the demand side

Beyond the operation of a branch-network (in order to be able to pay out remittances at all), the actual offer of remittance-transfers, and the associated provision of access to other financial services, the initiatives can contribute to financial inclusion via migrants’ money through a range of additional efforts, addressing in particular the demand-side. The present section thereby focuses firstly on activities regarding the information of the potential beneficiaries about the service offer, including measures for financial education, and secondly on activities to monitor their respective contribution to financial inclusion. In the theoretical part it has been argued that these efforts not only may increase the initiatives’ potential contribution to financial inclusion, but may give insight into the degree to which the respective actors are actually committed in that respect. This is due to

¹⁷⁷ See the respective websites of BANSEFI (<http://www.bansefi.gob.mx/Paginas/Inicio.aspx>), Caja Morelia Valladolid (<http://www.cajamorelia.com.mx/>), Fincomún (<http://www.fincomun.com.mx/principal/index.html>), Caja Popular Mexicana (<http://www.cpm.coop/index.php>), Cooperativa ACREIMEX (<http://www.acreimex.com.mx/site/index.aspx>), Red Eco de la Montaña (<http://www.cpm.coop/index.php>), Banco Azteca (<http://www.bancoazteca.com/PortalBancoAzteca/inicio.do>), Banco Compartamos (<http://www.compartamos.com/wps/portal/Inicio>), Caja Libertad (<http://www.libertad.com.mx/>), and Financiera Independencia (<http://www.independencia.com.mx/index.aspx>), all accessed 20.01.2012. The information for AMUCSS/Red FINCOAX is from Interview 97.

¹⁷⁸ Thereby, it would be interesting to further analyze whether it is a coincidence that the highest interest rate found was charged from the unregulated Sofom Financiera Independencia, which is not under the oversight of the national banking commission. That the regulated bank Banco Azteca does not follow far behind in the range of the top-charging institutions might be explained by their exceptional and quasi-monopolistic market position offering financial products directly within the stores of the chain ELEKTRA.

the fact that all these activities imply additional investment of human and financial resources that are not necessarily covered by the revenues from the remittance-service.¹⁷⁹

4.2.1 *Information of the migrant families*

In order to increase the number of transnational households using their services and to broaden their outreach, the initiatives need to inform the migrants and their remittance receiving families. If the potential beneficiaries are barely or not at all informed about the existence and benefits of transfer options and other financial services, the initiatives' potential contribution to financial inclusion via remittances arguably remains limited. The degree to which the actors engage in information strategies for the migrant families, moreover, indicates their additional involvement in capitalizing on remittances for financial inclusion. This section asks thus first for the actors' range of activities to inform the migrant families about their remittance-services in general. In a second step, it considers moreover whether the initiatives undertake specific financial education activities in order to inform the remittance-receivers about the utility and problems of financial services.

Range of information activities

The following analysis focuses on the *existence* of information activities, as the assessment of their impacts would go far beyond the scope of this study. Even if it is not clear how far the information activities transform into the expected results, some degree of client information acquisition can be expected.¹⁸⁰

In La Red de la Gente's case, the general activities to promote the network mostly include the promotion of the remittance-service, especially on the US-side. BANSEFI informs

¹⁷⁹ See on the profitability and financial sustainability of the remittance-initiatives chapter five.

¹⁸⁰ The initiatives were also asked whether there is a specific budget assigned to promote the remittance-initiative and their link to other financial services, because it is to be expected that the initiatives carry out promotion activities with a certain amount of financial resources designated for that purpose rather than without such a fixed budget. Such an extra budget would make sense in the case of La Red de la Gente and Caja Popular Mexicana, in whose cases remittances are one of a range of offered services. In the case of Envíos Confianza, as the company's central activities are remittance transfers and payments, the question is whether there is a general budget for promotion. De facto, though, none of the initiatives has a promotion budget determined (only) for the remittance-service. BANSEFI has two special posts assigned for the promotion of La Red de la Gente in general, which are also important for the promotion of the remittance-service, though, as it is one of the networks central activities. Caja Popular Mexicana has a global budget for the promotion for all the activities of the cooperative but none specifically focused on the information about the remittance-service. Envíos Confianza, in contrast, has apparently no specific promotion budget at all (Interview 92). As in none of the cases a specific budget for informing about the remittance-service is assigned, and the initiatives' respective activities are funded in such different ways, a systematic comparison of this indicator is not feasible. On the basis of the available information it can nevertheless be concluded that La Red de la Gente seems to be the initiative with the most funds available to promote its remittance-service, whereas the funding for informative purposes in the other two cases appears to be rather limited.

about La Red de la Gente through a variety of measures: One way is promotion on national TV and radio, which has not been seen as a major strategy because it is not considered cost-efficient (Interview 76). Additionally, La Red de la Gente is promoted on the internet: in addition to the general information on La Red de la Gente on BANSEFI's website¹⁸¹ informing clients about the financial services provided by the development bank,¹⁸² the network has its own webpage, where beneficiaries find above all more detailed information about the services, participating institutions and possible receiving points, as well as events related to the network.¹⁸³ Also, all MFI members of the network receive a promotion kit with various articles for distribution, like comics and flyers. In that case, it is the responsibility of the individual MFIs to inform the remittance-receivers.

BANSEFI's main information strategy for La Red de la Gente, though, according to the responsible interviewed staff member, is to promote the network with a "bottom up" approach; that is, in personal contacts with the migrants and their families. Such a strategy is conceived as more efficient than promotion on TV or radio because it is important to explain to people "face to face" what La Red de la Gente is about, so that they understand the service and its benefits (Interviews 68 ad 76). In Mexico, in order to inform the population, BANSEFI operates a so called "*caravana promocional*" which comprises several trucks that travel through different areas of the country and promote the network at the local level with information stands, events and financial education courses (Interview 76). To inform the migrants on the Us-side, La Red de la Gente participates in diverse events, like commercial fairs organized by the Mexican Ministry of Economy.¹⁸⁴ In order to promote the account to account transfer-service of *Directo a México*, BANSEFI cooperates especially with the Institute of Mexicans Abroad (IME), the Bank of Mexico and the Federal Reserve Bank of Atlanta. One of the main joint efforts is thereby the promotion of the *Directo a México* service in the respective locations in the USA and Mexico where there are corridors with a high volume of bilateral migration and remittances.¹⁸⁵

Whereas Caja Popular Mexicana informs about its services in general through TV advertisement spots and other mass media information channels, the financial cooperative carries out few activities to promote their remittance-service. The main promotional measure for the remittance-service used to be the placement of material provided by the MTOs, such as the transfer companies' logos, signs and the like, in Caja

¹⁸¹ See "La Red de la Gente" on: <http://www.bansefi.gob.mx/redgente/Paginas/Quees.aspx>, 26.01.2012.

¹⁸² See "*Productos y Servicios*" on: <http://www.bansefi.gob.mx/prodyserv/Paginas/default.aspx>, 26.01.2012.

¹⁸³ See: www.lareddelagente.com.mx, 26.01.2012.

¹⁸⁴ They participated, for instance, in the first fair of the Mexican Ministry of Economy carried out in the United States in Los Angeles in August 2011. See the information on the fair "*México Emprende*": <http://www.expomexicoemprende.com/home.html>, 6.12.2011.

¹⁸⁵ Between 2007 and 2010, in 13 bilateral corridors similar events have been carried out. See "Financial corridors through *Directo a México*" on: <http://www.directoamexico.com/en/corredores.html>, 19.09.2011.

Popular Mexicana's branches. According to the interviewed member of the management, the cooperative, though, has limited this kind of promotion in its branches in order not to appear as a dependency of the money transfer operators (see also Figure 6 below) (Interview 82). In general, potential beneficiaries can find information about the existence of the remittance-transfer service on the website of Caja Popular Mexicana,¹⁸⁶ where they will be informed in further detail about the other financial services available.¹⁸⁷

In addition, Caja Popular Mexicana implemented some other isolated measures: in the first years (Interview 81) they implemented a promotion campaign with one of the money transfer operators, held on Mother's Day, in which both CPM and the MTO abstained from part of the transfer fees in order to attract more migrants. Even if this campaign proved successful in terms of higher transfers, it was not applied later on. With the other MTOs there were no similar activities. Other isolated measures were the distribution of promotional articles in Mexico or the placement of leaflets (with a list of CPM branches) in some MTO's agencies in the US. Apart from that, there have been no activities in the US contacting migrants directly, be it via their organizations or through other events.

The strategy of AMUCSS and Envíos Confianza to inform the migrants' families concentrates especially on the Mexican side, as, according to one staff member, they lack resources to promote the service in the United States as well. The NGO and its social company have developed a range of information materials like posters and handouts that they provide to the participating MFIs. It is expected that these MFIs promote the service to their clients, who are supposed to inform the remittance-senders in the US. Moreover, Envíos Confianza has two websites.¹⁸⁸ The first contains general information about the company, the transfer-services offered and the expected (social) impacts of the remittance-service; on the second, the potential beneficiaries are informed about the existing branches where they can pick up their money. On the US-side, AMUCSS and Envíos Confianza have carried out only some isolated efforts to promote the service, like, for instance, cooperation events with migrant organizations in the United States (Interview 92).

Comparing the different information efforts carried out, BANSEFI appears to be the most involved actor, as they undertake the largest range of activities to promote La Red de la Gente and its remittance-service. They are also the only actor with a transnational promotion approach, informing the migrants on the Us-side with specific regular activities in cooperation with different other governmental and non-governmental actors from Mexico and the United States. In the case of Caja Popular Mexicana, the comparatively limited promotion of the service corresponds to their declarations to

¹⁸⁶ See: "Más por tus remesas" on: <http://www.cpm.coop/remesas.php>, 26.01.2012.

¹⁸⁷ See: "¿En qué te podemos servir?", "Necesito Crédito" on: <http://www.cpm.coop/credito.php>; "Quiero ahorrar e invertir" on: <http://www.cpm.coop/ahorro.php>, 26.01.2012.

¹⁸⁸ See: www.enviosconfianza.org and www.enviosconfianza.com, 26.01.2012.

conceive remittance-payments as an additional service for their clients but not primarily as a means for fostering financial inclusion (Interview 82). As long as the service is not financially profitable enough to pay for its own promotion, the cooperative will not promote it more explicitly.¹⁸⁹ In contrast, for Envíos Confianza, paying remittances is their main activity (that is what the company was created for), and fostering thereby access to financial services is one of their main goals. It could thus be expected that they implement more activities to create awareness among their (potential) clients. Yet, a principal reason for their smaller involvement regarding information activities seems to be the scarce resources available in general, as will be further addressed discussing the financial resources of the initiative (see section 5.3.2).

Concerning the information about the remittance-services of all three initiatives, it is finally worth noting how comparatively less visible they are in comparison to purely “commercial” remittance-services. This could be observed during the field trip to Oaxaca and other visits of remittance-receiving areas. Whereas the branches of the commercial banks paying remittances usually promote the service with well-placed and clearly visible signs of their cooperating money transfer operators, the branches belonging to one of the three analyzed initiatives scarcely exhibit such advertising signs (see Figures 5-8 below). The reason therefore might be that they do not want to appear as dependencies of the remittance companies – as one interviewee of Caja Popular Mexicana declared (Interview 82). In the case of La Red de la Gente and Envíos Confianza, moreover, they are obviously more interested in promoting their own transfer label instead of the remittance companies’. Nevertheless, because MTO trademarks like Moneygram, Ría and Western Union are generally more well-known than the comparatively new social initiatives, their signs might still attract more walk-in customers, even if the labels of La Red de la Gente and Envíos Confianza were clearly and visibly displayed. Thus, especially in areas with a range of remittance payers, where the signs of the large MTOs are omnipresent, the fact that there are other (more socially oriented) possibilities to receive money, might (at first sight) go unperceived by the remittance-receivers. Figures 5-8 illustrate that observation with photos of some branches of the three analyzed initiatives in Oaxaca and a comparative view of a Banco Azteca branch in the same area.

¹⁸⁹ Information per email from Caja Popular Mexicana (24.01.2012).

Figure 5: Branch of BANSEFI/La Red de la Gente in Etna, Oaxaca



Source: photo by Ursula Stiegler.

Figure 6: Branch of Caja Popular Mexicana in Oaxaca



Source: photo by Ursula Stiegler.

Figure 7: Microbanco of AMUCSS/Envíos Confianza in Miahuatlán, Oaxaca



Source: photo by Ursula Stiegler.

Figure 8: Branch of Banco Azteca in Miahuatlán, Oaxaca



Source: photo by Ursula Stiegler.

Implementation of financial education activities

Beyond the mere knowledge of the option to receive their remittances with a certain institution and to thereby have the possibility of accessing other financial services, microfinance experts argue that the remittance-receivers also have to be well informed about how these financial products work and how best to use them in order to foster financial inclusion (see e.g. Jaramillo 2008: 12). For the present analysis it has therefore been taken into consideration whether the initiatives carry out specific financial education activities related to remittances.

In the case of BANSEFI, financial education in general has become an important line of work in the last years. The development bank has developed various activities in that field directed at different clienteles (Interviews 68 and 69).¹⁹⁰ These efforts include capacity building courses for financial education promoters in federations and microfinance institutions, cooperation with higher education institutions, and courses offered during the “*Caravana*” promotion tours mentioned above (Interviews 69, 75 and 76). The programs are not specifically focused on remittance-receivers, yet among the developed education materials some topics also address remittances; for instance, the use of the money transfers and the establishment of household budget plans. As the fundamental strategy of the development bank consists in capacity building for other educators, in order to reach multiplier effects, BANSEFI does not implement financial education activities directly in the branches of La Red de la Gente. Such measures are considered to be the responsibility of the respective MFIs. Moreover, the development bank has created a special website for financial education, called *Finanzas para Todos* (Finance for All).¹⁹¹

Caja Popular Mexicana does not (yet) implement special financial education for remittance-receivers either. However, the cooperative has its own internal area for education called “*educación cooperativa y financiera*” with courses accessible for cooperative members and hence also for the members receiving remittances. Whereas, initially, the program focused specifically on the ideas of cooperativism, the courses in “*educación cooperativa*” have been expanded and cover now also aspects of financial knowledge and management as well as other related subjects (Interviews 81 and 82).¹⁹² In addition to

¹⁹⁰ See “*Educación Financiera*” on BANSEFI’s website: <http://www.bansefi.gob.mx/eduFinanciera/Paginas/queeslaeducacion.aspx>, 20.09.2011.

¹⁹¹ See <http://www.finanzasparatodos.org.mx/finanzasv2/public/>, 20.09.2011.

¹⁹² See “*Educación cooperativa. Nivel básico*” on CPM’s website http://www.cpm.coop/edu_coop_bas.php, and “*Educación cooperativa. Nivel medio*”: http://www.cpm.coop/edu_coop_med.php. Beyond these financial education courses in the narrower sense, the cooperative also started to offer education in economic and financial management issues. For instance, members can take courses in diverse productive activities, like carpentry, confectionery, cooking, mechanics, and others, in order to be able to open a business (see “*Talleres Productivos*”: http://www.cpm.coop/taller_prod.php). For (small) entrepreneurs, the cooperative offers classes in business administration and management (see “*Programa de Capacitación Empresarial*”: http://www.cpm.coop/cap_emp.php). All accessed 5.10.2011.

offering courses, on its website CPM displays a range of information on financial topics and explains the benefits of financial education for improving the quality of life.¹⁹³

AMUCSS carries out various financial education activities and has a respective specialized department within the NGO. Similar to BANSEFI, the general strategy consists in capacity-building with the personnel of the MFIs, in the form of a multiplier strategy (Interview 85). These courses are offered either directly in the branches or via videoconferences (Interview 92). In addition, AMUCSS plans to offer financial education courses in the *microbancos'* branches. They have already carried out some respective pilot projects; the general implementation has, however, not yet begun.

Briefly resuming the information on financial education, it is obvious that though none of the three actors implements specialized activities (only) for remittance-receivers, BANSEFI offers hitherto the broadest range of activities in general, which are institutionalized on various levels. The other two actors, though, have been expanding their offers in recent years and in the interviews respectively expressed their consciousness about the relevance of the topic and their related commitment (Interviews 82 and 95). A more detailed analysis would be necessary, though, in order to make a more in-depth comparative estimation.

4.2.2 Tracking of client information

The last aspect analyzed is whether the main actors keep records of their contribution to financial inclusion, that is, whether they register the number of remittance-receivers that become clients or members of an institution based on the reception of transnational money transfers. Thereby, the measurement of the so called "conversion rate"¹⁹⁴ is a significant indicator regarding the initiatives' effectiveness. Whether the actors track this information is moreover telling for their commitment towards financial inclusion, because on the basis of this information they can better monitor their results and adapt their strategies if necessary.

La Red de la Gente does not register the conversion of its remittance clients into bank account holders. The staff explained that BANSEFI, even if it administers all the transfer data of the different network members as central distributor of the remittances (Interview 70), has no access to the member institutions' data on commercial transactions, as these are often considered confidential information (Interviews 69 and 76). Both BANSEFI and the MFI-members of La Red de la Gente could nevertheless register the conversion rate at

¹⁹³ See the information about financial education on CPM's website: <http://www.cpm.org.mx/consejos.php>; <http://www.cpm.org.mx/provecho.php> and <http://www.cpm.org.mx/edufinanzas.php>, all accessed 24.09.2010.

¹⁹⁴ The percentage of remittance-receivers becoming clients or users of other financial services (Orozco/Hamilton 2008: 139f.).

the level of their respective branches. This, though, does not seem to be the case either. That is, not even at the development bank itself is the conversion rate of the remittance-receivers registered within their own branches, even if the respective client information is available.¹⁹⁵ The only related figure BANSEFI registers at the moment is the number of bank accounts that have been opened via the Beneficiary Account Registration-mechanism in Mexico (see section 4.1.2 above). According to the interviewed staff members, though, BANSEFI foresees installing a centralized system to compile the data of all member institutions, which would facilitate the registration of La Red de la Gente's client transformation rate in the future (Interviews 76 and 77). Regarding the reluctance towards measuring the conversion rate, one of the leading remittance-experts draws a rather skeptical conclusion about BANSEFI's commitment towards financial inclusion via remittances:

"The scope of their mandate it focuses on remittance payments, predominantly, not on converting clients. The conversion is secondary. And they may claim that 'no, but it's part of our mission', but then you need to see to what extent there is commensurability between that and what they are doing. And if that was part of their mission they would be doing more conversion, measuring different ways, one is marketing, another one is the act of conversion, a metric to identify. But they don't so, it's... their energies are placed into the payment of remittances." (Interview 18).

Caja Popular Mexicana does not measure either how many remittance-receivers become members of the institution. According to the interviewed management member in charge, this would signify an additional investment, and the cooperative does not see much added value in having that information (Interview 82). Also, up to now, the cooperative's headquarter in León is not able to measure the conversion rate for the same reason as in La Red de la Gente's case: Even if at the central office they have all the information about the remittance transfers, because they centrally distribute the remittances to the different branches, the individual data about the members are administrated locally by the branches (Interview 81).

Finally, also AMUCSS and Envíos Confianza do not systematically register at a central level how many individuals start to use services through receiving remittances (Interview 85). Some of the cooperating institutions, though, use a statistical system to track a so called "*índice de bancarización*" (banking rate). The respective banking rates measured, according to a staff member of Envíos Confianza, vary between 40 and 100 percent, depending on whether they pay remittances to the public in general or only to their members (Interviews 91 and 92).¹⁹⁶ Yet, that methodology only registers how many of the

¹⁹⁵ Information per email from BANSEFI (4.01.2012).

¹⁹⁶ In the final project evaluation report of a project of the Inter-American Development Bank and its Multilateral Investment Fund, supporting AMUCSS' initiative of linking of remittances with other financial services, there is an absolute number of "transformed" clients indicated (over 5000 until June 2009), because

recipients are also members or clients of the institution; it does not indicate how many new individuals joined because of the migrants' transfers. This indicator is thus less informative regarding an institution's contribution to financial inclusion via remittances, because it also includes the individuals that might have been clients or members before starting to receive remittances.

In sum, regarding the registration of the conversion rate, none of the main actors shows a distinctive involvement, with the slight exception of AMUCSS/Envíos Confianza, where there are some activities in that respect. In the case of Caja Popular Mexicana, this is not surprising, as the cooperative does not stress that a contribution to financial inclusion is the priority of their remittance-service. As BANSEFI and AMUCSS, in contrast, declare this as (one of) the central aim(s), it is at least legitimate to question why there have been no (more) efforts up to now regarding this aspect. This is especially startling in the case of the development bank, as they have been operating for almost a decade, and if they were really interested in having that information, they could have already carried out some necessary measures.

4.3 Interim conclusions

The analysis of the different dimensions and indicators in the previous sections manifested the difficulty to realize a final "evaluation". Any concluding statement in this respect depends on which dimension(s) is/are considered the most relevant. As has been mentioned in the theoretical chapter, hitherto there are no studies or theories that would provide such a weighted evaluation framework; nor was it an aim of the present study to elaborate such an assessment tool. Accordingly, these concluding paragraphs first of all proceed dimension per dimension and summarize the most important aspects in order to provide an overview of the initiatives' strengths and limitations in the various areas. Based thereon, the section concludes with a brief appreciation of every initiative and main actor, not only considering their respective potentials and involvement but also relating them to their declared aims presented in chapter three.

Regarding the first analyzed dimension in the range of the "supply side dimensions", that is, the network size and geographic presence of the initiatives, the comparison of the respective network size showed that BANSEFI's Red de la Gente is by far the largest network in Mexico, followed by Caja Popular Mexicana and AMUCSS' Envíos Confianza. Also concerning the coverage of federal states and municipalities, the governmental network clearly outnumbers the two non-state initiatives. The comparison of the relative

the tracking of this information was one of the indicators of the success of the project. The report, though, does not explain how this number had been obtained (Ramírez Martínez 2009: 26).

distribution of the networks' branches in the federal states with high remittance-density demonstrated that, regarding this aspect, the NGO even ranks first. It is followed directly by the financial cooperative, whereas the governmental network's presence is not especially pronounced in remittance-receiving states. Yet, due to the large network, la Red de la Gente's presence is still the strongest of all three in these states in absolute terms. Taking these indicators together, it can thus be concluded that, regarding size and coverage, the governmental network appears to have the largest potential to contribute to the financial inclusion of remittance-receivers in terms of breadth of outreach. There is, though, an important caveat: In 2011, (still) the majority of La Red de la Gente's institutions and branches were not regulated. This not only represents a potential risk for the served clients of these institutions, as the latter are not supervised by the banking authority (and the institutions entrusted with auxiliary oversight). It may also signify that the governmental network will have to reduce its members at the end of 2012, when the new deadline to comply with the regulation (expectedly) becomes effective, and the state initiative wants to (finally) set a good example accepting only regulated institutions (Interview 76).

Considering, secondly, remittance transfers and the indicator of the various transfer forms offered, the governmental network again shows the largest potential, both in terms of breadth and scope of outreach, having not only the largest number of MTO-partnerships but also offering the greatest variety of different remittance-transfer options. Yet, on the US-side, there is no such clear predominant position of the state's initiative, as the NGO's social company has closed almost as many contracts with money transfer operators as the development bank, including the most important MTO in the market. The initiatives' subsequent comparison of the de facto transferred remittance amounts somehow showed congruence as to the network sizes: The governmental initiative paid far more remittances than the cooperative and still far more than the social company. Yet, though one would expect the latter to pay more in relative terms due to its supposedly better location in remittance-receiving states (and larger coverage in the US than the cooperative), Envíos Confianza's transaction rate per branch was instead remarkably low in contrast to the other two initiatives. Even if this might be due to the shorter time of operation of the network, a look at the other two's transfer rates per branch in their earlier years shows far higher rates in comparison. Altogether, La Red de la Gente shows the largest potential contribution to financial inclusion among the three, followed by Caja Popular Mexicana and Envíos Confianza.

An estimation of the initiatives' potential contribution to financial inclusion regarding the financial services offered and the development of remittance-linked products is still more difficult than the previously analyzed dimensions, especially because both La Red de la Gente and Envíos Confianza comprise numerous financial institutions whose offer of

financial services varies accordingly. It can be nevertheless concluded that both the governmental and the social company's networks, from an overall perspective – that is, looking at the entirety of offered services by the different institutions of the networks – offer a larger range of financial services than the financial cooperative. Whereas there are institutions in La Red de la Gente and Envíos Confianza that offer savings, credits and insurances, Caja Popular Mexicana offers only the first two types of financial services (the only insurances offered are automatically linked to savings and credits for the case of the death of a member). Regarding the development of additional financial services linked to remittances, it is, in contrast, the NGO that shows the largest potential contribution to scope of outreach – and the largest involvement in that respect – being the only one that has developed such special services. Considering the monetary benefits and costs of these services, finally, the financial cooperative is the actor among the three with the most attractive offers regarding the interest rates applied on savings and credits (with the caveat that these also depend on the clientele served, and serving poorer clients is usually more costly). More interesting than the differences regarding the benefits and costs between the three initiatives, though, in the context of this study, is the observation that the non-profit actors generally offer better conditions to the remittance-receivers than other actors in the Mexican microfinance sector with a commercial orientation. Regarding the offer of financial services and their costs, La Red de la Gente and Envíos Confianza's potential contribution seems larger overall in terms of scope of outreach, whereas Caja Popular Mexicana shows better indicators considering the costs of outreach.

Among the additional efforts related to the demand side, as far as the actors' efforts to inform their potential clients are concerned, BANSEFI demonstrates the most involvement, promoting La Red de la Gente and its remittance-service with different activities not only among receivers in Mexico but also among senders in the United States. Both non-state actors exhibit less engagement concerning the information of the potential beneficiaries, as their range of activities was respectively far smaller. Whereas in the case of the financial cooperative this seems due to the fact that the remittance-service is not as high a priority for them, in the case of the social company, there instead seems to be the problem of scarce funds.

Regarding informational activities, the actors' involvement in the realm of financial education was a further analyzed dimension. In none of the cases were there special financial literacy efforts focusing (only) on the remittance-receivers. Yet, both the development bank and the financial cooperative have general financial education programs, in the former case also with reference to remittances. Whereas BANSEFI focused on a multiplier strategy educating above all educators and through its internet-offer *Finanzas para Todos*, Caja Popular Mexicana offers courses directly to the public in its branches. In the case of Envíos Confianza, the financial education activities are still in a

pilot phase, but the envisaged strategy they reported seems to be the same as the development bank's, focusing on the formation of promoters. Due to this variety of approaches and the relatively short operation of these efforts, the comparison can only provide an approximation, with BANSEFI showing the most active involvement.

The last compared dimension regarded the actors' efforts to register their own contribution to financial inclusion via remittances through the monitoring of the conversion rate. The analysis showed that none of the three has a systematic approach to registering how many new households begin using other financial services because they receive remittances. Even if the responsible staff at BANSEFI and Caja Popular Mexicana is conscious about the informative character of such a systematization effort, up to now, they have not implemented any efforts in that direction. In the case of the development bank, this is more contradictory to their stated aims and the mission of the institution than in the case of the cooperative. The fact that some of the cooperation partners of Envíos Confianza register at least the member share among their remittance customers shows greater involvement of the NGO in that respect. Yet, also in this case, there is no systematic centralized approach in place up to now, even if financial inclusion is declared as an explicit aim of the initiative.

To put it briefly, all three initiatives and actors show strengths in some aspects and limitations in others. BANSEFI's initiative La Red de la Gente has the largest network in Mexico, outnumbering even the largest commercial banking network, and offers special transfer options and channels the largest number and amounts of remittances. Among the three actors, the development bank also seems to be the most engaged in informing the transnational families. Nevertheless, taking their large branch network into account, they seem to clearly underperform in relation to their possibilities. Their branch transaction rate of around 50 paid remittances per branch per month, that is, less than two per day on average during the years of operation, confirms this estimation. Orozco and Hamilton calculated branch transaction rates of about five or more per day as common among large transfer networks (Orozco/Hamilton 2008). Considering that the governmental development bank clearly claims to conceive of remittances as a mechanism to foster financial inclusion, their potential contribution seems modest up to now and their related involvement rather limited. Yet, even if its initiative only covers around 2.5 percent of the Mexican remittance market, among the three analyzed actors it shows the largest potential contribution to financial inclusion in absolute terms.

Caja Popular Mexicana, on the other hand, although in absolute terms its participation in the remittance market with less than one percent is even lower, reaches similar transaction rates per branch on average, even if they have less money transfer operator partners and carry out very few efforts to inform their potential remittance-clients. Especially due to the latter, they might appear to be the least engaged institution; yet, this is congruent with

their stated aims: they conceive remittances as additional service for their clients and not primarily as a means for attracting new members and fostering financial inclusion. Thus, without explicitly attempting a potential contribution to financial inclusion, they even seem to perform slightly better in comparison to La Red de la Gente and significantly better compared to Envíos Confianza. Moreover, the financial cooperative probably has the most attractive conditions for its financial services and is the only one among the three operating with all of its branches regulated. Even if their branch transaction rate on average is low in view of the benchmark mentioned above, altogether Caja Popular Mexicana's potential contribution to financial inclusion can be called larger in relative terms, in comparison to the other two actors.

The fact that only AMUCSS has been engaged in the development of additional financial services for migrant families and is hitherto the only actor implementing some sort of registration of their contribution to convert remittance-receivers into users of additional financial services can be interpreted as an indicator of more explicit involvement on the NGO's part in capitalizing on remittances for financial inclusion. This is also congruent with their reported aims to contribute to financial inclusion with their remittance-transferring social company. Yet, even if Envíos Confianza has the most marked focus on remittance-receiving areas among the three compared initiatives, their remarkably low transaction rates per branch and market share, in comparison with the other two initiatives, manifest an even lower (relative and absolute) potential contribution. Nevertheless, in light of the above-mentioned efforts, their potential contribution can be considered as the highest in "qualitative" terms. This, however, above all refers to their particular efforts to develop an adapted approach for remittance-receivers and not (necessarily) to the "quality" of their member institutions, the vast majority of which, as has been outlined, are still not authorized by the national banking commission.

Considering, finally, that the participation of all three initiatives in the Mexican remittance market adds up to a market share of around three percent, their overall potential contribution to financial inclusion considering the potential outreach to the un(der)served population remains rather limited up to now. Against that background, the next chapter traces the logics of the three main actors and analyzes some of the related arising conflicts, assuming that these factors are – at least somehow – related to the above presented observations.

5 Logics and Interactions of the State and Non-State Actors and their Initiatives

As outlined in the introduction, this study's main concern is to analyze how far it makes a difference if the analyzed remittance-initiatives are initiated and implemented by state or non-state actors and what distinguishes the state's role *vis-à-vis* the non-state actors. The preceding chapter concluded that, whereas the potential contribution to financial inclusion of the three initiatives linking remittances and microfinance remains low on an overall level, there are marked differences between the initiatives of the state actor BANSEFI and the two non-state actors Caja Popular Mexicana and AMUCSS. Against this background, the present chapter focuses on the logics of the three actors and the reasons why they might have become involved in the remittance-microfinance linkage.

The following analysis thus reconstructs the main actors' logics in three separate case studies based on the elaborated analytical framework in chapter two. To recall this briefly, the analysis approaches the logics of actors with Mayntz' and Scharpf's (1995) and Scharpf's (1997) conceptualization of action orientations, which divides the complex concept into the three elements: "norms/normative role orientations", "interests", and "identities". In order to remind the reader about the respective connotation of the three dimensions and the operationalization chosen in this study, the main aspects are repeated here briefly before starting the analysis. In general, the operationalization of the actors' norms and interests draws on the theoretical elaborations of the "prototypes" of development banks, financial cooperatives and NGOs presented in chapter two.

The reconstruction of actors' logics parts in each case from the norms. Norms and normative role orientations refer to formal and informal rules indicating certain behaviours or roles of actors, which may imply specific aims and define conditions under which actions are to be realized. In order to operationalize norms, the following analysis – in addition to the prototypes – is based above all on formal rules as laws and institutional mandates or missions. These include the question which social groups the actors respectively address and which tasks or activities they are supposed to perform.

Actors' interests are respectively analyzed in a second step, focusing firstly on the question how the three actors balance their social goals with commercial objectives, as this represents a central aspect of the interest in institutional survival of socially oriented actors in microfinance. Actors' interests regarding their financial resources are thus operationalized in what follows through the analysis of their commercial approach and of the financial resources they have at their disposal. Secondly, the analysis of actors' interests takes into account in particular the political engagement of the three actors as an indicator for their interest in political influence and power.

How far the three actors analyzed in this study differ from the respective “ideal types” is considered as expression of their specific identity. The identities of the actors, which refer to specific traits that characterize the actors beyond and transversely to the presented norms and interests, encompass both specific characteristics and the focus on specific actions as well as the selective emphasis on certain interests or norms (roles). As they are inseparably related to the norms and interests, though, this category is implicitly followed through the analysis as a cross-section category and is not addressed separately in the following sections, but referred to when useful for the analysis.

Based on the first two steps, thirdly, the respective logics of the remittance-initiatives of BANSEFI, Caja Popular Mexicana and AMUCSS are reconstructed, inferring from the three actors’ respective norms, interests and, partly, their identities.

Finally, the last section links the analysis of the three precedent case studies and addresses the implications of the three actors’ logics and those of their remittance-initiatives for their interplay in the Mexican popular finance sector.

Throughout the chapter, it will be argued that there are other logics behind the actors’ declared aim of fostering financial inclusion, and that these logics not only influence the initiatives’ potential contribution to financial inclusion but also the actors’ interactions in the Mexican popular finance sector. It will be also argued that the logics of both the state and the non-state actors have led to conflicts on various levels and have complicated the already complex situation of the sector and its regulation process in the last decade even more; affecting thereby the overall context in which the three remittance-initiatives are embedded.

5.1 The state development bank: Logics of BANSEFI and La Red de la Gente

BANSEFI, the initiator of the remittance-network La Red de la Gente, is both by official sources and financial sector experts classified as “not an ordinary development bank” (BANSEFI n.d.: 19) and as a “new experience within the logic of action of public banking” (Garrido/Leriché 2009: 118). Parting from these observations, the following sections elaborate on BANSEFI’s peculiarities and intend to thus reconstruct the specific logic of the development bank and its remittance-initiative. As will be argued, BANSEFI’s idiosyncrasies are partially grounded in the development bank’s history and correspond to the Mexican government’s rationale regarding the reform of the popular finance sector started around the year 2000. Moreover, BANSEFI’s logic not only determines that of its remittance-initiative, but also has wider implications for the interaction of the different actors involved in the Mexican remittance and microfinance market.

5.1.1 *BANSEFI's mandates and political role*

In light of the controversy around the state's role in financial sector development and this study's interest in the Mexican government's decision to launch a remittance-initiative, it is, first of all, interesting to note how the creation of BANSEFI is officially legitimized. This demonstrates how normative role expectations prevailing in the international development discourse are taken up by the Mexican authorities. As has been outlined in the theoretical framework of this study, financial sector experts both from academia and practice, against the background of failed experiences with development banks providing finance in the past, claimed the limitation of the state's role in finance to regulation and macroeconomic stability. If there was an accepted role at all left for development banks fostering financial access, it consisted in operating as second-tier banks in a financially sustainable manner and fostering the development of the (micro-)financial sector (De la Torre et al. 2007; Trivelli/Venero 2007).

As if it was referring to such claims, a technical note outlining the governmental strategy to increase financial access justifies the Mexican government's decision to engage more proactively in financial sector development on a temporary basis.¹⁹⁷ The authors explain that, with the creation of BANSEFI, the government chose a middle way between "two alternative routes [...] available" (BANSEFI n.d.: 10): the direct provision of financial services on the one hand, and the mere provision of an enabling institutional framework favoring private intermediaries on the other hand. These two options correspond to the "interventionist view" and the "laissez-faire view" on the role of the state in the financial sector juxtaposed in de la Torre et al. (2007) (see section 2.2.2). Considering these two options, the authors of the technical note argue that a direct intervention would have been far too expensive and created significant distortions in the markets, and confirm that similar models showed to be ineffective in the past. Yet, they do not conceive the pure laissez-faire model to be an option either, providing two arguments: Firstly, commercial banks had been reluctant to serve the low-income populations in the past and respective incentive programs did not work as expected. Secondly, the already existing institutions in the microfinance sector – with the comparative advantage of being located in the communities of the financially excluded population and responding to their demand – were conceived to lack the experience and economic capacity to adapt to the newly developed legal framework. They moreover describe the Mexican popular finance sector as highly fragmented: whereas only a few large institutions have national presence, the majority of small institutions are concentrated on the local level. Against that background, the technical note states that a possible self-coordination of the sector's institutions was

¹⁹⁷ That the Mexican authorities felt obliged (or were forced) to justify their policy choice, may be due to the fact that the World Bank and the International Monetary Fund had started implementing their globally applied "Financial Sector Assessment Program" in Mexico at the time when BANSEFI was created (see: <http://www.imf.org/external/np/fsap/fsap.aspx?CountryName=Mexico#Mexico>, 6.04.2012).

expected to take too long and the implicit economic, political and social costs were expected to be too high:

“Theoretically, the various Federal government agencies could pursue the option of exclusively designing policies and programs within the sphere of their competence so that the Savings and Popular Credit Sector would cover its deficiencies and resolve its contradictions on its own, until it is fully integrated into the formal financial sector. Obviously, it would take an extraordinarily long time to achieve this goal. Nonetheless, the social, economic and political costs resulting from the absence of secure savings and financing instruments for the development of the country’s lowest-income urban and rural communities is much too high. Based on the above, a different model was opted for, which seeks to comprehensively support the country’s institutional strengthening of Savings and Popular Credit organizations.” (BANSEFI n.d.: 11)

The model the Mexican government thus opted for corresponds to what de la Torre et al. (2007: 24ff.) label as a “pro-market activism view”; interestingly enough, this was developed based among others on the experience of BANSEFI. In this model, the state is still expected to refrain from direct intervention in credit markets and to focus on improving the enabling environment, but it might undertake focused and timely restricted interventions in order to accelerate and smooth financial sector development.

Accordingly, also BANSEFI was thought of as a temporary governmental intervention. The plan was, after some years of operation, to transform BANSEFI into a non-state institution, taken over by the popular finance institutions. BANSEFI’s projected transformation was, not surprisingly, also supported by international financial institutions: Not only did the World Bank authors laud BANSEFI as an example for the new “pro-market activism view”, highlighting that the bank was “established with a clear sunset clause” (De la Torre et al. 2007: 29). There was also a project of the Inter-American Development Bank to accompany the bank’s so-called “socialization” process, that is, the (partial) privatization of BANSEFI, which, though, in the end was never completed.¹⁹⁸ How this transformation was supposed to occur and why it did not work out will be further addressed in section 5.4.2. Consequently, also La Red de la Gente was never thought to remain in the state’s hands. On the contrary, the idea was that the institutions of the popular savings and credit sector would continue operating the network, in which they, at any rate, over the time represented the majority of institutions:

“la intención de la Red de la Gente no era que quedara en manos del Estado, la intención de la Red de la Gente es que se quedara en manos del Sector Popular, y de hecho, la Red de la Gente comenzó con nuestras quinientas sucursales, hoy tiene dos mil seiscientas y son quinientas de BANSEFI, hoy ya son más de las cajas, que del propio BANSEFI, y la intención

¹⁹⁸ This project was never executed in its original conception, which is manifested among others in the fact that only a minimal share of the initially programmed amount was disbursed. See the financial information of the project on the Inter-American Development Bank’s website: <http://www.iadb.org/es /proyectos/project-information-page.1303.html?id=me-m1012>, 19.09.2012.

a la larga, que eso fue al final del sexenio de Fox, era venderle al Sector, BANSEFI.” (Interview 79)

This observation is interesting for the research interest and the governance perspective of this study, as it demonstrates that the governmental initiative was actually never thought as an additional or complementary option to non-state initiatives, but rather as a “promoter of development” able to capitalize on some competitive advantages – like its negotiation potential, for instance – during an initial phase (Interview 79). That this rationale, at least up to now, has yet not worked out as expected – considering the fact that La Red de la Gente is still operated and supported by the government – poses interesting questions for the research on governance and the role of the state linking remittances and microfinance for financial inclusion, which will be addressed in the concluding chapter of this study.

The following paragraphs will now address the way BANSEFI is supposed to carry out its market-fostering role, starting with its mandate. BANSEFI’s organic law, the most important normative source fixing the official mandate of the development bank, determines its objective as follows:

“El Banco del Ahorro Nacional y Servicios Financieros, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, tendrá por objeto promover el ahorro, el financiamiento y la inversión entre los integrantes del Sector¹⁹⁹, ofrecer instrumentos y servicios financieros entre los mismos, así como canalizar apoyos financieros y técnicos necesarios para fomentar el hábito del ahorro y el sano desarrollo del Sector y en general, al desarrollo económico nacional y regional del país.”²⁰⁰

Thus, the target group to be attended by the development bank, according to the mandate, comprises all integrants of the popular finance sector, both legal and natural persons.²⁰¹ Consequently, the social group targeted by the development bank comprises the middle and especially the low income population (BANSEFI 2011: 9). Even if BANSEFI’s focus on serving the low-income population is not explicitly mentioned in its institutional mission, it has become part of its characteristics due to historic and structural reasons, as a staff member responsible for La Red de la Gente explains:

¹⁹⁹ With “Sector”, the law refers to the Mexican Popular Savings and Credit Sector. See its respective definition: “Sector: Al conformado por los Organismos de Integración, las Entidades de Ahorro y Crédito Popular y a las personas morales y grupos de personas físicas, a que se refiere la Ley de Ahorro y Crédito Popular, así como a las personas físicas y morales que reciban u otorguen servicios a éstas.” (Ley Orgánica del Banco del Ahorro Nacional y Servicios Financieros, Art. 2 IV, <http://www.bansefi.gob.mx/bansefi/normateca/codigos/Ley%20Organica%20BANSEFI.pdf>, 14.05.2012).

²⁰⁰ Ley Orgánica del Banco del Ahorro Nacional y de Servicios Financieros, Art. 3, (<http://www.bansefi.gob.mx/bansefi/normateca/codigos/Ley%20Organica%20BANSEFI.pdf>, 14.05.2012). See similarly BANSEFI’s mission statement on its website: <http://www.bansefi.gob.mx/bansefi/culturaOrganizacional/Paginas/Misionvisiony principiosestrategicos.aspx>, 14.05.2012.

²⁰¹ See the definition of “Sector” in footnote 199 above.

“BANSEFI está enfocado, no es que sea su objeto, pero por razones estructurales e históricas está dirigido a la gente de clase más baja, a la gente que no tiene dinero, ¿por qué? Hay muchas razones desde culturales, la gente que tiene bajos recursos le da miedo meterse a un banco, por ejemplo, no la trataban bien.” (Interview 69)

That BANSEFI, as development bank, has a social orientation and is committed to the public interest is to be expected. Its social mission, for instance, is expressed explicitly in one of the strategic principles of the bank, labeled “social responsibility” and stating that BANSEFI aims to contribute to the development of the popular savings and credit sector and to improve the well-being of the population attended by that sector.²⁰² Moreover, BANSEFI’s social orientation is mentioned in various institutional presentations, which introduce the development bank explicitly as an important part of the Mexican “Social Banking Sector” (BANSEFI 2005, 2006; Gavito Mohar 2005).

Looking more thoroughly at the way BANSEFI manifests its identity as a social bank, the most salient aspect in addition to what has been described above appears to be its self-characterization as a “bank of proximity”. This refers to a trait which is often mentioned by the interviewees and seems to be one of the central aspects with which the bank characterizes itself: proximity to the clients. This aspect is not only reflected in the self-description of BANSEFI as *Banca de la Proximidad* contained in the citation below. Also the name of the development bank’s network, “La Red de la Gente”, and its slogan “*El valor de la cercanía*”²⁰³ suggest such an interpretation.

Proximity seems thereby to be conceived in two dimensions: on the one hand as “physical” proximity with branches near the clients, on the other hand as “human” proximity, reflected through a personal, dignified and trust-building treatment of the clients. One interviewee describes the physical proximity with the presence of La Red de la Gente in more localities than any other banking network in Mexico and explains the social effect of being close to the clients with the reduction of costs and the easier access to financial services for the clients, which is considered especially important regarding remittances:

“Sumados, es decir todas las sucursales de Bancomer, todas las sucursales de Banamex, todas las sucursales de HSBC, todas las sucursales de todos [...] absolutamente todos, no llega a la extensión de eso. Y eso tiene un nombre, se llama Banca de Proximidad. Esa Banca de Proximidad [...] es muy importante, porque tiene un efecto, otra vez, en las economías familiares, es una reducción al costo de transporte, se hace más fácil el acceso de estas personas a los servicios financieros. Y en el tema de remesas es relevantísimo este efecto, muy relevante. Entonces esa es la Red, con mayor penetración en localidades de México, se ha convertido en eso y tiene una muy buena combinación urbana rural.” (Interview 68)

²⁰² See “*Cultura Organizacional: Misión, Visión y Principios Estratégicos*” on BANSEFI’s website: <http://www.bansefi.gob.mx/bansefi/culturaOrganizacional/Paginas/Misionvisionyprincipiosestrategicos.aspx>, 2.03.2012.

²⁰³ See “*¿Qué es La Red de la Gente?*” on the network’s website:

<http://www.lareddelagente.com.mx/v4/Conocenos/QueEs/queEs.php>, 1.04.2012.

Regarding BANSEFI's specific tasks, the development bank's mandate is basically threefold. The first objective is the promotion of a culture of savings, inherited from its predecessor PANHAL. The other two mandates the bank was charged with additionally are its operation as second-tier and (potentially) central bank of the sector and the coordination of temporary support to strengthen the sector's development (BANSEFI n.d.: 8; De la Torre et al. 2007: 28; Taber 2004: 13).²⁰⁴

The first mandate, fostering a culture of savings, consists above all in providing deposit options for the low-income population and the distribution of governmental support programs (BANSEFI n.d.: 8). According to this mandate, BANSEFI provides saving options via its (approximately) 500 branches located throughout the Mexican Republic, as has been outlined in chapter five. Moreover, the development bank disburses governmental social support programs, among others the public anti-poverty program *Oportunidades*, both through its own branches and the other members of La Red de la Gente (Interview 68).²⁰⁵ The latter is conceived as an opportunity to foster the "banking" of the receivers of the governmental programs, providing them with access to savings accounts (Gavito Mohar 2005: 221).

That BANSEFI maintains the mandate to foster savings from its predecessor and thus continues operating as a first tier bank distinguishes the Mexican bank from other former and current development banks. Whereas development banks in the past used to focus on the provision of credits, their equivalents currently operating in the microfinance sector in other countries if at all operate as first tier banks, usually offering a broader range of services. A member of the Mexican bank's management explains their specialization in savings as underlining the difference between BANSEFI and the general, rather credit-oriented conception of microfinance. The interviewee thereby implicitly dissociates the development bank from other MFIs that focus on the distribution of credit and conceive microfinance primarily as business and less as an instrument for social development. This distinction is significant both in the historical context, in which microfinance was often equaled with microcredit, and the actual Mexican market, characterized by a tremendous offer of microcredit at high prices.

"Este banco viene de una tradición de cincuenta años, de un fideicomiso que se dedica exclusivamente a promover el ahorro, que se se llamaba El Patronato del Ahorro Nacional. Es importante esto, porque a diferencia de la literatura en general de las micro finanzas, una de las grandes diferencias es que esta visión inicia desde el ahorro. Creemos que el primer elemento que cubre una necesidad financiera de la población es el ahorro y no el crédito. Entonces esto es muy relevante, es sumamente relevante. Esto nos vuelca a una visión

²⁰⁴ Next to BANSEFI's Organic Law, this is similarly expressed in the mission statement of the development bank on its website: <http://www.bansefi.gob.mx/bansefi/culturaOrganizacional/Paginas/Misionvisionyprincipiosestrategicos.aspx>, 31.03.2012).

²⁰⁵ See also the information about the services of La Red de la Gente on the network's website: <http://www.lareddelagente.com.mx/v4/NuestrosServicios/nuestrosServicios.php>, 30.09.2010.

totalmente distinta a lo que generalmente se ha manejado mucho tiempo de estas cosas de las micro finanzas y del manejo de las remesas. [...] A la fecha el banco sólo da, instrumentos de ahorro, no da instrumentos de crédito. Somos un banco de gobierno. Un banco de desarrollo, que sólo da instrumentos de ahorro a la gente de menores ingresos.” (Interview 68)

With the provision of deposits through its own branches and the payment of the governmental support programs through its network, through which it adopts organization competencies regarding the provision of financial services like non-state actors (Ambrosius/Stiegler 2011: 232ff.; Beisheim et al. 2011a: 16) (see section 2.4.2), BANSEFI participates as an additional player in the Mexican microfinance market. As such, the development bank is conceived as a competitor by other microfinance providers in the sector, even if it does not believe it is competing directly with them (Klaehn et al. 2006: 14). This conflict will be further addressed in section 5.4.1.

Different from its first tier-operations, with its second mandate as second-tier bank for the popular savings and credit sector, BANSEFI rather corresponds to the current practice of and expectations towards governmental development banks (see e.g. Trivelli/Venero 2007: 10ff., 33ff.). The idea of transforming BANSEFI into a central bank of the microfinance sector was thereby based on international experiences. That is, the examples of the Central Bank of the Canadian Desjardins Movement, the US Central Credit Union, and the central banks of European cooperatives and savings associations (for instance, the German *Landesbanken*) were taken as a reference for the Mexican popular savings and credit sector (BANSEFI n.d.: 8; Gavito Mohar 2005: 217).

As a second-tier bank BANSEFI provides the MFIs with back-office services like clearing house services, debit and credit card services, electronic transfers, foreign exchange and derivatives transactions, as well as liquidity management. The offer of such services in a centralized way is expected to allow for economies of scale – which especially smaller institutions in the popular savings and credit sector difficultly reach on their own – improving the financial situation of the microfinance institutions either by increasing revenues or by reducing operating costs (BANSEFI n.d.: 8f.; De la Torre et al. 2007: 28f.).

One of the instruments BANSEFI implements to fulfill this second-tier task is La Red de la Gente, which aims at generating additional income via the offer of a range of products and services.²⁰⁶ The other is the establishment of a centralized technological platform conceived for the entire popular savings and credit sector, intended to reduce transaction costs and enhance efficiency.²⁰⁷ The back-office services and the use of the technological

²⁰⁶ Among these, in addition to the international remittance-payments, are the transfer of national remittances, the above mentioned distribution of governmental social programs, the reception of payments for electricity and phone bills, as well as the offer of micro-insurances.

²⁰⁷ This platform is designed as an integral offer with various components and comprises especially the following services: a) software applications for the administration of branches, clients or members, internal operations, and products, as well as for planning and the compliance with the regulation, b) a communication

platform are offered at fee and can be voluntarily and modularly adopted by the MFIs (De la Torre et al. 2007: 45). The fact that the technological platform has been developed as a project of the Mexican government has also received considerable critique from members of the popular savings and credit sector, as will be also further addressed in section 5.4.2.

According to its third mandate, BANSEFI coordinates and implements various governmental support programs for the popular finance sector's development. These programs aim at strengthening the popular finance institutions and their federations in order to make them financially viable and support their legal regularization (BANSEFI n.d.: 9). The most important related activities to achieve compliance with the legal requirements are technical assistance and training for the microfinance institutions and their staff, in order to strengthen their governance, management capacity and transparency (De la Torre et al. 2007: 28). Whereas the trainings were partly carried out by BANSEFI itself, the technical assistance component, due to a lack of sufficiently trained consultants in Mexico, was outsourced to external cooperating agencies responsible for the federations and popular savings and credit institutions in different regions of the country (BANSEFI 2006: 15 and Interview 74).²⁰⁸

When the new law for the popular savings and credit sector, LACP, was published and supposed to be implemented, a group of national and international experts, coordinated by BANSEFI and the national banking commission CNBV, elaborated evaluation standards that classified the universe of *cajas* in order to determine their readiness (or non-suitability) for regulation (BANSEFI 2006: 14). They ordered them into four groups from A to D. As a staff member at BANSEFI explains, whereas the A-graders were attested to be ready for authorization, the MFIs with grade B had to apply some changes in order to comply with the requisites, but had a high probability of achieving authorization. The ones rated with C were predicted to survive after a major restructuring or merger; the ones with grade D were to be liquidated. Regarding the logics of La Red de la Gente, as will be argued below, it is interesting to note that the network only accepted institutions with grade A and B (Interview 74). Thus, entrusted with competencies in the sector's formalization process, the governmental development bank also assumes regulation functions, as an interviewed former high-level management member confirms:

“Entonces en ese momento ya estábamos preparando la Ley de Ahorro y Crédito Popular, [...] y creamos BANSEFI, y se convirtió en instrumento del Estado para promover y contribuir a facilitar este proceso de formalización.” (Interview 79)

network that links all the microfinance institutions with their branches and external institutions with which they have to cooperate for commercial or regulatory reasons and, c) a data center to process and store the systems and data of the microfinance institutions (Gavito Mohar 2005: 219).

²⁰⁸ The foreign institutions taken under contract were the Canadian Desjardins cooperative financial group, the German Cooperative and Raiffeisen Confederation (*Deutscher Genossenschafts- und Raiffeisenverband, DGRV*), the Savings Banks Foundation for International Cooperation (*Sparkassenstiftung für Internationale Kooperation*), and the World Council of Credit Unions (WOCCU) (BANSEFI 2006: 14).

Even if the development bank performs its regulating tasks especially in terms of organization competencies – that is, implementing the regulation, for instance through the institutional strengthening of the popular finance institutions (see section 2.4.2) – it can be stated that it has been entrusted with a “regulating” role. Richter et al. (2006: 21) even conceive this function as the most important among the different mandates of BANSEFI, stating that the “main role of BANSEFI is to coordinate and monitor the incorporation of these institutions into the LACP.” This, though, not only complicated BANSEFI’s relationship with the other entities in the sector, but also resulted in a rather difficult mission in the context of the politicized Mexican popular finance sector, as will be addressed further in section 5.4.

To sum up and recalling the initial statements about the uniqueness of BANSEFI, this specificity is especially due to its “hybrid” characteristic (Garrido/Leriché 2009: 118f.), and the “mixed role” it plays (Klaehn et al. 2006: 14). This complex role and its implicit problems are appropriately described in a CGAP assessment of the Mexican popular savings and credit sector:

“BANSEFI is the government-proclaimed leader of the popular finance sector. Its vision to advance the popular finance sector and become the *caja de cajas* (bank for the popular finance institutions) that it will eventually sell to the sector is forward-looking and the second-tier services it provides are technically sound. Its principal weaknesses have been a failure to get the full support of the popular finance institutions for its approach to development of the sector and the conflicts of interest presented by the dual meso- and micro-level roles it plays.” (Klaehn et al. 2006: 14)

The problem regarding the development bank’s first tier activities is thereby, that they, on the one hand, may create tensions with those very institutions the bank is supposed to provide with meso-level services (*ibid.*). At the same time, its mandate of promoting savings may cause competition with the financial institutions that it pretends to develop through institutional support programs (Deugd et al. 2006: 31). That is, there are obvious(ly) contradictions between BANSEFI’s first mandate and both its second and third mandate. Likewise, there are contradictions between BANSEFI’s second and third mandate, consisting in an incentive problem: The institutions that receive support through the development bank’s assistance programs might feel obliged to therefore buy the second-tier services of BANSEFI even if they may not add much value or may be not competitively priced. In the light of these contradictions, de la Torre et al. (2007: 48) thus question whether all the *per se* important roles of BANSEFI should be performed by the same institution.

5.1.2 *BANSEFI’s commercial approach*

Whereas the former section presented BANSEFI’s mandate and social orientation, the following paragraphs address the development bank’s interests regarding its financial

basis, analyzing its commercial approach and funding. As has been outlined in the theoretical framework, providers of microfinance are increasingly supposed to equilibrate social and commercial objectives and thus achieve their social goals with a financially sustainable approach – in order to comply with the so called “double bottom-line”. State development banks are not exempt from that expectation: Whereas they formerly used to be subsidized by the state, the “new generation” of these state banks is supposed to be financially sustainable (Trivelli/Venero 2007: 36).

Corresponding, thus, to the international expectations towards “modern” development banks, BANSEFI has adopted “operative efficiency” as one of its strategic principles, implying that it aims at operating with financial self-sufficiency.²⁰⁹ Thus, whereas the development bank declares to be a not-for-profit organization (“*BANSEFI es banca de desarrollo, es un banco que depende presupuestalmente del Gobierno [...] No tiene fines de lucro.*” (Interview 69)), it is nevertheless supposed to operate on a financially sustainable basis, covering its costs through the generation of own revenues. One of the bank’s former management staff also expresses the idea that BANSEFI is supposed to achieve the social development aims in a financially sustainable way:

“tenía que ser sustentable económicamente [...] tenía un capital con el que tenía que vivir y tenía que generar utilidades. Y BANSEFI en su operación tenía que ser rentable, entonces tenía un elemento de sustentabilidad económica, pero tenía un elemento de sustentabilidad social y se convertía como instrumento de desarrollo a través de la bancarización de los sectores de bajos ingresos de la población.” (Interview 79)

Thereby, the development bank’s aspiration to follow the principle of financial sustainability seems to have changed over the last decade. Whereas in the beginning of its operation the idea that some social goals had to be fostered by state subsidies was prevailing, with changing directors, the development bank is obviously aspiring to a stricter compliance with the goal of financial self-sustainability, generating (more) revenues with its services, as the following statement with a management staff member, responsible for La Red de la Gente, indicates:

“Antes se pensaba que BANSEFI tenía que ser como el banco que subsidie todo la operación. Tampoco es saludable, siempre, que el gobierno subsidie, o sea, si nunca ves el costo real de las operaciones, cuando te quitan el subsidio, no puedes, tu solo. Entonces, sí se están haciendo ajustes en los números. [...] Que BANSEFI pueda ser sustentable en todos los servicios, no solo en algunos. [...] es un tema que todavía no se concluye, pero si viene a partir de esta nueva administración. [...] si definitivamente es buscar cada vez mejores números.” (Interview 76)²¹⁰

²⁰⁹ See “*Cultura Organizacional: Misión, Visión y Principios Estratégicos*” on BANSEFI’s website: <http://www.bansefi.gob.mx/bansefi/culturaOrganizacional/Paginas/Misionvisionyprincipiosestrategicos.aspx>, 2.03.2012.

²¹⁰ Likewise, another former staff member of BANSEFI, in an informal conversation, shared his impression that in the transition from the first to the second director of the development bank there was a change in the (not-for) profit orientation of the governmental institution: According to that interviewee, under its former

BANSEFI's principle of financial sustainability has clear implications for the strategies to comply with its interest in financial resources. At the minimum, the development bank needs sufficient resources for its institutional operation and the implementation of the multiple tasks it was entrusted with by its institutional mandate. As has been outlined in the theoretical chapter, development banks usually have different options to fund their business operations, including deposits from the public, credits from other financial institutions, financing via national or international capital markets, budget allocations from the government, etc (De Luna-Martínez/Vicente 2012: 10). BANSEFI, combining various funding options as usual among development banks, has financed its operation and tasks hitherto especially through three lines: firstly, the generation of its own revenues, secondly, international donor support, and thirdly, an annual budget allocation of the Mexican government.

According to the operational principle of self-sustainability, BANSEFI, firstly, generates its own revenues, among others with the offered services as a second-tier bank, including, for instance, some services of La Red de la Gente, the operation of the technological platform, and the provision of second tier funding for the popular finance institutions. Whereas in the first years of operation, BANSEFI recorded net losses, since 2005 the development bank, according to Castañeda et al. (2011: 31), has operated profitably. In 2011, the banking authority indicated BANSEFI's return on equity (ROE) as 8.3 percent and the return on assets (ROA) as 0.5 percent (CNBV 2011a: 12).

Moreover, according to its institutional mandate to administer the governmental funds focused at the development of the popular savings and credit sector, as a second line of funding, BANSEFI has received respective resources in the form of external support. This has been financed via international organizations and donors with funding in diverse forms. The most important support in quantitative terms were two credits from the World Bank with a total amount of around 150 million USD and extensions of another 100 million USD directed towards the strengthening of the savings and credit institutions, building supervising capacity, and developing the mentioned technological platform.²¹¹

direction, the bank was supposed to work toward sustainability, but there was a strong impetus to support the sector (if necessary even with subsidies); with the latter, the bank tried to be more profitable in order to have a better standing with the ministry of finance. Unfortunately, it was not possible during the research for this study to obtain the new director's views about the development bank's (non-)profit orientation, as the second director had left the bank, and the post was vacant during several months before the presidential elections of 2012.

²¹¹ Information from a statement of accounts sent per Email from BANSEFI, 28.05.2012. In addition, BANSEFI also obtained donations from the Inter-American Development Bank (IDB) and its Multilateral Investment Fund (MIF) of 3.5 million USD for a project to strengthen institutions in the low-income savings and loan sector, which had a special focus on the creation of the network for receiving and channeling remittances. Finally, the German government donated 1.2 million USD via the Savings Banks Foundation for International Cooperation - SBFIC (*Sparkassenstiftung für Internationale Kooperation*), especially for the organization and support of federations and the strengthening and formalization of microfinance institutions (Gavito Mohar 2005: 217ff.; Taber 2004: 123).

The (extra) funding via international cooperation is conceived as a transitory measure in order to foster the development and consolidation of the popular finance sector, which is considered to be of strategic relevance in the national development (BANSEFI n.d.: 9; Gavito Mohar 2005: 217). At any rate, for the time being, the external support for the sector continues, as the Mexican government closed another credit contract of over 100 million USD with the World Bank at the end of 2011 in order to consolidate the popular finance and credit sector and foster financial inclusion.²¹² Without this last credit, overall, BANSEFI was assigned almost 250 million USD of external funding between 2006 and 2011.

Regarding the third line of funding, the development bank's fixed share item of the national budget ranged between around 35 million USD and 75 million USD annually between 2006 and 2011.²¹³

In sum, as its offered services do not seem to generate sufficient revenues to finance the operation of the development bank completely, BANSEFI still seems to be dependent on a current public budget. Moreover, the development bank has been provided with considerable additional external funds to secure its operation and carry out its tasks. As these resources – at least for the time being – have been regularly provided by the Mexican government and international funders, in BANSEFI's case, the generation of its own revenues does not seem to be the most pressing issue regarding the strategies to secure its financial resources, even if the development bank, in the last years, has followed the principle of financial sustainability more strictly.

BANSEFI's obvious difficulty in reaching complete financial sustainability without external support brings to mind what de la Torre called the "Sisyphus syndrome" of public development banks (see section 2.2.3). This refers to the difficulty they face in achieving their social policy goals among an especially high risk and low yield clientele, with inevitably low profits or losses, while at the same time they are expected to be profitable (De La Torre 2002; De la Torre et al. 2007: 17). In the following citation, a staff member responsible of La Red de la Gente addresses the development bank's dilemma of balancing its social mission with a sustainable approach. Convinced of the banks social mission but also of a social actor's necessity of being financially sustainable in order to survive institutionally, the interviewee uses the concept of an airplane's loss of cabin pressure, in which helpers have to put on their oxygen masks before helping others, in order to secure the own survival. The statement at the same time also mentions the

²¹² Information from a statement of accounts sent per email from BANSEFI, 28.05.2012.

²¹³ Information from a statement of accounts sent per email from BANSEFI, 28.05.2012. See also the components of BANSEFI's annual budget on the Mexican Ministry of Finance's website: http://www.apartados.hacienda.gob.mx/ifai/flash/swf/index_aprima.html?ramo=6&entidad=HJO&tipo=P&coninterface=N and on BANSEFI's website: <http://www.bansefi.gob.mx/bansefi/oic/Paginas/Presupuesto.aspx>, both accessed 21.05.2012.

complexity of the thin line a not-for-profit approach must tread between generating the necessary resources to continue operating while not losing the social mission:

“Tienes que ser sustentable. Como va a pelearse esto con el tema de la responsabilidad social. Eso es imprescindiblemente un dilema, no? [...] Yo comparto esta visión de ser una organización que no persigue lucros, sino que en el fondo es de responsabilidad social. Pero tampoco debes tener un afán de pérdida. Si tu realmente quieres permanecer en tu misión social, o de impacto en la comunidad, tu tienes que ser sustentable. Es un poco como en un accidente de avión, la mascarilla de oxígeno. O sea tu no puedes darle la mascarilla primero al que rescatas. El protocolo dice que primero tu te la pongas para poder ayudar al otro. Si tu eres una ONG que está quebrada no vas a poder ayudar a nadie. Entonces, es muy delgadita la línea de tener los recursos suficientes para poder perseguir un fin social.” (Interview 76)

BANSEFI's balancing act between its market operations and its social goals is rather implicitly addressed in another interview with the same staff member who explains that, as a participant in the remittance market, the state development bank has to negotiate with other market players and assert its position in a highly competitive environment. Forced to deal with the rules of the market, the development bank has to position its own trademark – compared in the statement below with some of the globally most renowned trademarks among others global airline groups – which will strengthen their market position and increase revenues through shared commercial strategies and network building. Accordingly, also BANSEFI's network enables, for instance, a small savings bank in the mountains of Oaxaca, which alone would never be taken seriously by the Money Transfer Operators in Miami,²¹⁴ to access transnational remittance transfer networks. The juxtaposition of the money transfer operators in Miami and the small savings institution in the mountains of Oaxaca gives a vivid image of BANSEFI's challenge to act simultaneously on the international stage as a competitive market actor, and on the marginalized local level as a pursuant of its social mission:

“no es algo que se toque, es sólo una marca comercial, Coca-Cola, pero la Coca-Cola me la tomo y ¿la Red de la Gente, qué es? [...] Bueno pues la Red es solo una marca que como paraguas como un, como las líneas aéreas las cubre un Star Alliance, un Sky Team. Nos juntamos para ser mejores y hacer cosas que tienen más fuerza a fin de cuentas en la negociación. Mucho les decimos a las cajas de ahorro, bueno, si tú fueras a Miami a ver a los funcionarios, a los ejecutivos de Money Gram o de Vigo o Dolex, cualquier remesadora, te preguntarán, ‘bueno ¿tu quién eres?’ Vamos a hacer una caja de ahorro que está en la sierra de Oaxaca, ‘tengo a 500 personas y quiero ser tu liquidador en México’, ‘bueno, espérame ahí, ahorita te hablo’. Pero en cambio si lanzas por ejemplo una red de 200 organizaciones con más de 1730 puntos, ‘soy la segunda red abajo de Bancomer²¹⁵, el banco más grande de México y puedo llegar a lugares donde no hay nadie y puedo pagar tus remesas’, ‘ah bueno’.

²¹⁴ The national association of US-MTOs NMTA usually holds its annual conference in Miami: See the information on the NMTA on: <http://nmta.us/site/news.php>, and on the Miami Conferences on: <http://www.imtconferences.com/imtcweb/en/conferences/imtc-miami/imtc-miami-2012.html>, 1.04.2012.

²¹⁵ As has been outlined in section 4.1.1, in 2011 La Red de la Gente was larger than every other commercial banking network in terms of branches.

Entonces seguro ahí te concederán un poco más de atención, es el poder que te da ser una red.” (Interview 75)

More explicitly, the interviewee addresses BANSEFI’s dilemma to balance social and commercial objectives, referring to the complexity of commercially establishing a trademark that is developed by the government through private market actors:

“la marca ya tiene cierto reconocimiento, por supuesto es muy complicado posicionar comercialmente una marca de un servicio que fue promovido por el gobierno, pero que está siendo llevado a cabo por particulares mucho, es un concepto difícil.” (Interview 75)

Finally, on another occasion, the same interviewee more extensively outlines the ambivalence and complexity of BANSEFI’s mission as governmental actor, acting both as second and first tier bank, and coordinating the support for the financial institutions of the sector. This is complicated through the expectation that it will operate in a financially sustainable manner while at the same time subsidizing certain tasks to support the institutions in the popular finance sector. The statement thus concedes that the bank sometimes gets into “conceptual difficulties” due to its various mandates, activities and expectation towards its performance:

“Bueno desde luego que tenemos un papel muy importante, porque al ser una institución pública, primero pues tenemos un aval [...] del gobierno federal, entonces estamos ciertos de que somos una institución regulada, que somos una institución que tiene una misión para atender a este sector, para llevar más gente a acercarla al ahorro, a los servicios financieros en general. Y que obviamente siempre debemos de ser respetuosos a las formas de organización privada que existan, y respetar su propio desarrollo. Pero, en la medida de lo posible siempre estar presente para, si ellas así lo requieran y lo necesitan y lo piden, ayudarles. Sí hay apoyos financieros, sí los hay, tenemos asistencia técnica, capacitaciones, programas de educación financiera, los servicios, la plataforma, los contratos de inversión, o sea, como banco somos más que un banco, porque tenemos como doble función. La misión de banco, de tener productos financieros, pero también la misión de apoyar al sector de ahorro y crédito popular. En la medida en que ellos siempre lo pidan. Los proyectos, todos los proyectos de BANSEFI son voluntarios. Se ofrecen, es una oferta institucional que se comunica al sector, pero que ellos se deciden a fin de cuentas si la toman o no, si les es adecuada o no. Entonces nuestra misión es como ambivalente. Como que también tenemos que ser un banco sustentable que genere recursos para poder pagarse a si mismo, para poder pagar su administración, su operación, para atender a ese público en general, que son nuestros clientes y que ahorran con nosotros y que confían en nosotros desde hace muchos años. [...]. Entonces, [...] el banco está atendiendo a esa gente pero también atiende a las organizaciones. Entonces es una misión compleja, porque es en dos vías, en dos pisos, en muchas direcciones. Y eso a veces nos mete en aprietos no?, de conceptos, conceptualmente hablando.” (Interview 76)

The above cited statement thus describes BANSEFI’s difficulties emerging due to its different mandates and the expectation to be financially sustainable. These complexities arise from the interplay of the normative role expectations the development bank is supposed to comply with, combined with its self-interest in institutional survival. How

far this ambiguous actor logic is reflected in BANSEFI's remittance-initiative is the topic of the next section.

5.1.3 *Logics of La Red de la Gente*

Drawing on the insights in BANSEFI's logic analyzed in the two preceding sections, the present section reconstructs the logic of its remittance-initiative La Red de la Gente. It will be argued that, beyond La Red de la Gente's officially declared aim of fostering financial inclusion and its social goals, there is also a partial commercial interest, and, especially, a political reasoning behind the creation of the network and its remittance-service. The following paragraphs address each of these aspects.

La Red de la Gente as social network close to the people?

In line with the above presented understanding of BANSEFI as a "bank of proximity", one of the staff members of la Red de la Gente tells an example of a small rural MFI that started to pay remittances with the development bank's network because the inhabitants of the community had to travel long ways and invest considerable time, money and patience to pick up their remittances. The example gives a vivid illustration of the self-conception of La Red de la Gente as a social initiative with proximity to the clients and of its idea to bring financial services close to the people, treating remittance-receivers, differently from commercial banks, in a human way:

"Hay una caja [...] en un lugar donde [...] se reciben muchas remesas pero no hay donde cobrarlas entonces una señora [...] que quiere ir a cobrar su remesa, tenía que hacer un viaje de 12 horas para cobrar 3000 pesos que le mandaba su hijo, de 12 horas a la sucursal Bancaria de Bancomer. En muchas sucursales de Bancomer del país se utiliza que hay un horario definido muy definido para el pago de remesas, 'yo te pago la remesa' dice Bancomer 'entre ocho o nueve de la mañana, si quieres, si llegas a tiempo, o sino ni modo, si llegaste y ya no hay dinero o ya pasó la hora ya no te puedo atender sino hasta el día siguiente'. Porque en general los bancos no tienen interés en la población que recibe remesas porque no tienen un historial crediticio, porque no les pueden dar préstamo, no tienen mucho ahorro, porque no es negocio en términos generales. Entonces los tienen incluso hasta discriminados, los atienden en cierto horario y ya después cuando ya los terminaron de atender entonces si atienden a sus clientes verdaderos. Entonces la gente suele ser maltratada en muchas sucursales bancarias, este tipo de gente [...] llegaron porque llegaron a cobrar la remesa, prefirieron cobrarla ahí que ir 12 horas a Bancomer a atraparlos a gastar dinero, tiempo, a que si no tenían ese dinero al día siguiente tenían que esperarse, dormir ahí, gastar en el hotel o en la casa de huésped [...] ese es el éxito de la Red, [...] que realmente por un lado la caja tiene ingresos, el beneficiario final recibe el servicio barato sin malos tratos etcétera pero además que se amplíe la base de socios en la caja, que tengas más servicios, más productos, más ingresos y que el usuario sea bien atendido [...] si el banco quiere ganar dinero puede ganarlo pero también puede tratar bien a la gente. Las cajas tienen eso, te voy a dar el servicio, no te cobro lo que te no te deba cobrar, no abuso de tí, te trato bien y te doy servicios y en tu localidad, cerca de tí..., ese es el éxito, por eso nuestros slogan ahora es 'El valor de la cercanía'. Se hizo una encuesta entre receptores de remesas

[...] y se le pregunto a la gente '¿porque prefería la Red de la Gente para cobrar su remesa?' Y muchos no dijeron por ser el más rápido, por ser el mejor, decían 'porque está cerca'." (Interview 75)

Beyond the importance of physical proximity, this statement thus underlines La Red de la Gente's claim to treat its clients well and without abuse, which is juxtaposed with the commercial banks usual way of dealing with poor clientele. BANSEFI's understanding of proximity in a "human" sense is also confirmed in the following statements, which point out that the development bank and the member institutions of La Red de la Gente, differently from banks, do not discriminate against (poor and/or indigenous) remittance-receivers but treat them equally as all other clients:

"la forma, el trato de las personas de las cajas populares es muy diferente al de una institución bancaria [...] en algunas comunidades de México [...] encuentras que las personas entran en la caja popular vestidas del campo y nadie los trata mal ni nada, porque ellos están acostumbrados, y no es como en un banco que tienen personas de intendencia y llegan y les ensucian y hay aire acondicionado y un uniforme donde crea una división entre la gente que está entrando y la gente que los está atendiendo. En este caso no, en este caso la gente que los está atendiendo es una persona como ellos y les da muchísima confianza a las personas para poderse acercar." (Interview 70)

"estas son las ventajas que tenemos, cercanía, reducción de costos de transporte, trato amable y humano, esto es importantísimo, esta es la empatía [...], es una cuestión de vecino, de gente de la localidad. Algo que el banco [comercial] jamás en la vida lo va a tener, o sea nunca, jamás." (Interview 68)

Next to the remittance-initiative's social orientation, though, according to BANSEFI's logic reconstructed in the preceding sections, the network arguably has – at least partially – a commercial or financial rationale as well, as will be argued in the following section.

The remittance-service as additional source of income?

According to the development bank's aspiration to be financially sustainable, these paragraphs address the question to what extent BANSEFI's remittance-initiative might also be intended to generate additional revenues. As has been outlined in the preceding section, the provision of services at a fee to the financial institutions of the popular finance sector through its function as second tier bank is one of the funding lines of the state development bank. The remittance transfer option via La Red de la Gente is one of these services provided. Yet, a look at La Red de la Gente's business model rather indicates that BANSEFI does not necessarily conceive the remittance-service as an income-generating option. That this is formulated here with a caveat is due to the fact that the respective information and statements of the interviewed staff were somehow ambiguous. On the one hand, La Red de la Gente, like BANSEFI, is supposed to operate in a financially sustainable manner as well as to generate additional revenues for the participating

financial institutions of the sector, as a former high-level management member explains and is confirmed by a project document from the Inter-American Development Bank:

“Entonces lo que buscamos es apuntalarlo y hacerlo económicamente sostenible, tanto el Sector, como la Red de la Gente tenían que ser sustentables por sí misma y generarle valor a las cajas que eran socias de la Red de la Gente.” (Interview 79)

“L@ Red de la Gente is a business partnership between the EACPs²¹⁶ and BANSEFI, whose primary objective is to increase network members’ revenue through more and better products.” (IDB/MIF 2005: 3)

These revenues are to be generated with La Red de la Gente’s business model as commercial alliance, capitalizing on “economies of scale” and “network economics”, as a management staff of BANSEFI explains:

“Todo se basa en la economía de redes, es network economics puro. [...] La Caja por sí sola no genera las economías a escala suficientes para poder tener un cierto nivel de negocio diferente al que tenían antes, que era el ahorro y crédito per se. O si lo tenían, tenían una posición de negociación más debil. O no podían tener a todos los participantes de los servicios, en este caso a remesas internacionales trabajando. Entonces lo que se busca con esto es que esta alianza comercial permita generar estas economías de escala.” (Interview 68)

Yet, whereas it is traceable how BANSEFI is funded, it is rather complex to identify La Red de la Gente’s financial situation, as there is no specific financial item within the budget of the development bank. According to bank staff, they themselves do not really know how much the operation of the initiative costs, because the salaries of the responsible staff (who are, moreover, not only in charge of the network), for example, are covered through BANSEFI’s general budget, and there is no separate calculation for La Red de la Gente’s operating costs (Interview 76).

As far as the funding and income of La Red de la Gente is concerned, the network has been created in the form of an irrevocable administrative trust (a so called *fideicomiso*) (BANSEFI n.d.: 18), which is funded by the microfinance institutions that contribute to it when joining the network and by the commissions paid by the money transfer operators.²¹⁷

That is, though La Red de la Gente is supposed to generate additional revenues for the participating popular finance institutions (Gavito Mohar 2005: 221), due to the unclear cost situation, it is difficult to determine whether La Red de la Gente is creating a surplus

²¹⁶ *Entidades de Ahorro y Crédito Popular* (Popular Savings and Credit Entities).

²¹⁷ To join the network, the MFIs have to pay an initial amount of now 6000 UDIs (*Unidades de Inversión*, a unit of account of the Mexican Central Bank) into the *fideicomiso* (3000 UDIs until 2008). One UDI in May 2012 was 4.79 MXN, the financial institutions had thus to pay around 28.740 MXN or 2.100 USD. Half of this amount can also be borne by BANSEFI (information per email from BANSEFI, 22.05.2012). The commissions paid by the MTOs for each remittance transfer, which are distributed as follows: the MFIs paying out the transfer receive 70 percent, BANSEFI keeps 10 percent, and 20 percent go to the *fideicomiso* (Interviews 68, 70 and 75).

for BANSEFI or if the network is at the very least financially sustainable. The interviewed staff members' respective details were ambiguous, as they stated both that the service was financially sustainable as well as negated it (Interviews 77 and 75). The prevailing estimation, though, seems to be that the network, up to now, would not be able to run without subsidies of BANSEFI and external cooperation (Interviews 68 and 76). The fact that in 2011 BANSEFI started to charge the institutions participating in the network a monthly fee (of around 35 USD) is at least a sign that the development bank is intending to increase its cost coverage (Interview 76).²¹⁸ Also, there were even some statements of former staff members that criticized the fact that BANSEFI increasingly sees La Red de la Gente as an income-generating option ("*BANSEFI quiso más bien hacer un negocio con las cajas*" (Interview 78) and is in danger of losing its social vision:

"Yo creo que es un tema de visión. Eh definitivamente cuando estaba XY allí, era una visión totalmente distinta de lo que es hoy. [...] buscaban en vez del beneficio social de ver la Red como consolidada para llevar a los servicios financieros un poco más con fines de lucro, de como buscar la transaccionalidad, y entonces recuperaban una comisión por transacción. Entonces hoy hay comisiones distintas que no había antes." (Interview 78)

Yet, even if the orientation of La Red de la Gente might have changed over time towards a more commercial approach, the aspiration to generate additional revenues for BANSEFI does not appear to have motivated the creation of the network in the first place, as La Red de la Gente was operated as a subsidized initiative for so many years. As will be argued in the following paragraphs, there seems rather to be a further important rationale behind the initiative, which has to do with BANSEFI's norms and mandates: the implementation of the regulation of the popular savings and credit sector.

La Red de la Gente as regulation instrument?

Asked for the reasons why the Mexican *state* saw the necessity to launch La Red de la Gente, a former high-level management member of BANSEFI explains that the government aimed at the formalization of the unregulated popular finance sector:

"lo que quisimos hacer es que el Sector de Ahorro y Crédito Popular, que es quien atendía este mercado, no estaba regulado, y había que regularlo para que pudiera crecer." (Interview 78)

Deepening the explanation in a further conversation, the interviewee again relates the foundation of La Red de la Gente to the aim to regulate the popular finance sector and explains the reasoning behind. Accordingly, the Mexican government aspired to consolidate the financial system and saw its role in complementing the supply in the financial sector that did not reach the entire population, both strengthening the existing

²¹⁸ It has to be noted, though, that BANSEFI has again another program to support the institutions contributing to cover these costs during various months (information per email from BANSEFI, 22.05.2012).

popular finance institutions and creating incentives for the commercial banks to downscale their services to the low income population. Thereby, the government saw the “banking” of the entire population as a fundamental element of national development and conceived the necessity of regulating the popular finance institutions due to the problems of massive fraud endangering the savings of their clients:

“más que la Red de la Gente era el proyecto de formalización del Sector de Ahorro y Crédito Popular, que buscaba la profundización del sistema financiero mexicano. Realmente la banca en ese momento no mostraba interés por éste sector, el sector de bajos ingresos, en bancarlo, y por esa falta de bancarización habían surgido todas estas cooperativas en todo el país, más por una iniciativa de la sociedad civil para organizarse y proveerse de servicios financieros. Entonces lo que pensamos fue en ayudar a que el sistema financiero mexicano tuviera un componente complementario en donde las cajas que ya existían las podíamos estructurar, de manera que ellos después subieran a gente de mayor ingreso y los bancos fueran bajando. Pues íbamos a tener una competencia donde se encontraran ambos y eso ayudara a bancar al país, que era un elemento fundamental del desarrollo. Entonces, con esta visión planteamos la idea de formalizarlo y que hubiera un esfuerzo de regularizar estas cajas, porque también si bien surgieron de la necesidad, como te decía, de las comunidades, de tener servicios financieros, al no estar reguladas se prestaban también a una serie de fraudes y periódicamente aparecían estos fraudes de gente que aprovechando esta necesidad y la falta de cultura financiera, se cometían fraudes masivos de ahorradores.” (Interview 79)

In this light, La Red de la Gente appears as a means to contribute to the development and – especially – the regulation of the Mexican popular savings and credit sector, beyond the function of serving as a platform for channeling and paying out remittances and providing further services to the popular finance institutions (see also Garrido/Leriché 2009: 118f.). The role that remittances play in this logic has to do with the fact that La Red de la Gente only accepted institutions with a certain classification on the “rating scale” that was developed as a starting point for the sectors’ capacity and technical assistant trainings presented above (Interview 74). This restriction allows for the interpretation that beyond offering remittance-transfer options and other services, the network is conceived as a governmental instrument for contributing to the sector’s regulation: As membership in the network requires that an institution be regulated – or at least on the way to regulation – the benefits offered were supposed to work as an incentive for the popular savings and credit institutions to join and to undertake the authorization process (Taber 2004: 123). The following passage from an interview with a BANSEFI staff member responsible for the network illustrates the underlying rationale of the network, which is conceived to be the “carrot” for the MFIs to shoulder the burdensome and costly undertaking of regulation and become part of the “club”:

“lo que busca la Red de la Gente es que las cajas de ahorro perciban que es bueno estar en la ley. La ley [...] a veces es difícil de cumplir para las cajas, muchas cajas de ahorro en el país trabajan desde hace más de 50 o 60 años con unos métodos muy rudimentarios o muy caseros, con una administración incipiente y con controles flexibles [...] sin esquemas de regulación lineal. Entonces lo que buscó la ley al publicarse es justamente que se ordenara

[...]. Pero la ley te pide muchas cosas, es muy fuerte es muy pesada [...]. Eso representa costos, dinero, representa profesionalizar los cuadros directivos y de personal de las cajas, representa cumplir con la regulación, atender la supervisión de la Comisión Nacional Bancaria, de la Federación, pagarle a la federación, es todo un mundo de cosas. Entonces la Red de la Gente, BANSEFI pensó, bueno ¿cómo puedo apoyar que las cajas entiendan que eso es bueno? Si lo único que ven es costos, problemas, y capacitaciones, en fin ¿y donde están las ventajas? Ah, pues vamos a crear un instrumento que les haga evidentes las ventajas, y eso es la Red de la Gente. La Red de la Gente es un club. Una alianza comercial entre solamente las sociedades que están en tránsito de ser entidades autorizadas o aquellas que ya son autorizadas y que tienen calificaciones buenas. Si no tienes calificaciones buenas no puedes entrar, es la zanahoria, el gancho. 'Yo quiero pagar remesas', '¿qué calificación tienes?', 'C', 'no puedes, sigue trabajando para 'que llegues a ser B además y entonces puedes'. Eso es un poco el espíritu [...]. Y tenemos pruebas empíricas de que da resultado, de que en las cajas sí se dan cuenta que es bueno estar en la ley." (Interview 75)

In order to attract the popular finance institutions to join the network and to be able to execute its function of assisting in the sectors' regulation, though, BANSEFI needs to convincingly perform a leadership role in the popular finance sector. Considering the fact that the popular savings and credit sector is politicized (see e.g. Klaehn et al. 2006: 16) and characterized by institutions strongly insisting on their autonomy, it is questionable if BANSEFI could successfully carry out its tasks regarding the implementation of the regulation without becoming an accepted leader of the sector. In order to achieve that acceptance, the governmental development bank arguably must invest in growing the network, because the more institutions participate, the more convincing the network is for the others. One of the reasons for this interpretation is the fact that BANSEFI still aspires to include Caja Popular Mexicana, the most important institution of the sector, into its network ("*siempre nos quedamos un poco con la espina de tener una caja tan grande que es*" (Interview 75); "*los hemos acercado regularmente, como cada dos años nos acercamos, nos dicen que no, pero no dejamos de insistir*" (Interview 76)). Caja Popular Mexicana already offers remittances, though, and it does not need the government's help to offer this service. Moreover, it is already regulated. In the eyes of BANSEFI, however, the inclusion of Caja Popular Mexicana would arguably increase the legitimacy of La Red de la Gente. Yet, as will be outlined below, Caja Popular Mexicana shows no interest in joining the network, because it does not conceive any additional value in being a member. Moreover, the cooperative, being the largest one in the sector and the older institution among the two, claims itself to be the leader of the sector, a fact that unavoidably lays the ground for domain conflicts within the popular savings and credit sector, as will be addressed in section 5.4.

In sum, the logic of BANSEFI's remittance-initiative La Red de la Gente is similarly multifaceted and closely related to the development bank's mandates, including commercial, social, and political rationales, with the latter two arguably being the most dominant. Whereas the remittance-service is supposed to create additional income for the

participating MFIs, for BANSEFI itself, the generation of income seems to be an important, albeit not the most relevant goal. Rather, the network in general is both aimed at fostering financial inclusion directly, that is, via the link of remittances and other financial services, and, at least as important, serving as an instrument to support the popular finance sector's integration and regulation, and thus fostering financial inclusion indirectly. This rather political logic, though, has other implications for the actors' interactions in the sector than the consequences of the situation that La Red de la Gente's only aim was to directly contribute to financial inclusion. Before these implications will be addressed in the last part of chapter 5, the following sections analyze the logics of the two non-state actors involved in linking remittances with microfinance and ask why these, different from the idea that the whole sector might join BANSEFI's network, have created their own remittance-initiatives.

5.2 The financial cooperative: Logics of Caja Popular Mexicana and its remittance-service

Caja Popular Mexicana is a typical financial cooperative in so far as it is owned by its members, who contribute to the equity of the cooperative with their shares (the so called "*parte social*"), and who control the institution democratically with the principle of "one member one vote" regardless of the respective participation with savings or shares (Lapenu/Pierret 2006: 63; Ledgerwood 1999: 101f.).²¹⁹ Caja Popular Mexicana shows a marked cooperative identity and stresses the importance of cooperative values: It claims to orient itself by the cooperative norms of the International Co-operative Alliance (ICA) (Torres Ramírez 2006: 38)²²⁰ and provides extensive information about cooperative history and principles in Mexico and beyond on its website.²²¹

Sharing fundamental characteristics of an "ideal type" cooperative, especially regarding its funding and modes of operation, at the same time, Caja Popular Mexicana is a unique case of cooperative in the Mexican context. Differently from other usually regionally based financial cooperatives, it has a nationwide presence with its central headquarters in

²¹⁹ See "*¿Qué es un socio?*" on CPM's website: <http://www.cpm.org.mx/qsocio.php>, 28.06.2012.

²²⁰ The International Cooperative Alliance is the leading global association of cooperatives, which in 1995 developed a "Co-operative Identity Statement" encompassing the internationally recognized definition of cooperatives, their values, and principles. See the information on ICA's website: <http://www.ica.coop/coop/index.html>, 8.03.2012.

²²¹ See "*Literatura cooperativa*" (<http://www.cpm.coop/literatura.php>), and "*Líderes del movimiento cooperativo en México*" (<http://www.cpm.coop/lideres.php>) on CPM's website, both accessed 11.03.2012. This is insofar remarkable, as other large Mexican cooperatives do not have such informative sections on their websites: A comparison with the websites of other large cooperatives listed by the (CNBV 2011e), e.g. Caja Morelia Valladolid (<http://www.cajamorelia.com.mx/>), Coopdesarrollo (<http://www.coopdesarrollo.com.mx/>), and Caja Inmaculada (<http://www.cajainmaculada.com.mx/>) shows that these provide far less information on cooperative and social values and their respective commitment.

León (Guanajuato) and is organized through different regional offices (so called “*plazas*”), which are responsible for a group of branches in the respective areas. Due to its size and historical development, it plays a special role in the Mexican popular finance sector and conceives itself as (natural) leader of this sector. As will be argued below, this has considerable implications for its relationship with the governmental development bank BANSEFI and has been one of the reasons for starting a separate remittance-service. Analogous to BANSEFI’s case study, the following sections reconstruct Caja Popular Mexicana’s logic, starting with its norms, continuing with its interests, and thirdly, addressing the rationales of its remittance-service.

5.2.1 *Caja Popular Mexicana’s mission and related activities*

Caja Popular Mexicana’s mission contains both a reference to its social mandate and its commercial approach, underlining its contribution to improving the well-being of its members through cooperative and financial education and the offer of competitive products and services:

“Misión: Somos una cooperativa financiera que contribuye a mejorar la calidad de vida de sus socios, educando en la cultura del ahorro, en la práctica de la ayuda mutua, en el uso responsable del crédito y proporcionando productos y servicios competitivos.”²²²

Although this is not included in the mission nor mentioned explicitly on its website, Caja Popular Mexicana states in other occasions that it specifically serves the middle and low income population, providing access to financial services also to low income clients with difficulties to prove a regular income (Imperial Zuñiga 2008: 33; Torres Ramírez 2006: 42). This corresponds to the usual orientation of cooperatives: Even if they often have a broader clientele and aim at serving the local population in general, instead of focusing (only) on specific target groups, they place a strong emphasis on access for lower income groups (Guinnane 2011: 95; Ledgerwood 1999: 101).

Caja Popular Mexicana expresses in various occasions that – beyond serving its members – it has a social mission and aims at contributing to a broader public goal. It does so, for instance, through the values presented on its website, especially the value of “solidarity”, referring to the “firm and perseverant determination to commit oneself for the common good”, and “social compromise”, defined as “obligation to participate in the improvement of the economic and social conditions of the community”.²²³ Also on its website, Caja Popular Mexicana explicitly presents an extra section about its “social work”, pointing towards its offer of accessible financial services at just prices and its contribution to local economic development through the administration of savings and the creation of

²²² See “*Conócenos/Misión*” on CPM’s website: <http://www.cpm.coop/somos.php>, 8.03.2012.

²²³ See CPM’s values and their definitions on: <http://www.cpm.coop/valores.php>, 8.03.2012.

employment. There it even claims that it “decentralizes the power of money, putting it into the hands of the popular classes”.²²⁴

Also indicating Caja Popular Mexicana’s self-understanding as a socially committed actor is the declared “humanist approach” to serving its members as well as the importance the cooperative ascribes to the personal development of individuals, as the following assertion from an institutional presentation underlines:

“En Caja Popular Mexicana consideramos que para contribuir al desarrollo del país, primero debemos impulsar el desarrollo de las personas y sus familias. Durante más de 55 años hemos estado apoyando la accesibilidad y profundización de los servicios financieros a toda la población, especialmente a la de menores recursos, y lo seguiremos haciendo con un enfoque humanista, es decir, poniendo en primer lugar el desarrollo de las personas.” (Imperial Zuñiga 2008)

Another institutional presentation gives further insights about the cooperative’s social orientation, stressing a range of distinctions to commercial banks, as, for example, the commitment of cooperatives to their members and the attended community, whereas banks, according to the presentation, only care for their shareholders (Torres Ramírez 2006: 41). The presentation moreover underlines that the cooperative, distinct from (purely) commercial financial institutions, treats its members and clients in a personalized and equal way, independent from their respective income:

“Uno de los principales aspectos que distingue a las cooperativas es el “trato personalizado”, pues generalmente en cualquier institución financiera, el trato es “cuanto tienes, cuanto vales”. En Caja Popular Mexicana a los socios se les trata por igual independientemente de su capacidad económica.” (Imperial Zuñiga 2008: 33; Torres Ramírez 2006: 39)

As far as its concrete tasks are concerned, Caja Popular Mexicana’s mission statement mentions two in particular: a) to educate for a culture of savings, mutual help and responsible use of credit and b) to offer competitive products and services. Regarding its educative mission, Caja Popular Mexicana follows the tradition of the early financial cooperatives in Germany, who emphasized the importance of cooperative education (Guinnane 2011: 96), and states that educating their members has also been an important goal of the Mexican cooperatives since their beginnings (Torres Ramírez 2006: 4). In order to fulfill its educational mission, Caja Popular Mexicana offers a broad cooperative education program to its members, as has been outlined in section 4.2.1.²²⁵

The second activity mentioned in Caja Popular Mexicana’s mission statement is the offer of competitive products and services, corresponding to the core activities of financial

²²⁴ See “*Obra social. Caja Popular Mexicana comprometida con el país*” on CPM’s website: <http://www.cpm.coop/obrasocial.php>, 8.03.2012.

²²⁵ See also the information on CPM’s program for cooperative education on its website: <http://www.cpm.coop/servideduca.php>, and related information on financial and cooperative education on additional pages accessible through: <http://www.cpm.coop/index.php>, both accessed 2.04.2012.

cooperatives (Ledgerwood 1999: 101f.). It fulfills this mission through the offer of savings and credit options via its large branch network (see also section 4.1.1). In that context, it is interesting to note that Caja Popular Mexicana, similar to BANSEFI, also stresses the importance of savings, recalling that one of the central aims of the cooperatives in Mexico has always been fostering a culture of savings (Torres Ramírez 2006: 4). Savings are a key element for cooperatives to raise capital in order to fund their financial intermediation (Ledgerwood 1999: 103). This distinguishes them from other types of microfinance institutions which often rely on external donor funding and only offer credits. Caja Popular Mexicana moreover states to conceive savings as an important means to reduce poverty and create wealth, and therefore regards it as their responsibility to protect and increase the savings and assets of its members (Imperial Zuñiga 2008: 35; Torres Ramírez 2006: 19). Accordingly, it provides a range of related information on its website, including practical advice on how to save.²²⁶

5.2.2 Caja Popular Mexicana's commercial approach and political involvement

In addition to its social goals, the financial cooperative also follows a commercial approach, balancing both goals as far as possible. This corresponds to the orientation of many microfinance institutions with a “double bottom line”, aspiring to equilibrate their developmental and financial objectives (Christen et al. 2004). Accordingly, also the vision statement the cooperative presents on its website shows a clear entrepreneurial combined with a social spirit, stressing, among others the aspiration to be the best financial cooperative, preferred for the quality of its products and its excellent service:

“Visión: Ser la mejor cooperativa financiera, preferida por la calidad de sus productos y excelencia en el servicio; reconocida por su seguridad, confiabilidad, solidez, liderazgo y compromiso social.”²²⁷

As other financial cooperatives, despite its entrepreneurial approach, Caja Popular Mexicana thus does not aspire profit-maximization (see e.g. Ledgerwood 1999: 101ff.).²²⁸ Instead, it conceives itself as not-for-profit organization, as is clearly stated on its website, where the cooperative presents itself as follows:

“Caja Popular Mexicana, es una persona moral con reconocimiento jurídico y patrimonio propios, de capital variable, no lucrativa, en la cual la responsabilidad del socio se limita al pago de sus aportaciones, y en donde los socios unidos por un vínculo común, se agrupan para procurar la ayuda mutua a través del ahorro y el crédito.”²²⁹

²²⁶ See “Consejos que mejoran tu economía” on CPM’s website: <http://www.cpm.coop/consejos.php>, 11.03.2012.

²²⁷ See “Conócenos/Visión” on CPM’s website: <http://www.cpm.coop/somos.php>, 11.03.2012.

²²⁸ See also “What is a Credit Union?” on the World Council of Credit Union’s website: <http://www.woccu.org/about/creditunion/>, 22.05.2012.

²²⁹ See “Conócenos/Conoce más” on CPM’s website: <http://www.cpm.coop/somos.php>, 2.03.2012

Yet, as has been outlined in chapter two, this statement does not signify that they do not aim to generate any profits: instead, they need at least a small surplus in order to be able to continue their operations. Differently from (purely) profit-oriented or profit-maximizing financial institutions like commercial banks, though, the surpluses are used to develop new products and services, lower interest rates on loans, and pay higher interest rates on savings. That is, the generated revenues remain in the cooperative and/or are distributed to the members via different modalities (Krahn/Schmidt 1994: 52ff.), whereas commercial banks have to generate revenues for their shareholders.

One of the interviewees at Caja Popular Mexicana states consequently that low-income clients get far better conditions at the cooperative, whereas other microfinance institutions operating in Mexico charge interest rates many times higher than Caja Popular Mexicana and thereby cause large losses to the clients:

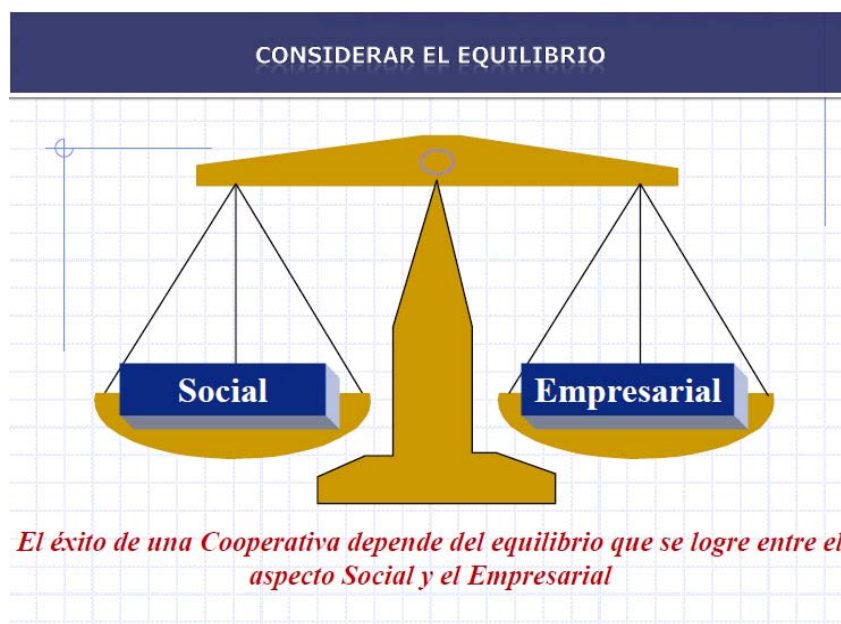
“ahí está perdiendo muchísimo dinero, [...] a pesar de que pueda obtener un crédito más rápido que con nosotros, en realidad el producto o la tasa de interés es cuatro veces más alta que la nuestra o hasta cinco o más, ahí te puedo decir Electra, te puedo decir Famsa, Coppel, todas las empresas que aquí en México han estado creciendo mucho en esos esquemas, o las mismas este, eh, por ejemplo, Banco Compartamos, que se dice digamos una institución que ayuda y que llega a las zonas rurales... pues sí ayuda ¿pero a qué precio? O sea, si tú comparas la tasa de ellos con la tasa nuestra, yo te puedo decir que es tranquilamente tres o cuatro veces más cara que lo que nosotros cobramos.” (Interview 81)²³⁰

Differently from the purely commercial oriented institutions in the citation above, and as elaborated in the theoretical chapter, cooperatives aim to equilibrate the social and the entrepreneurial approach. Caja Popular Mexicana underlines this aspiration explicitly in an institutional presentation, referring to their approach as corresponding to the model of a social business (see also Figure 9):

“El principal reto de toda cooperativa, es seguir siendo una verdadera y auténtica EMPRESA SOCIAL, que no pierda su identidad cooperativa y su orientación social, pero que al mismo tiempo logre plena sustentabilidad económica, a través de una adecuada gestión gerencial.” (Imperial Zuñiga 2009: 45)

²³⁰ Table 18 in section 4.1.3 confirms that there are de facto large differences between the interest rates on credits between Caja Popular Mexicana and (some of) the other microfinance providers mentioned.

Figure 9: The cooperative's aspiration to balance social and commercial goals



Source: Imperial Zuñiga (2009: 34)

Against the background of its aspiration to balance social and economic goals with a financially sustainable approach, Caja Popular Mexicana has an interest in autonomously procuring the necessary funding for its institutional survival and continuous functioning. Congruent with the usual business model of cooperatives and their principle of “autonomy and independence”, implying as far as possible also financial autonomy (Ledgerwood 1999: 102)²³¹, Caja Popular Mexicana generates its own revenues with its commercial operations, that is, especially through the allocation of credits. The cooperative's lending activities, again, are funded above all through the deposits of its members.²³²

Accordingly, Caja Popular Mexicana has mostly operated without external support. Just once did it receive international subsidies: In order to foster the financially sustainable operation of the cooperative after the merging process concluded in 1996, it received technical support financed through a project from the US international cooperation agency USAID of around 3.5 million USD²³³ and executed by WOCCU, the World Council of Credit Unions. The project, lasting from 2002-2007, supported the overall strengthening of the institution in terms of strategic planning, marketing, IT systems, and staff training,

²³¹ See the “Co-operative Identity Statement” including the “Principles” of cooperatives on the website of the International Co-operative Alliance (ICA): <http://www.ica.coop/coop/principles.html>, 22.05.2012.

²³² See the data on Caja Popular Mexicana's financial performance and financing structure on the website of the Mix Market: <http://www.mixmarket.org/mfi/caja-popular-mexicana/report>, 24.09.2012.

²³³ Information per email from Caja Popular Mexicana, 23.05.2012. The amount is estimated by a high level staff member. It was not possible to obtain more exact information.

among others (Lennon/Klaehn 2008). USAID/WOCCU granted an additional sum of 500,000 USD to support the institution's capacities to transfer remittances (USAID 2002).

According to WOCCU, the technical support granted to Caja Popular Mexicana contributed to the financial cooperative's growth and development into a financially solid institution (Brink 2007). In fact, the financial performance indicators achieved over the last decade confirm that the cooperative seems to have been able to operate in a financially sustainable manner until the financial crisis. Its operational self-sufficiency²³⁴ score of 112.3 percent on average between 2004 and 2009 shows that the cooperative has operated profitably.²³⁵ Since 2009, though, obviously in the context of the global financial crisis, these values have been below 100 percent, indicating net losses.²³⁶

Based on the elaborations above, to sum up, one can conclude that Caja Popular Mexicana has a greater necessity in generating its own resources than the state development bank, because it cannot rely on governmental funding and, due to its principle of autonomy as cooperative and its aspiration for financial self-sustainability, because it aims to not depend on external (e.g. donor) support. Yet, even if its interest in financial resources is thus an important factor, it is not the main or only determining aspect of its logic. That is, the interest in financial resources is an important element of its logic as long as the cooperative needs to secure its own institutional survival, but as a not-for-profit organization it has no interest in the generation of additional profits in the sense of profit-maximization.

Beyond the strategies adopted due to its interest in financial resources, political interests are determining Caja Popular Mexicana's logic as well. Due to its size and long history in the sector, emerging as the result of a broad consolidation process of a large number of institutions, Caja Popular Mexicana appears to perceive a natural right to perform a leading role regarding all kinds of initiatives to reform the sector, as a Mexican microfinance expert explains:

“Caja Popular Mexicana siendo la institución más grande y con una larga historia siempre sintió que tenía un derecho natural de liderazgo en cualquier iniciativa de transformación del sector” (Interview 6)

That the financial cooperative has assumed a political leadership role in the Mexican popular savings and credit sector is particularly interesting in the context of this study,

²³⁴ Operational Self-Sufficiency (OSS) is defined as a “measure of financial efficiency equal to total operating revenues divided by total administrative and financial expenses. If the resulting figure is greater than 100, the organization under evaluation is considered to be operationally self-sufficient. In microfinance, operationally sustainable institutions are able to cover administrative costs with client revenues.” See: <http://www.accion.org/page.aspx?pid=257>, 19.03.2012.

²³⁵ See the MIX market report on Caja Popular Mexicana from 2005-2009 on: <http://www.mixmarket.org/mfi/caja-popular-mexicana/report>, 19.03.2012.

²³⁶ See footnote 235 above and information per email from Caja Popular Mexicana, 23.05.2012.

regarding the interactions of the cooperative and the governmental development bank. In that context, it is worth noting that cooperatives, which have been founded as independent self-help groups, traditionally had a rather skeptical position towards the state, were critical towards governmental intervention and defended their interests *vis-à-vis* the public authorities in relevant regulation issues (Guinnane 2011). Identifying itself as leader of the sector and as largest cooperative, Caja Popular Mexicana arguably has a special interest in influencing the political decisions regarding the popular finance sector, in order to secure its own and the other cooperatives' survival and development.

De facto, Caja Popular Mexicana has played an important political role in the Mexican popular financial sector, with its director presiding over the sectors' representative organization *Consejo Mexicano del Ahorro y Crédito Popular* (COMACREP) from its inception onwards. This institution was created formally in 2001, with antecedents dating back to 1998, when numerous organizations of the Mexican popular finance sector gathered in order to discuss the possibility of creating a representative organ for the whole sector. As integrating organization of the popular finance sector, COMACREP's predecessor was the old *Confederación Mexicana de Cajas Populares*, which had united the Mexican cooperatives during various decades. Differently though, the new organisation integrated all kinds of popular financial institutions (for instance also the micro-banks from AMUCSS) and represented around 80 percent of the Mexican popular finance sector. During the development of the new regulation for the sector (the *Ley de Ahorro y Crédito Popular*) from 2000 onwards, the COMACREP became the main representative and interlocutor of the sector for the Mexican government (Imperial Zuñiga 2004: 610f.). Thus, in the context of the sector's regulation process beginning at the end of the 1990s and the envisaged changes implied for the sector, Caja Popular Mexicana, presiding over the COMACREP, transformed into one of the main lobbyists of the popular finance sector, representing the other cooperatives as most important interlocutor for the government in the transition process.²³⁷

That Caja Popular Mexicana has assumed a leadership role in the Mexican popular finance and credit sector is also confirmed by the interview passage below, in which a management member explains that this role is not without contestation and often causes friction among the cooperatives. The interviewee explains the leader's dilemma, observing that whereas, on the one hand, Caja Popular Mexicana is expected to support the smaller cooperatives, on the other hand, these conceive of their "older brother" as

²³⁷ After the last regulatory reform in 2009, COMACREP seems to have become less important, as with the passing of the new law of cooperatives, a new confederation of the financial cooperatives, the CONCAMEX (*Confederación de Cooperativas de Ahorro y Préstamo de México*) was established.

competitor.²³⁸ Thus, according to the statement, even if the larger cooperative keeps on supporting the smaller ones and tries to involve them as much as possible in their political struggles, the internal tensions sometimes obstruct the attainment of their common goals and generate divisions in the sector:

“A nivel del sector siempre hay como que puntos encontrados, no? Cuando se trata de apoyar, muchos dicen que la Caja es el hermano mayor. ‘Que porqué no nos apoya?’ Cuando se trata de pagar o de gastar. ‘Y pues tu que eres el más grandote paga lo todo y me lo das a mi gratis.’ Y cuando se trata de competencia, casi nos atacan de todas formas. [...] la caja sigue siendo social [...] la verdad es que el enfoque de la Caja es cien por ciento social. Queremos y estamos por ayudar a nuestros compañeros de las cajas [...] pero muchas veces nos ven como el enemigo, y a veces como no nos vemos como compañeros, eso a veces genera divisiones, y en lugar de ayudarnos entre todos nos genera más lentitud en ir mejorando todos como gentes que buscamos un mismo fin. Y realmente creo que el enfoque es totalmente social. O sea en lo político el poder y el tamaño que tiene la Caja pues sí le da mucho mayor acceso a eso, a la negociación, no solamente con proveedores sino en el ámbito de las propias autoridades. Y en este sentido creo que nuestro director sí ha tomado mucho en cuenta la gente que está en el sector. Tampoco queremos que siempre nos den los puestos de presidente en los organismos. [...] Es complicado porque a veces, se genera división a nivel del sector.” (Interview 81)

While the further implications of Caja Popular Mexicana’s political role, especially in the regulation process of the popular finance sector, will be addressed in section 5.4.3, the following paragraphs continue with the reconstruction of the logic of Caja Popular Mexicana’s remittance-service and the reasons why the financial cooperative started its own initiative.

5.2.3 *Logics of Caja Popular Mexicana’s remittance-service*

On the basis of the elaborations on Caja Popular Mexicana’s norms and interests, this last section reconstructs the logic of its remittance-initiative. Whereas according to the financial cooperative’s own declarations, fostering financial inclusion through their remittance-service is a rather implicit aim, the money-transfers are conceived above all as an additional service for its members. It nevertheless also sees the remittance-service’s potential to attract new members for the institution and thus acknowledges and appreciates its implicit contribution to financial inclusion. The social orientation of the service is thereby especially expressed through the aspiration to provide a better – or more just – service to the remittance-receivers than commercial banks. Moreover, in analogy to Red de la Gente’s case, also here it is argued that the remittance-service, in addition to this social orientation, follows a commercial and a political logic.

²³⁸ This is different from the German case, for instance, because there, financial cooperatives and savings banks (*Sparkassen*) are organized according to the so called “regional principle” with institutions focusing on certain regions and having the monopoly there, in order to avoid competition in this “social banking” sector.

Remittances at Caja Popular Mexicana as better service for the receivers?

Similar to the above mentioned general aspiration of the financial cooperative to treat their members better than commercial banks, an interviewed staff member confirms this aim for the remittance-service as well, stating that all the remittance-receivers picking up their money transfers at a branch of Caja Popular Mexicana are treated equally, independent from their status as member or non-member, whereas commercial banks, according to that interviewee, differentiate between clients and non-clients:

“tampoco somos discrecionales en el servicio, es decir, en el caso de los bancos [...] los que son clientes en esta fila y los que no son clientes en esta. Entonces, el que es cliente lo atienden rápido y el que no es cliente ahí tiene que durar las horas. Nosotros atendemos por igual al que llegue, en el turno que le toca, no somos discrecionales en la atención o en la distribución de como atendemos el servicio. Digamos que damos un servicio por igual.” (Interview 81)

Moreover, the interviewee emphasizes that Caja Popular Mexicana provides a better service than banks, in the sense that the cooperative’s principle is not to refuse paying out remittances to the receivers in case of liquidity constraints. This is observed to be a current practice among commercial banks, which expect their remittance-customers to come back the next day when branches have run out of cash:

“tratamos pues de no negar el servicio por falta de efectivo [...] digo esto porque en algunos casos en los bancos hay cierta hora donde ya no tienen efectivo y les dicen ‘ya no pago remesas hasta mañana’, ‘oye pero ya tengo una hora formado’, ‘no me interesa, yo pago hasta mañana’, y si ya tenías tú tres horas ahí formado pues eso es tu asunto. Entonces nosotros procuramos dar un mejor servicio en ese aspecto, a diferencia de algunos bancos donde eventualmente dejan de pagar porque ya no tienen efectivo. Entonces la gente se va molesta, también a veces duran mucho tiempo formados en lo que traen el efectivo. Procuramos nosotros dar un servicio diferenciado en esa parte. Y muchas de las veces cuando tú entrevistas gente que reciben remesas con nosotros y que antes recibían con el banco, ellos te pueden corroborar la diferencia en el servicio que nosotros les damos y el que tenían antes con la banca. Ese es también como un valor agregado que nosotros procuramos tener.” (Interview 81)

Taking up this argument, the following statement outlines the benefits Caja Popular Mexicana considers important for its remittance-clients. Rather than aspiring to large volumes and revenues, the financial cooperative aims to ensure that the migrants’ relatives no longer have to cover long distances in order to pick up their money, to offer a better service than banks, and to provide other financial services to the receivers:

“más que el éxito es el beneficio que podemos llevar a la gente [...] el saber que la gente ya no tiene que desplazarse para cobrar su remesa, o el saber que le podemos dar un mejor servicio que en los bancos por ejemplo, o que en otras instituciones pequeñas donde a veces también traer efectivo es complejo [...] yo creo que es más importante el saber que podamos utilizar el servicio para ofrecerle los demás servicios a la gente y en general es un buen, un buen trato y una opción de servicios financieros además que pueden tomar.” (Interview 81)

Beyond these social aspirations, though, the remittance-service of the financial cooperative also has a commercial logic – as will be argued in the following paragraphs.

The remittance-service as additional source of income?

Due to Caja Popular Mexicana's aspiration to secure its institutional survival through a financially sustainable approach, it would be plausible that the financial cooperative conceives the remittance-service as an additional source of income as well. In this respect, an institutional presentation recognizes that the service generates additional income to the cooperative, yet stresses that it is not the generation of revenues, which is the primary goal of paying remittances, but the offer of an additional service to the members (Imperial Zuñiga 2008: 27). This is why, as one interviewee from the cooperative's management explains, the cooperative is prepared to accept certain losses and cross-subsidize the service in order to not deny the service to their members or other receivers. Consequently, it provides the service also in areas where the institution's branches are the only providers and where the securing of liquidity exceeds the revenues of the transfer-service:

“tenemos casos también muy curiosos donde en algunas sucursales este servicio para nosotros no es rentable, es decir ahí estamos perdiendo. Tenemos algunos casos donde somos la única opción tanto para el pago de servicio como para servicios financieros en la localidad. Y bueno cuando en esta localidad coincide que [...] hay un gran número de migrantes y por lo tanto un número importante de beneficiarios de la gente que se va a Estados Unidos, se genera un volumen importante de pago. Entonces esto, nos hace requerir una gran cantidad de efectivo, que no alcanzamos a cubrir con nuestra operación. O sea generalmente en la mayoría de nuestras sucursales con lo que recibimos de nuestros socios pagamos las mismas remesas, pero en este tipo de localidades a veces es mucho lo que pagamos y poco lo que captamos, porque hay muchas remesas. Y bueno la sucursal no es tan grande tampoco, entonces no alcanzamos a cubrir con el recurso diario. Y esto nos lleva a contratar un servicio de traslado de valores, para traer efectivo de la localidad más cercana. Pero lo que nos cuesta traer ese dinero a nosotros es mucho más caro que lo que recibimos vía comisiones. Entonces sí tenemos identificados casos como estos, no son muchos pero sí, en realidad nosotros seguimos brindando el servicio, tratamos de no negar el servicio [...] por falta de efectivo, y procuramos en la medida de lo posible no estar negando el efectivo. Entonces en la medida que tenemos disponible lo vamos pagando.” (Interview 81)

Also the following citation demonstrates that Caja Popular Mexicana offers remittance payments in areas where they are the only supplier, even if it does not generate (much) revenue. Yet, as this passage also indicates, this does not signify that Caja Popular Mexicana would provide the service in a (completely) cross-subsidized manner:

“no en todos los casos es un gran negocio, que a pesar que no somos una institución lucrativa pues tampoco vamos a dar el servicio donde estemos perdiendo totalmente, pero sí estamos conscientes de que en algunos lugares a pesar de que no es una buena opción para nosotros dar el servicio, lo seguimos ofreciendo porque sabemos que somos su única opción financiera en esa región.” (Interview 81)

In general, though, the remittance-service does indeed represent an additional source of income for the cooperative. In another interview, a leading staff member responsible for the remittance-program confirms that the places where the service is not profitable for the cooperative are only a few and that these do not put at risk the sustainability of the service in general (Interview 82). Likewise, a recent internal report indicates that the service is even an income generating venture for the cooperative, which is why they are considering cooperating with more money transfer operators in order to enlarge the transferred volumes (CPM 2012).

That Caja Popular Mexicana conceived the remittance-service as a possible way to create additional revenues seems to be one of the reasons why it has not joined La Red de la Gente, even if BANSEFI was very interested in having the large cooperative as a member. The following statements show that Caja Popular Mexicana did not see an added value in joining the state initiative, with the argument that this would have reduced their potential income via the service. In their eyes, the development bank functions as an additional intermediary, claiming a part of the revenues. The financial cooperative, though, did not need such an external intermediary because it was able to negotiate its own agreements with the US money transfer operators:

“a BANSEFI nosotros siempre le dijimos, ‘mira, mientras tú no tengas un poder de negociación que te permita ofrecer mejor una comisión para nosotros que la que yo pueda obtener directamente pues no vas a ser una buena opción’, ¿por qué? Pues para qué meto un intermediario si yo directamente me va a convenir más, y aquí se trata de beneficiar a las cooperativas, no a BANSEFI ¿O no? Entonces, si a mí directamente la remesadora me paga dos dólares, y si yo meto la Red de la Gente y me paga 1.90, ¿dónde está la conveniencia?” (Interview 81)

Even if the pricing of the remittance-transfers might thus have been one of the reasons Caja Popular Mexicana started its own initiative independent from BANSEFI,²³⁹ there was also a controversy between these two actors, as will be argued in the following paragraphs.

A leadership conflict in the sector?

In fact, even if it conceived BANSEFI as a superfluous external intermediary, Caja Popular Mexicana in the beginning negotiated its contracts with the MTOs with the help of another intermediary – the World Council of Credit Unions, to which they had to pay part of the commissions. In that context, it is interesting to note that a former leading

²³⁹ Next to the cost argument, there were obviously also technical reasons why Caja Popular Mexicana refrained from joining the governmental initiative: According to a project coordinator of the IDB, Caja Popular Mexicana never joined the Red de la Gente because it had its own sufficient capacities and resources for the remittance-service. Another reason was, reportedly, BANSEFI's problems with its technological platform (Interview 12).

management member of BANSEFI argues exactly the other way round regarding the problem of the costs. According to that interviewee, Caja Popular Mexicana paid a considerably larger part of the commissions to WOCCU than what it would have had to share with the state development bank, at least inferring from the interviewee's comparison with Western Union, known as one of the most expensive players in the market. Interestingly enough, WOCCU is, moreover, in the following citations, presented as an actor who closed an alliance with Caja Popular Mexicana against BANSEFI:

"Aquí nos sabotó un poco [...] WOCCU [...] nos sabotó porque ellos querían ganar dinero, ellos nos ofrecieron la primera estrategia, pero ellos eran igual de caros que Western Union. Entonces les dijimos: 'oigan, por qué van a hacer ustedes esto si se supone que son cooperativistas y lo que quieren es mejorar la gente, busquemos el esquema.' Y cuando les dije que [...] ellos no estaban agregando ningún valor y que se querían quedar con los diez dólares [...] entonces nos bloquearon [...] e hicieron su alianza con Caja Popular y entonces con Caja Popular era igual de caro que con Western Union." (Interview 78)

According to the same interviewee, all of BANSEFI's attempts to convince Caja Popular Mexicana to join the state supported network La Red de la Gente were in vain, as they kept their alliance with WOCCU and clung to their decision not to accept the governmental development bank as an additional provider in the transfer chain:

"ellos tenían una alianza con WOCCU, además WOCCU les conseguía dinero [...] para su plataforma tecnológica, se los iban comprando también con estos mecanismos y Caja Popular [...] no quería ser parte de la Red, porque llegaba a decir: 'tu eres un proveedor'. 'No, yo no soy un proveedor, soy un aliado que entra en una asociación en participación contigo, porque pongo mis sucursales también, con todas las Cajas, el gobierno de la Red de la Gente lo vamos a tener todos y tu vas a tener una presencia importante, por ser uno de los principales jugadores'. Pero nunca quiso, [...] tuvimos reuniones en donde estaban ellos y estaban el resto de las Cajas, y le decían: 'oye, te estamos poniendo todo en la mesa ¿qué más quieres?' Pero como ya tenía este acuerdo con WOCCU..." (Interview 79)

That there seems to have been a rather larger (leadership) conflict behind the decision that Caja Popular Mexicana started to offer its own remittance-service in addition to BANSEFI, is a possible interpretation to be drawn from the following statements of the former management member of BANSEFI cited already above:

"al principio, todos estábamos entrando a un acuerdo, cuando yo vi que WOCCU era caro y le dije que no a WOCCU, entonces ahí se alió con Caja Popular y se pusieron en contra de la Red de la Gente." (Interview 79)

"con Caja Popular lo intentamos muchas veces [...] pero cuando llegamos ahí se sintió un poco de protagonismo, Caja Popular nunca apoyó al Sector, porque se sentía como el líder del Sector, ellos deberían, más bien los demás deberían de obedecerlos a ellos, y sí tiene una gran fuerza ¿no? pero tampoco cooperaron mucho y luego se aliaron con WOCCU, en contra de la Red de la Gente." (Interview 79)

"Caja Popular no se quiso subir, por un tema de egos, de competencia, con el resto, porque es el mayor" (Interview 78)

The interpretation that there was a leadership conflict is shared by a Mexican microfinance expert, who explains the reason for Caja Popular Mexicana not joining the government initiated network being a conflict between the two main actors of the popular finance sector. The problem was accordingly that Caja Popular Mexicana, due to its perceived natural leadership role, was not willing to share this leading position with a governmental actor that appeared “overnight”, after not having cooperated with the popular finance sector for decades. The problem started with the government’s attempt to regulate the sector, which Caja Popular Mexicana, according to the expert, called into question not because it was against a regulation of the sector per se, but because the law was conceived as a unilateral governmental initiative. The rising conflict between the two actors heated up when Caja Popular Mexicana did not join La Red de la Gente, thus manifesting its autonomy and independence and stressing its important position:

“lo que ha sucedido es que BANSEFI asumió ese liderazgo y Caja Popular Mexicana desde el principio lo cuestionó, sin decirlo al principio de una manera muy directa. Pero Caja Popular Mexicana siendo la institución más grande y con una larga historia siempre sintió que tenía un derecho natural de liderazgo en cualquier iniciativa de transformación del sector. Entonces cuestionó mucho que de la noche a la mañana apareciera el gobierno federal después de décadas de no colaborar de ninguna forma con el sector, y de pronto además de llegar con una ley, condicionar a que todos tuvieran que aceptar de una manera o de otra esa ley y aceptar transformarse y pagar los costos de ser organismos supervisados y regulados. No es que Caja Popular Mexicana no estuviera interesada en un marco legal, pero creo que siempre cuestionó ese liderazgo y no lo vió como un liderazgo natural. Entonces lo que empezó como un cuestionamiento implícito después se desarrolló y desarrollo a una relación abiertamente ríspida entre BANSEFI y Caja Popular Mexicana y en particular en el tema de las remesas. Lo que Caja Popular Mexicana hizo fue no entrar a la Red de la Gente, un poco como decir: yo Caja Popular Mexicana tengo mis propios convenios con remesadores, tengo mi propia plataforma, etcétera, yo no voy a entrar a tu red, o sea, yo no soy un miembro más de la Red de la Gente iniciativa de BANSEFI, o sea yo soy Caja Popular Mexicana la institución más grande. Y entonces eventualmente se volvió casi como una competencia abierta.” (Interview 6)

In brief, Caja Popular Mexicana sees the remittance-service especially as an additional service for its members, which, moreover, represents an additional source of revenue for the cooperative and an opportunity to attract new members with the option to cross-sell other services (see also USAID n.d.: 2). That they decided to start their own remittance-service, in the beginning supported by WOCCU, seems to be partly due to the argument of better revenues for Caja Popular Mexicana, having its own service without extra intermediary. Also decisive seems to be the conflict between the financial cooperative and the state development bank, and the cooperative’s aspiration to maintain its autonomy *vis-à-vis* the state. Thus, also in Caja Popular Mexicana’s case, the remittance-service has obviously a certain political logic in addition to the social and commercial goals; albeit the commercial rationale seems to be the most important one along with the social aspiration. Before the implications of the conflictive relation between the two leaders of the sector are

addressed further in section 5.4, the following case study first elaborates on the logics of the other non-state actor, the NGO AMUCSS, and clarifies why it also initiated its own remittance-enterprise after having joined the governmental initiative in the beginning.

5.3 The NGO: Logics of AMUCSS and Envíos Confianza

AMUCSS, the second non-state actor analyzed in this study, is a rather specific case in the universe of NGOs in the microfinance sector, which often function as financial institutions themselves. The particularity of AMUCSS is that it does not operate as a financial service provider itself, but creates financial institutions, procures funds to support these and provides them with technical assistance. Moreover, the NGO engages in political lobbying activities in order to improve the legal framework for these institutions (Interview 85). Like in the case of Caja Popular Mexicana, also AMUCSS' relationship with the development bank BANSEFI is influenced by this political engagement, as will be argued in the following sections. Analogous to the other two case studies, in what follows, AMUCSS' logic and that of its remittance-initiative are reconstructed, based on the norms and interests of the NGO.

5.3.1 AMUCSS' mission and related activities

According to AMUCSS' officially stated mission, presented on the organization's website, the purpose of the NGO is to develop options of financial services for the Mexican rural families and communities, with broad social participation, as well as to serve as an organization providing supervision, technical assistance and capacity building:

“Misión: Desarrollar opciones de servicios financieros para las familias y comunidades rurales de México, con amplia participación social y un organismo integrador que proporcione servicios de supervisión, asistencia técnica y capacitación a sus asociados.”²⁴⁰

The mission statement indicates that, in contrast to the development bank BANSEFI and the financial cooperative Caja Popular Mexicana, the NGO has a narrower target group. It addresses especially the Mexican rural population with a focus on (very) poor and indigenous groups, as the self-description on an institutional handout confirms more explicitly:

„La Asociación Mexicana de Uniones de Crédito del Sector Social A.C. (AMUCSS) es una red de instituciones financieras rurales con más de 20 años de experiencia en la creación y operación de instituciones comunitarias financieras, cuenta con una sólida trayectoria de 10 años en la construcción de microbancos rurales en zonas indígenas de migración en México.

²⁴⁰ See “Misión” on AMUCSS' website: <http://www.amucss.org.mx/Portal/index.php/home/quienes-somos/mision.html>, 20.03.2012.

También se ha especializado en el desarrollo de innovaciones financieras a favor de los más pobres, así como el diseño de productos financieros adaptados a las familias rurales.”²⁴¹

AMUCSS has as NGO quasi per definition first and foremost a social purpose, which is even included in its name “Mexican Association of Credit Unions of the Social Sector”. Also, a member of the directorate, further explaining the organization’s mission, adds that the NGO aims at creating financial institutions that contribute to local development and are socially committed:

“Nuestra misión es crear instituciones financieras sostenibles de participación social. O sea, nosotros no somos una ONG que busca hacer microcrédito, nuestro objetivo es crear instituciones financieras que contribuyan al desarrollo local. [...] no cualquier institución sino una institución comprometida con la sociedad local.” (Interview 86)

Likewise, the NGO’s vision, claiming that the financial services offered should be adapted to the needs of the population, alludes to its social orientation:

“Visión: La construcción de un sistema financiero rural, que incluya instituciones de base sostenibles con servicios de calidad adaptados a las necesidades de los pobres rurales y con identidad social.”²⁴²

This is further stressed by an interviewed staff member who explains that the development of financial services adapted to the necessities of the rural marginalized population is part of AMUCSS’ social orientation: “*eso es, digamos, la diferencia de AMUCSS con otras micro financieras, o sea, la idea es que, como somos sociales, nos interesa adaptarnos a la demanda de la gente.*” (Interview 85).

As far as AMUCSS’ main objective is concerned, it has to be noted that, again differently from BANSEFI or Caja Popular Mexicana, AMUCSS’ mission does not mention any specific financial services, but speaks of service *options*. Moreover, the statement only refers to the *development* of these service options, that is, according to the mission, it is not necessarily the NGO’s aim to offer these developed services itself.

In order to fulfill its mission and develop new financial services, adapted to the necessities of the users, a member of the NGO’s directorate recounts that AMUCSS has pursued a long path of searching and learning – which seems still unconcluded. The following pieces from that interview give an impression of how much the interviewee stresses that searching process and AMUCSS’ experience in the field:

“esta primer fase fue búsqueda, búsqueda, aprender, aprender, entender” [...] “buscamos un camino y no estoy muy segura que logremos tener un camino, tal vez encontremos varios caminos [...] tenemos que aprender mucho más [...] tenemos que buscar caminos.” [...]

²⁴¹ See “*Triptico AMUCSS*”, downloadable from: <http://www.amucss.org.mx/Portal/index.php/documentacion/folleto/172-tripticoamucss2010.html>, 20.03.2012.

²⁴² See “*Visión*” on AMUCSS’ website: <http://www.amucss.org.mx/Portal/index.php/home/quienes-somos/vision.html>, 20.03.2012.

“estamos en la búsqueda y cada día aprendemos cosas nuevas y cada día con la migración y, bueno, escuchando a los migrantes, realmente ha sido sorprendente para nosotros” [...] “todo esto que te acabo de contar pues es la visión, mi visión, mi experiencia de muchos años [...] porque realmente es una historia fascinante de, de búsqueda” (Interview 86)

This fact is interesting to note in order to understand AMUCSS’ logics, as the NGO – even if it also acknowledges that there is still much to learn – thereby presents itself as an actor that has gained considerable experience in the field through hard work and continuous apprenticeship. At least that is one possible interpretation and a reason which might, in addition to other factors, explain their ambition to organize an autonomous remittance-initiative independent from the state.

Based on its long learning process with several pilot projects and their replication in different migration-prone areas, AMUCSS emphasizes two general main lessons it has learned from its experiences in the remittance-receiving communities. The first was the importance of savings (options) for the migrant families. Access to savings options showed to be far more relevant for families in conditions of vulnerability than access to credits, not least because the latter represent an additional risk. Yet, savings also demonstrated distortive effects when they lead to an excess of liquidity in an area without investment options and demand for credits (Interview 86). Together with the insight of the importance of savings, the second main lesson the NGO drew from its experiences was the necessity of complete financial intermediation, as the collection of savings allowed the institutions to autonomously make investment decisions without having to give an account of the external sources of funding. Thereby, AMUCSS realized that remittances played an important role to increase savings and thus to enhance the autonomy of the rural financial institutions:

“Hoy ¿para qué queremos remesas? Bueno, remesas están de manera pragmática vinculadas al ahorro y si tenemos más ahorro tenemos más recursos para poder invertir, y ese es otro gran aprendizaje de todo el proceso con microbancos. Cuando empezamos los primeros esfuerzos para el tema de remesas trabajábamos con uniones de crédito, las uniones de crédito que están enfocadas al crédito, al crédito agrícola, al crédito productivo, son altamente dependientes de los recursos de la banca de desarrollo o de la banca comercial, los microbancos son las instituciones más autónomas que he conocido nunca, porque a nadie le tienen que pedir permiso de si dan líneas de crédito para maíz o para artesanías o para vivienda, porque el ahorro es autonomía. Entonces ese ha sido, creo que el gran aprendizaje de los microbancos, es este concepto de intermediación financiera completa.” (Interview 86)

In order to further extend their knowledge accumulated through the (pilot) projects, AMUCSS has carried out or commissioned studies accompanying its experience in the field and has an established special research department (Interview 86).²⁴³ Also thanks to

²⁴³ See also “*Investigación aplicada*” on AMUCSS’ website: <http://www.amucss.org.mx/Portal/index.php/servicios/investigacion-aplicada.html>. Some of the studies carried out are publicly accessible on the page “*Documentación/Publicaciones*”: <http://www.amucss.org.mx/Portal/index.php/documentacion/publicaciones.html>, both accessed 4.04.2012.

these efforts, the NGO considers itself to have accumulated considerable knowledge in the area ("*nosotros tenemos, es un esfuerzo de investigaciones de diez años [...] hemos ido acumulando una experiencia en este tema, [...] es impresionante.*" (Interview 86)). Referring to this process of apprenticeship, the NGO claims it has gathered considerable insight into the financial knowledge and necessities of the migrants and their families. As will be shown in more detail below, AMUCSS therefore perceives its development approaches as superior to the state's. This is an important strategic argument *vis-à-vis* the state and international donors, because NGOs are often considered to be more qualified for certain development tasks due to their closeness to and knowledge of the target group (Glagow 1993; Nuscheler 1996: 512).

According to its mission and capitalizing on its experience and lessons learned, AMUCSS has been quite innovative in developing a variety of financial institutions and services, mostly through the creation of other specialized entities with different aims, business models and legal forms. Apart from the most relevant in the context of this study, the remittance-initiative in the form of the social company Envíos Confianza²⁴⁴, there is the already mentioned group of micro-banks, consolidated from 2001 onwards and integrated in 2009 under the name of "*Sistema de Microbancos Rurales*"²⁴⁵ (see section 3.1.2 and 3.3.3), and the micro-insurance distribution network *RedSol*, started in 2005 and institutionalized as a social company in 2009 (see section 4.1.3). Another project is *Sierras Verdes*, aiming at the support of local development through technical assistance and the organization of the producers, among others.²⁴⁶ Moreover, AMUCSS has created two other service entities: INTEGRA (*Integradora Financiera Rural*), a non-regulated SOFOM serving as a kind of central bank for the micro-banks and other rural financial institutions and *Innova-Rural*, a company providing information system technology.²⁴⁷ Finally, AMUCSS has also promoted the creation of the federation FEDRURAL (*Federación de Organismos e Instituciones Financieras Rurales*), which represents and supervises a range of rural financial institutions.²⁴⁸

²⁴⁴ As has been mentioned in chapter three, even if Envíos Confianza, due to legal determinations had to take the form of a "regular" company as "*Sociedad Anónima de Capital Variable*" (S.A. de C.V), it is conceived as a social company. This will be further explained in the next section.

²⁴⁵ See the information on the System of Micro-banks on AMUCSS' website: <http://www.amucss.org.mx/Portal/index.php/home/directorio/smb-rural.html>, 20.03.2012.

²⁴⁶ See the information on *Sierras Verdes* on AMUCSS' website: <http://www.amucss.org.mx/Portal/index.php/home/directorio/sierras-verdes.html>, 20.03.2012.

²⁴⁷ See the information on INTEGRA, started in 2007, and *Innova-Rural*, launched in 2008 on AMUCSS' website: <http://www.amucss.org.mx/Portal/index.php/home/directorio/innova-rural.html>; <http://www.amucss.org.mx/Portal/index.php/home/directorio/integra.html>; and <http://www.amucss.org.mx/Portal/index.php/documentacion/folletos/95-triptico-integra.html>, all accessed 20.03.2012.

²⁴⁸ This federation was founded in 2003 and authorized by the banking authority CNBV in 2005. See the information on FEDRURAL on: <http://www.fedrural.org/> and on AMUCSS' website: <http://www.amucss.org.mx/Portal/index.php/home/directorio/fedrural.html>, 20.03.2012.

Figure 10 gives an overview of the “system” of AMUCSS and its different affiliates.²⁴⁹

Figure 10: Organizations and (social) companies founded by AMUCSS



Source: AMUCSS (2009)

As far as the relationship of AMUCSS and Envíos Confianza is concerned, at that point, it is worth emphasizing that, even if the latter has been created with its own legal identity, and could therefore be analyzed as an actor independent from the NGO AMUCSS, the actual actor constellations and relations between the two clearly suggest that AMUCSS is a main actor and driving force behind the social company. The fact that they have the same headquarters in Mexico City, whose external signboards only advertise the NGO (and the Federation FEDRURAL) but not the place of business of Envíos Confianza, is just a minor indicator of the NGO’s dominant role. The following statement from an interview with a staff member of AMUCSS confirms the influential position the NGO still exerts over the social company:

“Es que ya no es AMUCSS sólo. Aunque AMUCSS todavía tiene mucho poder, pero no es un poder que se... digo, jurídico, formal, es un poder que pasa por como se creó Envíos Confianza, que se creó desde AMUCSS. Todavía AMUCSS es socia, es socio mediante XY y mediante XY, entonces todavía hay mucho poder de AMUCSS sobre Envíos Confianza, digo, si hay una decisión que se toma y que AMUCSS no está de acuerdo, no creo que se tome, pero así formalmente, es Envíos Confianza.” (Interview 88)

In contrast to the statement above, the power of AMUCSS over Envíos Confianza is not only informal but also expressed through the capital the NGO holds in the social company: with 94 percent, it is by far the major shareholder.²⁵⁰

²⁴⁹ AMUCSS has member organizations and affiliates, which are distinguished especially through their financial participation and voting rights. In 2011, seventeen of the 98 participating institutions in these diverse organizations were members of AMUCSS; the others had the status of associates (Interview 93).

²⁵⁰ Information per email from AMUCSS, 20.06.2012.

5.3.2 *AMUCSS' commercial approach and political involvement*

Arguably the most “socially oriented” actor among the three analyzed institutions, AMUCSS increasingly aims to reach its social aims with a (partly) commercial approach. That is, instead of relying solely on external donations, which is often the case with NGOs, it generates its own revenues through the provision of services and the creation of diverse businesses in which it participates. This will be discussed in the following paragraphs with the example of its remittance-initiative, transformed over time into the social company *Envíos Confianza*, which provides interesting insights into the NGO's somewhat ambiguous and changing orientation regarding the generation of profits.

When AMUCSS started to pay out remittances with the first pilot project, the choice of the locations offering remittance-services did not follow a criterion of financial sustainability or profitability. Thus, in the first place, AMUCSS' management took into account that the service might bring about losses to the organization, because they considered it more important to learn about the dynamics of the remittance markets, senders and receiving communities and to find ways how to use remittances for development, than to implement a financially viable venture:

“decidimos ir a un lugar de alta migración, en uno de los lugares de mayor migración rural e indígena de México que es la Mixteca [...] y no era una decisión tomada conforme a las reglas del mercado sino era una decisión de índole sociopolítica. Decíamos, bueno, vayámonos al corazón. Nuestro objetivo no era tener ahí un proyecto rentable, no era eso, sino decir bueno, tenemos que aprender qué es esto, tenemos que ver cómo es el mercado, cómo lo ve la gente, qué hace, por qué manda remesas, por qué no manda remesas para otra cosa, qué es lo que se puede hacer. Eran miles de preguntas sin ninguna respuesta, y dijimos vamos aquí y nos establecimos en Santa Cruz Mixtepec, porque la comunidad quería, escuchó el proyecto de crear un microbanco y de vincular pago de remesas. [...] No se veía mucha viabilidad para un banco porque era una comunidad de quinientos habitantes, sesenta por ciento de la población está en Estados Unidos y no tienen actividad económica fuerte, pequeña agricultura de subsistencia con muy pocos servicios, muy alejado, muy aislado, pero hemos dicho ‘bueno, aquí podemos, si aprendemos de remesas, aquí podemos entender mejor los contextos’.” (Interview 86)

After completing the initial pilot projects, though, the NGO sought to offer remittances with a financially sustainable model. Yet, this aspiration proved to be difficult to implement in practice, according to the same interviewee, due to the cost structure of remittances, as remittance payments in rural areas are far more expensive than in urban areas due to higher transaction costs and higher risks. As prices for remittance transfers were significantly reduced, the payment of migrant's money in rural areas did not prove to be a lucrative business, nor did it even seem possible to offer remittances in a sustainable way. In spite of this, according to the member of the directorate, the NGO continued to pay out money transfers in the rural areas because of its conviction that the local population needed available remittance-services and that these could induce

processes of financial intermediation, especially through savings. In order to reach this developmental goal, the organization thus initially took into account that they would lose for the sake of social equity:

“lo que buscábamos en este modelo de viabilidad, y luego ese modelo no se verificó como viable básicamente porque pagar remesas en zonas rurales no es un negocio, y no es un negocio, porque el negocio del pago de remesas todavía está determinado por las zonas urbanas, todo, toda la cadena está pensada para llegar a zonas urbanas y tú tienes que llegar a zonas rurales. No está contemplado en el precio de mercado el costo de transacción, ni el riesgo. Así es que aprendimos que meternos a pagar remesas tenía un alto costo, un alto riesgo y lo hemos pagado en algunos microbancos, el mercado no reconoce esta, esta situación. Simultáneamente cayeron las comisiones en los últimos diez años al pago remesas se han ido reduciendo, reduciendo, reduciendo al punto que el sacrificado es el último eslabón de la cadena que es el que no está reconocido en el mercado, que son los rurales. Entonces seguimos pagando remesas porque es un producto de primera necesidad para las zonas donde trabajamos, porque detona procesos de intermediación financiera, sobre todo ahorro, mucho ahorro. Un microbanco que paga remesas absorbe ahorro, desde el punto de vista del negocio no deberías recibir ese ahorro, deberías no pagarle. Desde el punto de vista de la equidad para el desarrollo económico, los ahorradores deben recibir un servicio y no es justo que no reciban una tasa que por lo menos mantenga el valor de su dinero. Pero entonces, ¿quién pierde? El intermediario financiero porque el desafío de desarrollar estos intermediarios aumenta.” (Interview 86)

In light of this statement, it is interesting to note that the NGO reacts somehow ambiguously to the insight that remittance-payments in the rural areas are difficult to offer in a financially sustainable way, due to cost structures and risks that are beyond the sphere of influence of this social actor. On the one hand, the NGO presents itself as an alternative or corrective to the “excluding” financial markets, which, according to the interviewed member of AMUCSS’ directorate, will never reach financial inclusion in the rural areas, because serving poor clients in remote areas is not profitable, especially due to high transaction costs. Thus, in this argument, the financial institutions developed by AMUCSS are perceived as alternatives to foster the financial inclusion of the rural population beyond failing market approaches, and the NGO sees it as its mission to demonstrate that their approach is a possible solution:

“yo creo que AMUCSS es un actor social, que incide en la construcción de un espacio de inclusión financiera para actores rurales muy marginalizados, pero que tienen una gran legitimidad, porque son iniciativas de base comunitaria. Justamente, lo que el mercado no da, el mercado no crea oportunidades de inclusión, más bien excluye. Y AMUCSS es un actor social, que tiene funciones políticas, que tiene funciones financieras, funciones organizacionales, funciones de innovación muy fuertes, para esos actores locales que no tenían presencia en el mercado. Nunca van a tener una presencia en el mercado. Porque los mercados por esencia son excluyentes [...] ¿por qué no hay mercados financieros incluyentes en el mundo y en América Latina en particular? Porque las zonas pobres no son rentables, porque no es rentable estar pagando remesas tan lejos con esos riesgos o estar dando esos préstamos de tres mil, cinco mil o diez mil pesos. Cuando puedes en un solo préstamo dar lo de cien préstamos allá. Yo creo que lo importante en el trabajo de AMUCSS es mostrar que es posible ampliar la inclusión financiera con este tipo de actores.” (Interview 93)

On the other hand, despite the insight that remittances are not profitable in rural areas and despite the experience of financial losses with the service, the NGO decided to continue offering money transfers with the creation of the social enterprise Envíos Confianza. The idea to use the market to channel remittances and to achieve social aims through the creation of social businesses is expressed in the following citation of a staff member of AMUCSS at that time responsible for Envíos Confianza:

“Y AMUCSS, es lo interesante, AMUCSS se esta convirtiendo en una incubadora de empresas, porque creó Caja Central, creó Envíos Confianza, va a crear una empresa de micro seguros. [...] Y entonces es como un modelo que a mí me gusta mucho, porque es como todo esto del *social business*, que es como que una ONG empieza a, digamos, usar el mercado para un fin social, porque Envíos Confianza yo lo manejo como una empresa, o sea, tenemos que ser eficientes y no tenemos dinero, pero hay que gastarlo, digamos así, y buscas contratos y cobras comisión, o sea, se maneja como una empresa, pero el fin es social.” (Interview 85)

Strengthening its argument, the staff member also highlights the “entrepreneurial vision” as one of the success factors for the social company:

“me gusta la parte social, pero tener una visión de cómo funciona una empresa [...] porque las ONGs muchas veces funcionan bajo otros esquemas operativos, pero esto tienes que verlo como una empresa, a final de cuentas esa parte es fundamental, y sí básicamente, eso, una visión de negocio.” (Interview 85)

Consequently, even if Envíos Confianza declares that their main aim is not the generation of profits (“*Envios Confianza es una empresa: transmisor-dispersor de remesas sin fines de lucro*”²⁵¹), as a social company, the organization is supposed to generate at least a minimal surplus and to operate in a financially sustainable manner without being dependent on the subsidization of the NGO, as the following citation illustrates:

“lo que es genial de Envíos Confianza es que se vuelve sustentable la operación. O sea, toda el área de remesas que antes tenía que estar subsidiada por AMUCSS, ahora puede ser sustentable” (Interview 85)

Differently from the initial pilot projects, AMUCSS’ new remittance-initiative is thus supposed to operate financially sustainable. As will be further argued in the next section, this changing discourse and orientation might not least be due to the “sustainability expectations” of the international development community and AMUCSS’ donors. In order to understand this logic, first of all the related questions of the NGO’s funding and its interest in financial resources will be addressed in the following paragraphs.

AMUCSS has various lines of funding. On the one hand, it (still) receives donations and support of a variety of national and international entities, and on the other hand, it

²⁵¹ See the presentation of the social company on its website: <http://www.enviosconfianza.org/home/acerca-de/modelo-innovador>, 27.08.2011

increasingly generates its own revenues, mostly through its support activities for the rural financial institutions.

As far as the first line of funding is concerned, in order to keep its operations and social projects running, the NGO over the last years has procured funds from a variety of external sources, combining national and international support. Among the Mexican donors are governmental resources of diverse institutions like the Ministries of Agriculture (SAGARPA), of the Agrarian Reform (SRA), and of Social Development (SEDESOL), as well as special funds for agricultural funding (FIRA). In addition, a range of different international foundations have supported AMUCSS through financial and technical cooperation. Some programs were of general support (e.g. Ford Foundation and Tinker Foundation), others specifically for the remittance-service. Among these was a project of the Inter-American Development Bank and its Multilateral Investment Fund (IDB/MIF) in cooperation with International Fund for Agricultural Development (IFAD), called "Remittances and Rural Development in Mexico", which lasted from mid 2006 to 2010 (Ramírez Martínez 2009: 5).²⁵² According to the then responsible staff member of AMUCSS, considerable parts of the IDB/MIF/IFAD project were invested in the development of Envíos Confianza, which was only a side product of the project, as its creation was not envisaged as one of the central aims (Interviews 85, 87 and 88). In total, between 2006 and 2010, AMUCSS received over 3.4 million USD of external support, of which 1.7 million respectively were from international and national funding entities.²⁵³ In light of its strong criticism of the Mexican state – which will be presented below – it is thus interesting to note that, in sum, AMUCSS received about as much support from national public entities as from international donors over the five year period.

AMUCSS' second main line of funding is its own revenues: these include membership quotas, services rendered to the rural financial institutions – like capacity building and technical assistance – and other diverse sources. In total, between 2006 and 2010, these funds mounted to over 4.5 million USD;²⁵⁴ that is, the NGO generated more of its own revenues than it received from external sources of funding. This funding line has increased in the last years, emphasizing how the NGO has increasingly sought to procure its own financial resources in order to depend less on donors.

Generally, though, as it (still) is to a large extent dependent on external sources, AMUCSS' funding is, different from the cases of the state development bank and the cooperative, characterized by greater insecurity and instability (see also Rita/Paquette

²⁵² See also the information on the project on IDB's website: <http://www.iadb.org/en/projects/project,1303.html?id=me-m1015>, 15.11.2011.

²⁵³ Own calculation based on information received per email from AMUCSS, 1.12.2011 and the NGO's annual report from 2006 (AMUCSS 2006).

²⁵⁴ Own calculation based on information received per email from AMUCSS, 1.12.2011 and the NGO's annual report from 2006 (AMUCSS 2006).

2005: 102f.). That is, in order to secure its institutional survival, the NGO has to invest more effort and to steadily convince different national and international actors to obtain the necessary additional funding for its ongoing operations. Thus, due to the greater instability of funding, AMUCSS' interest in securing external financial resources has arguably another, so to speak more existential, logic than in the case of BANSEFI or Caja Popular Mexicana.

Beyond its institutionally fixed mission to develop financial institutions and services for the rural population, similar to Caja Popular Mexicana, AMUCSS has been actively involved in the political issues concerning the Mexican popular finance sector, especially regarding rural finance. In this respect it has rather operated like NGOs that explicitly target political constraints through mobilization and conscientization (Fisher 1997: 439) than a "classical" microfinance NGO.

This political involvement seems to be grounded in AMUCSS' aspiration to develop its own autonomous projects independent from the Mexican state, which it considers as overly dominant and incompetent. This critique reveals a great deal of disappointment with the state and expresses the conviction that the Mexican governments, over the past decades, have failed in their developmental approaches and used them for political control. The NGO's distinctively critical position towards the Mexican political system and the government's policies will be addressed more extensively in the following paragraphs, as it seems not only to motivate the NGO's activism, but appears also to be a characteristic element of its identity and a constitutive factor of its logic. In fact, according to the NGO's self-introduction on its website, the aspiration to unite and defend autonomous rural financial institutions against the perceived state control has been its main founding reason at the beginning of the 1990s:

"La Historia comenzó hace más de 20 años, cuando un grupo de organizaciones económicas campesinas regionales decidió crear "bancos campesinos" como organismos autónomos para financiar las actividades productivas de sus socios. Estas organizaciones veían los programas de financiamiento públicos como formas de control del Estado, que llevaba a producciones ineficientes y dirigidas de manera centralizada. [...] Durante más de una década, ese grupo pionero trabajó a contracorriente, construyó un sueño de autogestión y de organización especializada y profesional en las finanzas rurales. Abrió un camino práctico desde las comunidades y desde las regiones y se encargó de animar un proyecto campesino: la organización propia, autogestiva y corresponsable con el desarrollo. Ese grupo, diecisiete Uniones de Crédito Campesinas, constituyó a la AMUCSS en 1992, como un organismo que diera institucionalidad a su lucha y cohesionara el movimiento."²⁵⁵

Accordingly, a member of the NGO's directorate states that the creation of autonomous rural financial institutions at that time was conceived by the Mexican government as a

²⁵⁵ See "Historia" on AMUCSS' website: <http://www.amucss.org.mx/Portal/index.php/home/quienes-somos/historia.html>, 29.03.2012.

subversive act: *“hacer eso en México en los años ochentas era una herejía y en los noventas, porque siempre fue, era una lucha contra el sistema político que controlaba cualquier iniciativa autónoma en el terreno económico.”* (Interview 86). In another occasion, the same interviewee refers even more explicitly to the dominating role of the state and the weak position of the civil society in Mexican history, which are presented in the following citation as the main reason for the comparably slow development of the Mexican microfinance sector. Accordingly, the interviewee is convinced that it is not the responsibility of the state to foster the development of popular finance but that of the societal organizations themselves:

“Este país ha tenido un estado dominante en todo [...] O sea, aquí, nosotros, la sociedad civil es así chiquitita contra un gigante [...] aquí el Estado es fuerte, seguimos teniendo un Estado fuerte. [...] por eso hay que entender por que es tan atrasado la finanza popular. Nuestra primer Ley de Finanzas Populares, apareció en el año 2001, antes era Estado, Estado, Estado, y Bancos de Desarrollo para acá, Banco de Desarrollo para allá [...] ideológicamente todo mundo pensaba que el Estado debía resolver, entonces el decir: ‘¡oye no, no es el Estado, somos nosotros!’ eso fue un poco como la cultura de AMUCSS desde que empezamos todo esto, y no sólo desde el 92, que se creó AMUCSS, sino desde antes, había un sector campesino que decía: ‘¡no, es que nosotros lo tenemos que hacer!’ [...] siempre detrás de todos los sistemas financieros hay una decisión política [...] la decisión política mexicana ha sido que no quieren autonomía rural, no quieren sociedades más fuertes, por eso es que nunca hemos tenido una Ley. ¡Imagínate 2001! Los alemanes la tuvieron en 1856.” (Interview 95)

AMUCCS’ further state critique implies above all a conception of the Mexican political system as undemocratic and dominated by power relations as well as the perception of the public policies as clientelistic and misguided – even after the end of the PRI-Regime. Recounting the NGO’s history, the interviewee mentions that some of the problems encountered had to do with the prevailing power structures in the rural sector, and were, even if also part of the economic problems, rather political in nature. In the following citations, these decade-old and unchanging power structures and the political corporativism are thus presented as one of the reasons why some areas could not profit from the massive inflow of remittances in spite of privileged conditions. The NGO draws therefore the conclusion that they have to support the rural population’s organization in order to enable them to change their situation:

“no hay estabilidad en políticas agrícolas en México, la única estabilidad es la concentración de poder y la concentración de recursos en unas capas minoritarias de la sociedad rural y la gran, gran, gran masa campesina no tiene programas de desarrollo a pesar de que teóricamente hay dinero para el campo, si hay, es una concentración de poder y un uso de la, terrible, terrible,... Te puedo contar a detalle como llegan los programas públicos y porque no sirve de nada, por más dinero que le metas no va a haber desarrollo porque lo central que es respetar que la gente se organice y tengan sus instituciones y organizaciones no existe. (Interview 86)

“Y la pregunta es ¿y por qué el dinero de las remesas no ha contribuido a desarrollar económicamente esta zona y se sigue yendo tanta gente de un lugar privilegiado? Y entonces entras a otras explicaciones que no son económicas, o que son económicas pero que son relaciones de poder. [...] la mayoría de proyectos han fracasado por los liderazgos, y son los mismos liderazgos que nomás se reciclan. Sexenio tras sexenio y nos reveló de una manera impresionante la inocencia con la que nosotros habíamos llegado a ese lugar. Sin conocer esa problemática, tratando de construir una alternativa donde todo estaba copado por relaciones de poder. Entonces si, tienes mucho dinero que llega, buenas condiciones agroclimáticas, de comunicaciones, geopolíticas y ¿qué pasa? Que la gente no se quiere organizar, y no se quiere organizar porque ya aprendió durante décadas que sólo los usan, que no hay instituciones confiables, organizaciones campesinas confiables, es el corporativismo político de décadas de nuestro sistema político, y entonces ¿tenemos que organizar! Y ¿cómo organizamos? Tienes una institución que tiene que empezar organizando. O sea, el problema no es económico sólo sino organizativo.” (Interview 86)

The above insinuated critique of the clientelistic use of public policies is more explicitly expressed in the following statement together with a critique of the misguided rural development programs, which focus on the massive distribution of livestock. In that context, the member of AMUCSS' directorate also declares that until development programs are distributed in a de facto public, open and accessible manner there will be no democracy in Mexico. Consequently, the NGO conceives the creation of rural financial institutions also as a possibility to foster democracy and social equality, as they are supposed to open spaces for participation and give the poor a voice and power:

“todo el concepto de desarrollo rural, supuestamente a través de municipios si es muy pobrista: vamos a llevarles creditos o vamos a repartirles borregos o vamos a repartir... quieren soluciones masivas, de una sola vez y que brillen políticamente, entonces reparten cosas y claro que la gente lo recibe, si te regalan un credito lo recibes pero eso no los va a sacar de la pobreza [...] cuando la llegada de dinero a las áreas rurales no dependa de los votos ni del partido sino de programas realmente públicos, abiertos, accesibles podremos tener democracia. Por eso te digo que el nivel de desprecio de la agricultura campesina que hay en México no lo he visto en ningún otro lado. [...] Y en México es impresionante, por eso somos un país tan desigual, porque los pobres no tienen voz. Bueno, esa es una manera de darle voz a los pobres, que haya instituciones financieras sólidas, con autonomía [...] es una manera de que los pobres pues tengan poder.” (Interview 86).

In the following statement the interviewee again criticizes the development policies of the Mexican government for intending to foster local development through isolated consultancy projects without real participation and support for the rural population. Also here, AMUCSS presents itself as actor for social change that intends to find ways to improve the situation of the rural population, expressing the necessity of engaging in that venture in order to contribute to the future development of the country:

Hoy, el gobierno cree que va a crear desarrollo económico con un montón de despachos [...] que [...] les hagan proyectos a las comunidades, y como por arte de magia las comunidades van a poder salir de la pobreza [...] Entonces, mientras esa política no cambie, no va a haber cambios sustanciales en el modelo económico, nosotros no nos podemos sentar aquí y esperar a ver cuándo va a cambiar entonces hay que buscar, hay que hacer pequeños

esfuerzos que den salida. Igual que cuando empezamos el proyecto microbanco nadie pensaba que se pudiera hacer algo así, participativo, campesino, con distintos servicios financieros, incluso las microfinanzas [...] Claro, puede ser una gran utopía. Pero si queremos hacer cosas en serio para el futuro del país hay que meterle a eso.” (Interview 86)

Last but not least, in another interview, the same representative of AMUCSS criticizes the limited knowledge of the (Mexican) state regarding the realities of rural areas, communities and migrants and points towards the civil society organizations’ expertise in that respect. The high rotation of personnel in public positions even reinforces that problem according to the interviewee. Thus, even if the NGO leader concedes that the state has certain comparative advantages, for instance, in terms of financing and power, it is convinced of the civil society’s superiority when it comes to finding solutions because of its knowledge and permanence:

“Normalmente lo que encuentras en el Estado es una gran ignorancia de las realidades rurales, de las realidades comunitarias y de las realidades de los migrantes. [...] lo que contrasta fuertemente es la enorme ignorancia que tienen respecto a la realidad del ciudadano común. Lamentablemente es una constante en los Estados, yo creo de todo el mundo y en particular de México, que los aparatos de gobierno están muy alejados de la problemática del ciudadano común. Y esa es la parte en donde la sociedad civil le gana al Estado, donde tiene más capacidades. Segundo, el Estado tiene alta rotación y alta inestabilidad, profesional, sus profesionales generalmente no saben nada cuando llegan y son nombrados, se meten, investigan, desarrollan capacidades y se van. [...] entonces permanentemente son ignorantes, casi por definición, por esa rotación que tienen. [...] Entonces tienes una paradoja, porque tienes mucho poder pero tienen capacidades muy limitadas, porque no permanecen en el tiempo. Y eso hace que nosotros en sociedad civil seamos mucho mejores que ellos. Porque tenemos por un lado el conocimiento del ciudadano común y por otro lado tenemos permanencia. Una permanencia, una especialización y un aprendizaje [...] que nos hace ser superiores a ellos en soluciones.” (Interview 95)

What the interviewee does not mention is the fact that also in the NGO there is at least a certain rotation of personnel, which is not surprising for NGOs due to the small salaries they can pay (see e.g. Glasgow 1993: 309), but which represents a similar problem. For instance, the social company Envíos Confianza, from its inception in 2008 onwards, had already had four different directors until 2011. Moreover, as far as the knowledge aspect is concerned, it has to be noted that the members of the directorate of the NGO are above all anthropologists, whose reasoning, according to Sulmont (2008: 80), is determined rather by that formation than by financial rationales.

At any rate, in light of the above presented harsh critique, it comes as no surprise that AMUCSS, after its long searching and learning process, and with the conviction of having gathered considerable experience in the Mexican rural sector, aspires to be involved in the political issues concerning the Mexican popular finance sector, especially regarding rural

finance. Accordingly, it highlights its strategic involvement to influence the policy-making regarding rural microfinance on a handout describing the NGO:

“La institución ha demostrado tener una fuerte capacidad para generar alianzas estratégicas con actores los corredores de migración y para animar políticas públicas en materia de microfinanzas rurales.”²⁵⁶

Likewise, a former interviewed staff member stresses the NGO’s political activism together with its innovative potential as one of its strengths and points towards its unique involvement concerning the adaptation of the normative framework for rural institutions:

“la otra cosa buena que tiene AMUCSS, la parte de cabildeo [...] Ninguna otra institución está proponiendo una ley para crear instituciones rurales [...] como esa parte de estar siempre como cabildeando, mejorando el marco regulatorio, esa parte es la otra y creo que en ese sentido AMUCSS es, [...] es muy buena para la parte de cabildeo, para tener la visión. (Interview 90)

As will be argued below, AMUCSS’ political involvement has had implications both for the creation of their own remittance-initiative and the regulation process of the sector. Before analyzing these implications in more detail, the following sections address the logics of AMUCSS’ remittance-initiative *Envíos Confianza*.

5.3.3 *Logics of Envíos Confianza*

Different from Caja Popular Mexicana, who never joined the state network but offered the remittance-service from the beginning with its own initiative, the majority of AMUCSS’ micro-banks for some years were members of La Red de la Gente (Interview 68),²⁵⁷ before the NGO institutionalized its own remittance-initiative with *Envíos Confianza*. Based on the elaborations on the NGO’s logic in the preceding sections, the following paragraphs now reconstruct the logic of the NGO’s remittance-initiative and its reasoning behind launching this alternative initiative alongside the state’s. Also *Envíos Confianza*’s logic, as will be argued, follows social, commercial and political rationales.

Offering a more adequate solution to the rural sector?

The social aspiration of AMUCSS’ remittance-initiative is closely linked to the NGO’s mission to care for the rural sectors provision with (more adequate) financial services. Asked for the reasons why AMUCSS left the governmental network and founded its own remittance-initiative, a staff member explains this, in the first place, with their different

²⁵⁶ See “*Triptico AMUCSS*” downloadable at: <http://www.amucss.org.mx/Portal/index.php/documentacion/folleto/172-tripticoamucss2010.html>, 23.09.2012.

²⁵⁷ According to a staff member of AMUCSS, six of the seven networks of micro-banks joined La Red de la Gente; the one that did not join was not located in a migration area (Interview 85).

focus of attention, describing AMUCSS' orientation as more rural and BANSEFI's as more (semi-)urban:

"Red de la Gente es más semi urbano y no llega tanto a las zonas rurales donde estamos nosotros, o sea, a ellos les interesa tener muchas cajas, a mí también, pero, aunque la caja esté padrísima, pero si no esta en zona rural no la acepto. Pero en general, lo que hace Red de la Gente me parece bien, me parece de las pocas cosas buenas que ha hecho bien BANSEFI, es Red de la Gente. Y lo venden en todos lados y está bien, pero nosotros nos salimos, por esa parte de que no son tan rurales." (Interview 85)

Also one of BANSEFI's staff members responsible for La Red de la Gente confirms this difference, supposing that AMUCSS has created its own network in order to capitalize on the rural market niche. Note that the interviewee also mentions that the development bank would have preferred to keep AMUCSS' members with the governmental network and deeply appreciates the work of the NGO. Yet, the NGO's leaving does not seem to bother them that much either (at least according to the second citation), as there are other financial institutions to join, and as the membership in La Red de la Gente is voluntary, the governmental bank does not force anyone to stay:

"AMUCSS lo que hace es atender zonas rurales muy muy marginadas y obviamente pues es un gran nicho, un mercado para el envío de remesas porque es de zonas donde se expulsa a mucha gente a trabajar a Estados Unidos. Lo que hizo AMUCSS es que creó ya su propia empresa de envíos de dinero, se llama Envíos Confianza, ellos quieren hacer su propia red entonces están saliendo de la Red de la Gente. [...] Y nos da mucha pena que se vayan, porque nosotros quisiéramos que permanecieran, pero es una decisión obviamente libre que toman y que es respetada desde luego. Las cajas no están a fuerza, de ninguna manera están obligadas a estar y permanecer en la Red [...] si quieren irse por su propia voluntad debe de poderseles permitir." (Interview 75)

"es un trabajo muy bueno el que hacen, muy muy bueno. Pero yo supongo que la organización vió que también había una posibilidad de poner un negocio. Entonces está haciendo su propio esquema de red, está bien ni modo, lloraremos un poco porque se van pero ya habrá otras que entren, de hecho..." (Interview 75)

Considering these statements, it is worth noting that AMUCSS' departure from La Red de la Gente is presented by both, the interviewed staff members of the NGO and the governmental development bank, as a voluntary decision by AMUCSS. This is interesting insofar as the argument made by one of the NGO's leaders, as will be shown below, sounds completely different. As far as the aim of creating a special network for the rural sector is concerned, it is questionable whether this was the main reason for the NGO's separate initiative. As has been discussed in chapter five, even if most of AMUCSS' micro-banks left La Red de la Gente, a large group of institutions now offers the remittance-service cooperating with both networks. That is, Envíos Confianza at least has not established a completely different network from La Red de la Gente and rather covers to a considerable extent the same areas. Even if this does not query the obvious social

orientation of the initiative, the following paragraphs, like in the case of the development bank and the financial cooperative, consider the argument that the NGO might have launched this social company also due to its interests in additional sources of funding.

Additional funding for the NGO?

There are several reasons to expect that the NGO founded its own remittance-network in order to secure the financial resources for its institutional survival. Yet, as will be argued here, in the case of AMUCSS, the interest in additional funding does not seem focused on the generation of additional income directly via the remittance-initiative, but rather on the “strategic” use of the network in order to attract international donor funding.

The argument that Envíos Confianza was created in order to generate additional income for the NGO would be plausible as long as AMUCSS was supposed to receive revenues from the social company. Yet, according to information from the NGO, it does not generate income through Envíos Confianza.²⁵⁸ One reason could be that, due to its conception as a social company, no dividends are foreseen for shareholders. Thus, even as main shareholder of Envíos Confianza, AMUCSS would not receive any revenues out of the venture.²⁵⁹ The other reason could be that Envíos Confianza is not profitable (yet); this, up to now, indeed seems to be the case. At least, the aim that Envíos Confianza offers the service in a financially sustainable way seems not to have been achieved as quickly as expected: Whereas, when the enterprise was created the intention was to be operationally sustainable after one and a half years (Interview 85), after almost four years of operation, the company does not yet yield enough profits to function without external support. Thus, up to now, Envíos Confianza still depends on the support of AMUCSS (and its funders), who pays for the staff’s salaries, for instance (Interview 91).²⁶⁰

Yet, even if Envíos Confianza does not generate its own additional funding for AMUCSS and might even not be supposed to do so (as the ambivalent statements presented in section 5.3.2 could insinuate), one can still argue that the NGO launched the remittance-service due to its interest in financial resources. Firstly, due to the international remittance-hype that provided considerable amounts of funding for development projects

²⁵⁸ Information per email from AMUCSS, 20.06.2012.

²⁵⁹ As has been mentioned above, AMUCSS holds 94 percent of Envíos Confianza’s shares (information per email from AMUCSS, 20.06.2012).

²⁶⁰ The business model of the social company is as follows: When Envíos Confianza started to operate, similarly as in the case of La Red de la Gente, the joining MFIs had to pay a fee (around 700 USD) to become members. In this way the institutions contributed to the company’s capital and received voting rights in Envíos Confianza’s annual assemblies (Interviews 85 and 89). Since 2009, however, no new members are accepted; instead, the MFIs newly joining Envíos Confianza only have the form of associates. The revenues the company generates are the commissions paid by the money transfer operators for each transaction. The distribution of these is slightly different as in the case of BANSEFI: the participating financial institutions receive 66 percent, Envíos Confianza 25 percent; three percent is for marketing and six percent for a fund that supports the members in cases of emergencies like robberies and the like (Interviews 88 and 89).

in that area, and secondly because even the discourse to create a financially sustainable social company can arguably attract funding from the international donor community.

Regarding the first argument, the international interest in remittances, especially since the beginning of the new century, was a fertile context for social actors to get international funding in order to capitalize on remittances for development. AMUCSS seems to have jumped in at the right moment in order to profit from this positive funding conjuncture and to position itself in that strategic development field. According to Sulmont (2008), in addition the daily confrontation of the reality of migration and remittances in the rural areas they worked in, there was an external impetus to start integrating remittances in the NGO's work. Especially AMUCCS' director actively participated in numerous international events regarding rural finance, where the NGO could establish a range of contacts with international supporters. Thereby, AMUCSS also contacted one of the pioneers and most renowned experts in the field, who had been lobbying the IDB/MIF to finance projects linking remittances and microfinance for financial inclusion. Reportedly, it was this expert who convinced the NGO to establish the remittance-service in their micro-banks in the first place in the form of a pilot project financed by the Inter-American Foundation. Using AMUCCS' experience as exemplary case to support his project idea with the IDB/MIF, the expert facilitated the contact between the NGO and the international donor, which, not surprisingly, supported AMUCSS with the new funding line from 2006 onwards.

It is interesting to note that the NGO initially even seemed to have been rather reluctant *vis-à-vis* the idea to pay out remittances in the micro-banks, because this implied cooperating with international money transfer operators, which were regarded very critically due to their high transfer prices and the implicit exploitation of the migrant families. That AMUCSS finally notwithstanding "dealt with the devil" seems thus to be at least partly due to the especially favorable conditions to receive international funding for becoming involved in the highly fashionable development topic linking remittances and microfinance (Sulmont 2008: 49ff.).

According to the second argument (regarding the need to be financially sustainable), in order to gather funds in the national and international arena, the NGO could capitalize on its image as an especially innovative actor focusing on the development of financial innovations for the rural poor ("*Lo bueno que tienes es la innovación [...] siempre anda buscando nuevas empresas que crear, nuevas iniciativas, y esto es algo que no es en las microfinancieras en general*" Interview 90). With this reasoning, the promise to become financially sustainable would be enough to attract international donor funding, independent of the question whether it ever achieves any sustainable long-term ventures. Thus, one could argue that the NGO's declaration to establish financially sustainable companies has at least as much to do with the expectation of the donors as with the

intention of the directorate to actually operate its businesses profitably and/or their belief that this is de facto feasible in the conditions in which they work. The expectation on the part of the international donors is expressed as exemplary in the following citation of one of the responsible staff members of the IDB/FOMIN's project supporting AMUCSS' remittance-initiative:

"Ahorita por desgracia, por la coyuntura financiera y todos estos términos que estamos viviendo quizá muchos de sus proyectos, o proyectos que el mismo FOMIN apoya, no son cien por ciento sustentables. Parte de lo que nosotros buscamos es que al momento de entrar, buscar que al cabo de tres o cuatro años, que ellos sigan por sí mismos. Entonces, yo ahí sí tendría un poco mis dudas. [...] les cuesta trabajo llegar a esa sustentabilidad todavía. Entonces dependen de donativos, de algunos otros apoyos gubernamentales, de subsidios. Pero bueno, yo creo que tarde o temprano, tenemos que buscar la forma de mejorar todo esto. De hacerlo rentable por sí mismo." (Interview 12)

Likewise, the staff member responsible for the creation of Envíos Confianza confirms that also another foundation expects the NGO to not only develop unique innovative models but that these, after the long-term support they have received, also have to be replicable and reach out to larger population groups. Implicit is thus the expectation, even if this is not stated literally in the following citation, that the model works in a financially sustainable way:

"la Fundación Ford ha apoyado durante muchos años a AMUCSS. Sigue apoyando a AMUCSS porque el modelo les parece un modelo innovador, un modelo que no existe en otras partes, en otros lados y a ellos les gusta eso, como un modelo, apoyar un modelo. Pero después de ocho años dijeron pero es que ya necesita replicarse, necesitamos tener, ok, ya logramos tener un modelo, y ahora hay que multiplicarlo. Digamos que el problema sería la falta de expansión, o sea, tiene que llegar a más gente." (Interview 90)

It is not surprising then that the NGO declares – as has been outlined above – that they plan to establish a financially sustainable business to channel remittances, even if they argue at the same time that the payment of remittances in rural areas cannot be provided in a profitable way. To get the funding, it is yet arguably irrelevant if the project in the end reaches sustainability or not: Until this becomes clear, the funding period might be already over and the NGO might already operate with other funds for new projects, with which it can partly cross-subsidize its unsustainable ventures.

Regarding the collection of funding, AMUCSS seems, at any rate, to have profited considerably from its director, who is often described as a charismatic, committed and creative leader, and very able in terms of promoting the achievements of the NGO on the national and international level. A representative of the Inter American Development Bank, for instance, confirms: *"es una persona muy conocida en el medio [...] ha hecho un trabajo incansable, creemos que su trabajo vale mucho la pena"* (Interview 12). Also, according to a range of microfinance experts, the NGO would not have reached such an (inter-)national

visibility and would have had a far harder time obtaining financial support from such a range of different sources without this strong personality (Interviews 2 and 6).

That AMUCSS has been successfully attracting international support is confirmed by the NGO's director in the following citation, in which the interviewee argues that the international funding fosters the organization's autonomy. According to this rationale, AMUCSS needs to continue to obtain international financial resources, because only these enable the NGO to stay autonomous, while the Mexican governmental institutions allegedly often politically condition their funding:

“la búsqueda de fondos y de gestiones es muy importante, ese trabajo, esa parte, porque México como sabes, no es un país que es de primera importancia en cooperación internacional, o sea aquí no está lleno de ONGs y fundaciones internacionales, entonces tienes que estar buscando, y es, para nosotros ha sido muy importante esta combinación internacional-nacional, porque la internacional es la que nos ha dado autonomía, y que nos ha ayudado a tener más capacidad de negociación interna. Entonces somos bastante conocidos a nivel internacional, porque somos un grupo serio, con resultados, con innovaciones, con poco hacemos mucho, y la verdad es que no hemos tenido ningún condicionamiento de parte internacional, de que una fundación nos apoye condicionado a cierta posición política o a cierta religión, nada, nada, por eso ha sido tan importante para nuestra autonomía. [...] Eso ha sido muy importante, en cambio internamente sí, si aquí tienes opiniones inadecuadas sí te pueden bloquear políticamente” (Interview 93)

In order to enhance its presence and visibility to get this international support and thus secure the necessary resources for maintaining its operations, AMUCSS has arguably an interest in a large network. From this perspective, the creation of their own remittance-network, and the fact that Envíos Confianza also has included many institutions that already are members of the state network La Red de la Gente, could be also interpreted as an intent to gain international visibility and to enlarge the own network by all means, and to thus convince the international donors of the “success” of their venture(s), in order secure further external funding. A large network moreover implies a higher political weight in Mexico. That the NGO's quest for autonomy and a power political rationale seem to drive its remittance-initiative as well, beyond the quest to procure funding, will be argued in what follows.

Launching an autonomous project and gaining political influence in Mexico?

Corresponding to its critical position *vis-à-vis* the state and adding another argument to the above presented, AMUCSS justifies its own initiative with their aspiration to develop an autonomous grass-roots initiative independent of the government:

“a diferencia de la Red de la Gente donde es el gobierno que está organizando, aquí son las mismas cajas que se organizan, y bueno, con AMUCCS también, pero bueno, parte del mismo sector [...] necesitamos organizarnos en red para poder negociar.” (Interview 85)

“poder construir algo de las cajas rurales es parte también de nuestra misión [...] no creo que tenga que ser el rol del gobierno organizar a las cajas para pagar, sino que deberían de ser las mismas cajas las que se organizaran. Entonces, en ese sentido como autogestivo.” (Interview 85)

Moreover, in order to justify their ambition to gain independence from the state, a leading staff member of the NGO argues that, operating in the financial sector, they would have to be able to follow the rules of the market without governmental support. In the same statement, the interviewee also doubts the political sustainability of the state initiative and explains their separation from the latter with the unpredictability of the political intent:

“Y muchas veces nos han dicho: ‘pero para qué hacen ustedes eso, métense a la Red de la Gente, aquí tienen todo ¿no?’ Y nosotros decimos: ‘sí, tenemos todo, toda la conducción del Estado. ¿Por qué, por qué no hacerlo?’ Yo te diría, fíjate, porque para hacerlo, cuando tú haces finanzas, tienes que ser profesional y tienes que comenzar a seguir reglas del mercado y de calidad y de tener presencia y de saber negociar, y eso no lo vamos a hacer si el Estado nos hace todo. Entonces nosotros decidimos no entrar a la Red de la Gente, porque no sabemos si el próximo Director General va a ser otro político, que nos va a abrir y cerrar la llave conforme a su voluntad política ¿no? y eran, son nuestros amigos, conocidos, los que estuvieron ahí y que nos dijeron: ‘oigan pus éntrenle’. Y les dijimos: ‘sí, y quién nos garantiza que ustedes no se van a ir?’” (Interview 95)

Whereas the last argument is plausible in the Mexican context, where the existence of institutions has often followed the political conjunctures of presidential *sexenios*, beyond that, there is considerable ambiguity in the NGO’s justification of its quest for autonomy: This is specifically related to the statement that the non-state actors should operate without state support and according to market rules. Various interviewees from AMUCSS argue along the same lines, criticizing that the state network, in contrast to the NGO’s initiative, is “eternally” subsidized (“*La diferencia [...] es que Red de la Gente esta organizada por el gobierno, con subsidios eternos digamos, y Envíos Confianza está organizado por las mismas cajas.*” (Interview 85) and “*La Red de la Gente subsidia, nosotros no damos subsidio*” (Interview 93)). Yet, thereby they obviously do not mention that the NGO’s network is not (yet) financially sustainable either and (still) depends on subsidies. Neither do they mention that the NGO still receives considerable funding from the Mexican government and uses part of it to foster their remittance-initiative, as has been outlined in the former section.

This inconsistency becomes still clearer through the following citation, in which a member of the directorate explains that their international visibility and funding has helped the NGO to strengthen its position in Mexico and to get more access to national funding. That is, on the one hand, the NGO pretends to create self-governed initiatives autonomous from the state, and on the other hand pursues access to national governmental resources:

“casi todo lo que hemos hecho nosotros ha sido por concursos internacionales. Abre un concurso [...] y entramos y ganamos concursos para tener financiamiento a nuestras innovaciones. Pero también [...] eso nos refuerza nuestra interlocución interna, entonces cada

vez tenemos más capacidad de tener acceso a recursos públicos, nacionales, pero ha sido gracias a esas inyecciones de cooperación internacional que soportan las innovaciones que después nos hacen fuertes en la interlocución con el gobierno.” (Interview 93)

At the same time, the NGO positions itself as distinctively critical *vis-à-vis* the Mexican government, as has been argued in the previous section. Corresponding to its understanding as critic of the state, and differently from the argument that they are “more rural”, a leading member of the NGO’s directorate refers to this position to explain their exit from the governmental network with the argument that they were thrown out because they were “politically incorrect”. In this view, thus, the NGO has not left La Red de la Gente of their own accord but was forced to leave due to its critical position towards the government, insinuating that there has been a considerable conflict between the two parties:

“La Red de la Gente nace como una iniciativa de BANSEFI para dar servicio a las instituciones financieras, pero excluye a sus federaciones y a sus asociaciones, y es usada políticamente. Entonces incorporan en La Red de la Gente a las instituciones que les convienen y excluyen a las que son críticas a la política pública. Y nosotros fuimos muy críticos siempre con el intervencionismo gubernamental excesivo que tuvo BANSEFI durante muchos años. Esta posición crítica de AMUCSS, hizo que nos excluyeran de La Red de la Gente, incorporaron a nuestros socios al principio, a algunos de nuestros socios, y después bloquearon, bloquearon y luego los sacaron, a algunos de ellos. [...] La Red de la Gente pensaban que nos iban a quitar capacidad de hacer cosas y bueno, nosotros dijimos: no entramos ahí pero hacemos nuestra propia solución. Y creamos nuestras soluciones, a contra corriente. Entonces ¿por qué no estuvimos en La Red de la Gente? porque el gobierno nos excluyó.” (Interview 93)

Further explaining their expulsion, the interviewee adds that the main problem was not that the NGO disagreed with the governmental development bank but that they published this critique:

“eramos políticamente incorrectos, pero déjame decirte que lo pecado no era pensarlo u opinarlo, sino el pecado era publicarlo. Y yo lo publiqué muchas veces, porque estoy convencida y lo seguiré haciendo, porque estamos en una democracia, pero era intolerable que alguien del sector opinara distinto a BANSEFI [...] entonces éramos políticamente incorrectos.” (Interview 95)

Interestingly enough, as has been mentioned above, the staff member responsible for La Red de la Gente comments the exit of AMUCSS completely opposed, as demonstrated in the following citation. According to that interviewee, the NGO’s associates were and are always welcome to join the governmental initiative even if they transfer remittances with Envíos Confianza. In their opinion, the fact that the non-state actor launches another network simply – and for the better – increases the options for the remittance-senders and receivers. Note how much the state employee emphasizes their positive orientation

towards the NGO, stressing also that there was no conflict and that AMUCSS has received considerable support from BANSEFI:

„obviamente tienen su empresa de Envíos Confianza que es envíos de dinero. Pero yo les he comentado siempre [...] que es un servicio más, o sea no pasa nada, es mejor tener muchas marcas de agua que tener una sola marca para que pueda escoger la gente. Entonces no estábamos peleados de ninguna manera con que ellos tuvieran la relación de negocio con su propia empresa de envíos, Envíos Confianza. Somos bastante amigos de ellos. [...] Si desde luego, que están operando con las dos vías. Y no hay ningún problema, nosotros no tenemos conflicto en ello. [...] por supuesto que es bienvenida [...] no tenemos nosotros ningún problema. Y AMUCSS ha sido una organización que tradicionalmente en BANSEFI ha sido muy apoyada...” (Interview 76)

Independent from the argument of the NGO that they were expelled from the governmental network and forced to create their own business, there seems to be a further rationale for the creation of Envíos Confianza: that AMUCSS left the state initiative and created its own in order to strengthen its position within the Mexican popular finance sector. As an interviewed former staff member explains, a large remittance-network is not only necessary to reach out to a larger share of the rural population, but it helps the NGO to expand its political influence in Mexico:

“Digamos que el problema sería la falta de expansión, o sea, tiene que llegar a más gente [...] porque ahorita son [...] unos veintitantos microbancos, que están atendiendo a veinticinco mil personas. Pero podrían ser doscientos atendiendo a doscientas mil personas y ya tener un impacto, ya tener una masa crítica [...] que además permita tener también más peso en el gobierno [...] XY habla mucho [...] habla mucho y va, hace sus contactos y sí tiene un peso, digamos. Pero cuando estás atendiendo a un cuarto de millón de personas tienes más peso político, yo creo, y puedes llevar más cosas.” (Interview 90)

To sum up, according to AMUCSS' clear mission and identity as social actor focusing on the rural poor population, also their remittance-initiative has a strong social aspiration, offering a solution to the marginalized transnational families. Even if this logic appears to be the dominant one, it is accompanied by political rationales – that is, the initiative shows to be also conceived as a means to gain political weight in Mexico and to pursue the NGO's positions more effectively in the political process. Moreover, the initiative has a somewhat financial logic, considering that AMUCSS might have also capitalized on an internationally and nationally hyped development topic to gather additional funding. The implications of these overlapping rationales are at the center of interest of the following section, which addresses some of the areas in which the three main actors interact with their different logics in the Mexican popular financial sector.

5.4 Competing roles and conflicts of the state and non-state actors

As has been demonstrated in the previous sections, all three analyzed actors have not only been active linking remittances and microfinance with their three “isolated” initiatives, but have also played additional important political roles in the Mexican popular finance sector. This section re-contextualizes BANSEFI’s, Caja Popular Mexicana’s and AMUCSS’ roles in the broader arena of the sector, arguing that the logics of the state and non-state actors and their remittance-initiatives not only have considerable implications for the outcomes of the initiatives but also for the interactions of the actors in the political process. This re-contextualization is relevant insofar as the broader context, in which the initiatives are embedded and which they contribute to shape with their acting, can function as either an enabling or obstructing environment for their potential to contribute to financial inclusion.

As a main concern of this study lies in understanding the role of the state *vis-à-vis* non-state actors, the analysis in this section parts from the above presented different mandates of BANSEFI, the state development bank. Thus, the following sections begin to address BANSEFI’s role as first tier bank, through which it acts as additional financial service provider in the market. Secondly, some important implications of its mandate as second-tier bank are discussed. The final section sheds light on the broader context of the microfinance sector’s regulation process, in which both the state development bank and the two non-state actors AMUCSS and Caja Popular Mexicana have played important roles. The following examination does not pretend to address these three broad areas in detail – this would require separate in-depth studies respectively. Instead, it focuses on the interactions between the three analyzed state and non-state actors in the Mexican microfinance sector, arguing that each of BANSEFI’s roles represents a focal point of potential frictions: Due to the specific configurations of its different mandates, the state development bank enters into conflicts with the non-state actors – partly, because they conceive the state actor as competition, and, not least, also due to the non-state actors’ respective logics.

The elaborations partly draw on the analytical approach of Beisheim et al. (2011b: 258ff.) presented in the theoretical chapter in section 2.4.2, classifying possible actor constellations and arising conflicts between state and non-state governance actors. In line with that framework, it is argued that the actors enter into autonomy and domain conflicts due to overlapping and competing roles in the area of decision and organization competencies. Yet, it will be argued that there are moreover also power political conflicts characterizing the interactions of the analyzed state and non-state actors.

5.4.1 *Provision of financial services: BANSEFI as competitor?*

According to its first mandate, which it inherited from its predecessor PAHNAL, BANSEFI is supposed to foster a culture of savings in Mexico. Rather untypically for development banks of the “new generation”, BANSEFI thus offers a range of savings services directly to the population through its own branches. In order to contribute to that aim, the development bank has been additionally entrusted with the task of distributing diverse governmental social support programs like the anti poverty program *Oportunidades*. Paying the amounts directly into a special savings account, the programs are thus used as an instrument to “bank” the receivers (Gavito Mohar 2005: 221). Moreover, recently, BANSEFI started to offer micro-insurances through its branches and La Red de la Gente. Through these operations on the first tier level, BANSEFI acts as additional provider of financial services in the retail market and is, thus, a potential competitor for the non-state actors. It does, though, not conceive its offer as competing with the other providers, making the argument that it only offers savings, as it declares explicitly in the already cited document explaining the governmental strategy to foster financial access:

“BANSEFI does not directly compete with the Savings and Popular Credit Institutions. Since its conception, BANSEFI’s design has not allowed for the provision of loans to its customers. In this way, in providing only half of the financial services demanded, it is guaranteed that BANSEFI will not compete from a standpoint of advantage with the organizations of the Savings and Popular Credit Sector. The population that saves at BANSEFI does so to save at Federal government risk. Those who save at a Savings and Popular Credit Institution generally do so to have access to credit, and they assume the risk of the institution.”
(BANSEFI n.d.: 15)

In spite of the development bank’s own perception, though, the popular financial institutions conceive BANSEFI as a direct competitor due to its offer of financial services, and according to Klaehn et al. (2006: 14), there is thus a “general consensus among representatives of the popular finance sector [...] that BANSEFI should focus on providing infrastructure services and leave retail savings to them.”

Since it has started to offer micro-insurances as well, there is yet another potential area of competition. This is especially criticized by AMUCSS, as the NGO has its own social distribution network of micro-insurances, REDSOL, which it started before BANSEFI entered into this business. In the following statement, a leading NGO member blames the development bank for trying to alienate REDSOL’s affiliates so that they will offer the governmental micro-insurance product and complains about the competition that BANSEFI is creating with its products:

“nosotros tenemos socios en REDSOL que participan en la Red de la Gente. Y todo el tiempo nos los están jalando para meterles otra propuesta de micro seguros. Y ya están en REDSOL, y ya trabajan con REDSOL y tienen micro seguros, pero como pertenecen a la Red de la

Gente, porque los incorporaron al principio, entonces les dicen: 'oye pero tú tienes que vender los seguros que tiene la Red de la Gente.' Y no los venden porque los de nosotros son mejores. Pero por qué tendríamos, por qué tenemos que estar haciendo ese jaloneo de competencia." (Interview 95)

A similar critique is brought forward by the NGO concerning La Red de la Gente being chosen to distribute the governmental support programs, especially the anti-poverty program *Oportunidades* (BANSEFI 2011: 20f.). AMUCSS perceives it as an injustice that joining the state development bank's network is a requisite to pay out the social support programs, while they have their own equivalent network where they could distribute the payments. They also criticize that due to the state's competition, they have to invest additional energy to survive in the market:

"Para pagar Oportunidades, por ejemplo, si nosotros queremos participar tenemos que meternos a la Red de la Gente. Y nosotros decimos: 'oigan, pero nuestras instituciones tienen su red de micro seguros y de remesas'. Pero es un requisito, tienes que entrar a la Red de la Gente. Y nos obligan a entrar en la Red de la Gente. [...] y no es justo, porque el pago de Oportunidades no debería estar asociado a condicionar la participación en la Red de la Gente, sino decir: cualquier red puede participar [...] tenemos que estar defendiendo nuestro mercado, nuestra pequeña red y haciéndola crecer [...] Pero no deberíamos de estar teniendo un gasto de energía por competir con el Estado." (Interview 95)

The following statement insinuates that BANSEFI's privilege to distribute the governmental social programs through La Red de la Gente represents a potential distortion in the market and, thus, between the different remittance-initiatives. A Mexican expert in migration and development ascribes La Red de la Gente's capacity to attract clients not to its convincing offer but to the fact that it can capitalize on a captive market through paying the social support programs:

"Funciona más que nada porque utiliza un mercado cautivo. Como saben que ahí le pagan parte de los programas de la Secretaría de Desarrollo Social. Es decir no ha logrado impactar, por ser una propuesta atractiva para la población y que diga, en lugar de tener mi cuenta de ahorros en uno de los bancos privados van a la Red de la Gente. Van a la Red de la Gente porque es un mercado cautivo, porque la ayuda que le manda el gobierno, sabe que tiene que cambiarla ahí [...] la gente va a la Red de la Gente porque es un mercado cautivo, no tanto por la capacidad de convencer a la gente de que su propuesta y su producto es atractivo para ellos." (Interview 35)

Finally, the development bank is also perceived as a competitor in the area of remittances. Even if BANSEFI's function as central operator of the network is closely related to its function as second tier bank, the competition arising through the offer of remittance-payments concerns (also) the first tier operations of the institutions. Especially AMUCSS expresses that it conceives the state's fostering of La Red de la Gente as disloyal competition, arguing that the network works with public support, which in the eyes of the

interviewed NGO leaders should be available for all the remittance-networks and not only for the governmental initiative:

“Yo creo que en el caso de la Caja Popular y de Envíos Confianza, no competimos, porque tenemos mercados diferentes, y en ese sentido sí nos complementamos. Son dos ofertas distintas en un mercado que es sumamente heterogéneo y diverso, esas dos iniciativas se complementan. Teóricamente La Red de la Gente también tendría que ser así, pero no es así, porque [...] hay dados cargados hacia La Red de la Gente, es decir ¿no hay equidad! Ellos funcionan con todo el apoyo del Estado, con dinero, con subsidio, [...] aún cuando sea una iniciativa de gobierno, no puede excluir a las otras iniciativas. Y sin embargo las excluye, los programas de gobierno que diseña BANSEFI son: te apoyo para que hagas educación financiera si eres Red de la Gente. Te apoyan un diagnóstico si eres Red de la Gente. Entonces, teóricamente están apoyando la consolidación de un modelo que es una red de banca social, y nosotros decimos: ¡que bien! pero deberían de apoyar a todas, también la nuestra, también la de la Caja Popular, porque son formas de cooperación solidaria. Y sin embargo, no nos apoyan, y al contrario, nos excluyen y compiten con nosotros. [...] Entonces hay competencia pero es una competencia desleal, porque no tenemos todo lo que ellos tienen, no tenemos programas amarrados, como ellos tienen, dan subsidios a las instituciones que nosotros no podemos dar, hacen congresos impresionantes en lugares maravillosos pagando todo que nosotros no podemos hacer, se promueven a nivel nacional e internacional con dinero del público, que nosotros no podemos hacer. Entonces, teóricamente no compiten, son complementarios, pero ese sesgo del Estado a priorizar solamente a La Red de la Gente y no otras iniciativas, no a todas, hacen, que en la práctica compitas y que sea una competencia desleal.” (Interview 95)

Regarding this last statement, it is worth recalling that also AMUCSS receives considerable amounts of public funding both from national and international sources and that, at least, up to now has not operated its remittance-initiative Envíos Confianza in a financially sustainable way (see sections 5.3.2 and 5.3.3). As has been outlined above, the representative of BANSEFI considers the co-existence of various networks rather as a signal of a sound market, adding additional options for the clients, and underlines the development bank’s positive relationship towards the NGO and their initiative.

In sum, considering these opposing views and the outlined dimensions of BANSEFI’s first-tier activities, there is an obvious problem of – at least perceived – competition with the governmental actor. In the classification of Beisheim et al. (2011b: 261f.) the arising conflicts could be labeled as “domain conflicts”, as both the state and the non-state actors take over “organization competencies” in the area of the provision of financial services. Domain conflicts, as has been outlined in chapter two, arise especially in cases where governance actors do not specialize in specific tasks but all actors potentially do everything – which necessarily leads to disputes over the question who is responsible for which governance-function. Beyond the question whether there “de facto” exists competition, though, this study argues that an especially crucial factor is whether the non-state actors *perceive* the state as competitor, because their perceptions (or “cognitive orientations” in Mayntz’ and Scharpf’s terminology) play an important role when it

comes to influencing their action orientations and thus the actors' interactions (Mayntz/Scharpf 1995: 53; Scharpf 1997: 62).

5.4.2 BANSEFI as central bank of the sector: paternalism revisited?

With its mandate to operate as second-tier bank, BANSEFI is actually responding to current expectations towards public development banks (see e.g. IMF 2007: 6; Trivelli/Venero 2007: 10ff.). Yet, also BANSEFI's role as second-tier bank has faced various complications, with two aspects in particular surfacing as problematic issues in the interviews: BANSEFI's technological platform and the government's intention to sell BANSEFI (partly) to the popular financial institutions.

The development of a central technological platform for the popular financial sector was one of BANSEFI's main projects in its aimed-at role as central bank of the sector. The ambitious and costly venture was not only supposed to bring high-end technology to the popular financial institutions but also to serve as an example for similar projects all over the world, as a former high level member of the bank's management explains:

“montamos una plataforma tecnológica que tenía como propósito llevar a las cajas a la punta de la tecnología, [...] invertimos mucho dinero en eso, y la plataforma costó mucho trabajo, porque no se había intentado un trabajo de esta naturaleza. Vinieron asesores del Banco Mundial, de primer nivel en tecnología [...] en su momento el Banco Mundial nos llevaba muchas partes del mundo para que presentáramos lo que estábamos haciendo y era un modelo de lo que se podría hacer, nos trajeron a gente de Sudáfrica, de Asia, para ver cómo lo habíamos hecho. Fue un proyecto de política pública de una gran ambición.” (Interview 79)

Yet, a first problem of BANSEFI's central platform is that it creates a basic conflict of interests, because the development bank at the same time operates as provider in the retail market. Through the platform, the state development bank is enabled to centrally administer the client data of the popular financial institutions, who, though, are not necessarily willing to provide that information, as they partly conceive BANSEFI as competitor in the market. Some larger institutions therefore opted not to use the platform (Klaehn et al. 2006: 14). A second problem was that the implementation of the platform resulted in a much longer process than expected, due to considerable technical problems, especially in the beginning. This seems to be another reason why the acceptance of the project among the institutions of the popular financial sector was rather limited, and a range of institutions and federations developed their own platforms (Ströh/Navarrete 2007: 36).

Considering its high ambition, the Mexican government's aim to establish a central technological platform for the entire savings and credit sector largely failed. At the end of 2011, ten years after the start of BANSEFI's operations, the platform has been contracted

by comparatively few institutions (85 of the estimated 600).²⁶¹ Alluding to the disproportion of its costs and benefits, a Mexican microfinance expert drastically describes the venture of the technological platform as a “disaster” and compares it to a “white elephant”, (*“tecnológicamente la plataforma ha sido un desastre [...] es un elefante blanco se gastó muchísimo dinero y no, no sirve bien, no es funcional”* (Interview 6)).²⁶² Even if BANSEFI declares that the number of institutions adopting the platform is steadily rising, and that the current users serve around 11 million clients covering thus a considerable part of the market²⁶³, in terms of the numbers of institutions the result remains far behind the aim to include the majority of institutions. The project seems thus to have especially failed as an offer for all the small institutions unable to establish their own platforms, and BANSEFI’s aspired role as central bank of the sector, at least in that sense, has been considerably affected.

In light of the fact that the Mexican government spent millions of dollars to fund this project, it is not surprising that non-state actors harshly criticized the venture of the technological platform.²⁶⁴ A central complaint, expressed both by Caja Popular Mexicana and AMUCSS – which both have developed their own technological systems – was that the project was implemented in the name of the popular finance sector without consulting it:

“se gastaron no sé cuantos millones de dólares, y dieron un dinero a nombre del sector supuestamente para este proyecto – obviamente sin consultar al sector” (Interview 82)

“entramos a la comisión de tecnología y dijimos: oigan y ¿de dónde salió la decisión de que ya esa plataforma tecnológica?” (Interview 95)

AMUCSS explains moreover that it has developed its own adapted system because BANSEFI’s platform does not suit the requirements of the rural financial institutions (Interview 93). Similarly, the NGO criticizes that instead of supporting and developing already existing technological platforms in the popular finance sector, developed by some federations, the government decided to create an additional one “from above”:

²⁶¹ Information from an internal report of BANSEFI. See also “*Plan Estratégico 2008-2012*” on BANSEFI’s website: <http://www.bansefi.gob.mx/bansefi/Paginas/PlanEstrategico.aspx>, 27.2.2012.

²⁶² A white elephant, is – figuratively – a “burdensome or costly possession (from the story that the kings of Siam (now Thailand) were accustomed to make a present of one of these animals to courtiers who had rendered themselves obnoxious, in order to ruin the recipient by the cost of its maintenance). Also, an object, scheme, etc., considered to be without use or value”. See the Oxford English Dictionary on: <http://www.oed.com/view/Entry/60391?rsk=yj6GwmB&result=1&isAdvanced=false#eid5634087>, 15.06.2012.

²⁶³ Information from an internal report of BANSEFI.

²⁶⁴ This is estimated to have had a cost of at least around 100 million USD. There are different data about the cost of the technological platform, ranging from almost 90 million USD (Heimann/Ströh de Martínez 2008: 32) to 140 million USD (The World Bank 2004: 33). Due to the ongoing necessary investments to improve the platform, the costs were probably even higher in the end.

“vamos a comprar una plataforma tecnológica, de ¡super primer nivel, o sea todo se va a manejar ahí, todos vamos a poder subir a esa plataforma y vamos a estar en el limbo de las finanzas mundiales! la famosa plataforma costó como doscientos millones de dólares. Y nosotros les dijimos: [...] ‘Y ¿por qué no apoyan los sistemas que ya tienen las Federaciones? ¿Por qué no evaluamos cuáles son buenos y hay que apuntalarlos e invertirlos?’ O sea, ‘¿por qué una plataforma del Estado?’ O sea ‘¿por qué no lo hacemos de abajo para arriba?’” (Interview 95)

Even if not stated explicitly, the critique expressed in these citations sounds like a criticism of the traditional practice of Mexican governmental paternalism, characterized through programs designed by bureaucrats from above, without taking into account the demands of the concerned population (Grindle 1977: 108, 144, 148f.). Even if the critique of the analyzed non-state actors against the state reflects a general pattern of non-state skepticism *vis-à-vis* governmental decisions, prevailing also in other parts of the world, against the background of the tradition of paternalistic policy making in Mexico, the NGO and the financial cooperative might be especially sensitive. Their expectations towards greater participation might even have increased with the formal democratization in Mexico. Whereas, though, despite the paternalistic practices under the PRI-regime, there was also a political culture characterized by forms of negotiation between state and civil society, the so called *gestión* (Braig/Müller 2008: 407), under the PAN governments, these negotiation channels seem to have been limited, at least for some of the actors (Interview 24). The options to participate in political decision processes, thus, under democratic rule, at least in this regard, might seem even further reduced in the non-state actors’ perception.

Whether or not the state de facto acted in a paternalistic way, without sufficiently taking into account the non-state actors, is thereby again not the main problem. As has been argued above for the case of the (perceived) governmental competition, also here the problem is less the question how the state actually acted, but how its action was conceived by the non-state actors, as this is what influences their behavior. The reproach against the state’s top-down acting, at any rate, has been brought forward by the two non-state actors on other occasions as well, as the following sections show.

The other conflictive issue regarding BANSEFI’s second-tier mandate was the plan that the development bank would be taken over by the institutions of the Mexican popular finance sector after its initial years of operation and established as the central bank of the popular finance sector. As outlined in section 5.1.1, the intention to transform BANSEFI into a non-state institution was closely linked to the government’s strategy to (only) temporarily get involved in the development of the popular financial sector. This planned transfer of the development bank’s ownership to the financial institution of the sector was justified with the argument that the “best way to consolidate BANSEFI as a second-tier bank for the community savings and loan sector is as an institutional structure majority-

owned by the sector operators” (IDB/MIF 2005: 4). That way, it is argued, the sector could control the development banks operations and determine services and products according to its needs. A related rationale behind this plan was that the bank would thus not (longer) compete with the popular financial institutions and they would conceive the former governmental institution as their bank:

“y la intención a la larga, que eso fue al final del sexenio de Fox, era venderle al sector [...] esa era la intención desde el origen, fortificamos BANSEFI; creamos el instrumento, pero regresémoslo al sector para que no compitiera con las cajas.” (Interview 79)²⁶⁵

“en un principio en BANSEFI la idea era que BANSEFI fuera la banca del sector o la caja de las cajas [...] entonces en un principio BANSEFI tenía el proyecto de que el propio sector organizado comprara BANSEFI, participaran del capital social y se volvieran en parte dueños del banco y entonces si lo sintieran como suyo.” (Interview 75)

The proposal for BANSEFI’s so called “socialization” consisted in the idea to sell the development bank, at least partly, to the interested members of the savings and credit sector (De la Torre et al. 2007: 47; Klaehn et al. 2006: 14) as well as to foreign popular savings and credit entities and multilateral organizations to be temporary shareholders.²⁶⁶ BANSEFI reiterated its intention to be sold to the sector, and many sector representatives expressed their interest in taking part in that venture. Yet, even if the sale was supposed to be carried out by the end of President Fox’ *sexenio* (Klaehn et al. 2006: 14; Taber 2004: 121), the bank was still in governmental possession in 2012.

One reason for that delay might be that the sale of the development bank supposed that the institutions of the popular finance sector would be regulated by the time of the takeover (De la Torre et al. 2007: 29; IMF 2007: 19). At the end of 2005, though, only three popular savings and credit institutions had been authorized by the CNBV (De la Torre et al. 2007: 46), and still in 2011 only around 15 percent of the sector’s institutions were regulated, as outlined in chapter three. On the other hand, the proposal that the government could retain some of the shares temporarily implied the idea that the sale could take place with only a few regulated institutions, while the others could acquire shares after the placement of BANSEFI only once they were regulated (IDB/MIF 2005: 4).

²⁶⁵ Interestingly enough, in this statement the governmental representative concedes a competitive role of BANSEFI with the other financial institutions in the sector.

²⁶⁶ According to a draft bill regulating BANSEFI’s “socialization”, the Mexican popular savings and credit entities and their federations should obtain between 51 and 100 percent. Foreign credit and savings entities and multilateral organizations could temporarily invest in up to 49% of the shares. Employees of BANSEFI would be allowed to obtain up to ten percent, and the Mexican federal government could have a temporary investment of up to 49 percent (IMF 2007: 20). Yet, in the long run, the government was supposed to own less than 30 percent of the shares in order to give up control of the bank and avoid that this would be still considered as part of the government (IDB/MIF 2005: 4).

There seem thus to have been other reasons for the failed “socialization”. As a member of BANSEFI’s middle management states, the problem was rather political in nature, adding that there was also considerable discord among the institutions of the sector:

“No se pudo concretar eso, evidentemente hubo temas políticos, temas de fuera de control que no permitían hacerlo, pero también el sector nunca se pudo poner de acuerdo, a pesar de que es un sector cooperativo, solidario, unido, en el tema de ponerse de acuerdo en muchas cosas es imposible.” (Interview 75)

Nevertheless, according to the following statement from a former BANSEFI top management staff, a consensus about the “socialization” could be agreed on, so that the process was already quite advanced in 2006, with the potential shareholders identified and a respective law proposed in the Congress. Yet, in the context of the approaching highly contested presidential election, the process seems to have adopted its own political dynamic, and the opponents of the socialization process gained the upper hand:

“ya sabíamos quiénes iban a entrar, iban a entrar las cajas alemanas también en la participación, ahí sí habíamos logrado un consenso. Y al vendérselos, la red de sucursales de BANSEFI, se distribuiría en un mecanismo que habíamos establecido con las cajas, entonces acabarían siendo todos dueños de la red, de la Red de la Gente y del propio BANSEFI, y en ese sentido se convertiría en la caja de cajas. No nos dio tiempo porque en el Congreso hubo gente que no le gustó y porque... jurídicamente fue muy complejo el proceso, estábamos en medio de la elección de Calderón con López Obrador, las cosas se complicaron mucho ¿no? y la propuesta de ley que teníamos al final no... no fue aprobada en el Congreso y ya no se hizo este proceso.” (Interview 79)

Thus, obviously, the opponents were powerful enough to mobilize sufficient support in the Congress to stop the whole process of transforming the former state institution into an organization (partly) owned by the popular savings and credit sector. A document published by the Mexican House of Representatives describes the positions of relevant actors of the popular finance sector regarding the sale of the development bank. Whereas, among others, the directors of BANSEFI and Caja Popular Mexicana supported the “socialization”, although with different positions regarding the potential shareholders,²⁶⁷ ALCONA (*Alianza Cooperativa Nacional*), a group of cooperatives, which was one of the fiercest opponents of the law to regulate the sector from 2001 (see below), and AMUCSS were against the project (CESOP 2006).

In order to understand the criticism of the opponents of BANSEFI’s “socialization” process, it is interesting to look at the governmental justification to get at all involved and to create BANSEFI as bank of the popular savings and credit sector. According to the government’s argument, in a supportive environment the sector would have established its own central bank. As the Mexican authorities did not conceive the situation in Mexico

²⁶⁷ Yet, whereas BANSEFI supported an open sale as described above, including external shareholders, Caja Popular Mexicana preferred a restriction of shareholders to the Mexican popular finance sector (CESOP 2006).

to be favorable enough, though, they decided to accelerate the process and establish a second-tier bank “as a catalyst”:

“If a favorable atmosphere allows, a natural step for the sector would be to establish its own bank. This was not possible in the past, due to the economic situation in the country and for the sector. Indeed, it may take more time for the sector to consolidate and organize. For that reason, the Federal government promoted the establishment of BANSEFI as a catalyst to enhance the benefits of networking, mirroring what has happened in other countries.” (BANSEFI n.d.: 8).

As the last sentence of the citation indicates, the government also claims to orient its policy based on the experiences of other countries, and lists in the same document the examples of the Canadian Desjardins Movement, the US Central Credit Union and central banks of the savings associations and cooperative movements in Europe (BANSEFI n.d.: 8). What it does not mention, though, is that in most of these cases, the popular financial institutions created their central banks themselves (IDB/MIF 2005: 6). Moreover, it is interesting to note that the Mexican government, explaining its policy to strengthen the popular finance sector, explicitly declares that it opted for a model in which “the form in which the sector has traditionally organized would be respected, leaving paternalistic approaches behind.” (BANSEFI n.d.: 11).

In spite of this aspiration, the governmental acting has been perceived as paternalistic: In the following citation, the representative of the NGO’s directorate complains that BANSEFI was a hierarchical creation from the federal government and criticizes that the latter monopolized all related decisions and “dictated” all subsequent policies. To support its critique, the interviewee stresses that, in other countries, the central bank entities were created “from below”, emerging from the sector:

“BANSEFI se creó al mismo tiempo que, cuando en 2001 se creó la Ley de Ahorro y Crédito Popular [...] y en sus estatutos y en su mandato, era el Banco de las Cajas, de las Cooperativas [...] pero resulta que la historia mundial del Sector de Ahorro y Crédito Popular es al revés. Las instituciones se hacen y se organizan y las leyes les permiten que creen sus bancos, nomás que en México quisieron saltarse un poquito la historia y dicen: ‘oye ¿como para qué sus bancos? mejor nosotros se los hacemos’, entonces todo el poder del Estado. Y entonces desde ahí comenzaron a dictar todas las políticas que se tenían que seguir. Y nosotros dijimos: ‘no, eso no está bien, un Sector de Ahorro y Crédito Popular se construye de abajo hacia arriba, y tenemos que construir nuestras propias instituciones, no las del Estado’. En ningún país donde el sector es fuerte ha sido el Estado, excepto Francia, pero también los franceses aceptaron transferirle a las Cajas locales el poder de decisión. Pero aquí, un Sector de Ahorro y Crédito naciente ¡pum! ya teníamos encima al Estado, que decidía todo, si había una modificación de ley la decidía el BANSEFI, si había un programa para capacitar lo decidía el BANSEFI, y entonces uno decía: ‘bueno entonces ¿qué pasa abajo?’” (Interview 95)

Similar to the case of the technological platform, thus, the critique again seems to be fueled by the non-state actor’s perception that the government was acting in a top-down –

or paternalistic – manner. This becomes still clearer in the next citation of the same interviewee, who underlines that the problem was not the intention to sell BANSEFI, but that the government would lead the process and take the relevant decisions. Two of these are criticized in the following statement: One regarded the participation of external stakeholders, which the NGO's staff casts doubt on. Moreover, the moment of the sale is considered to have been inadequate, because the institutions were in a particularly unstable situation when they were supposed to buy the governmental bank:

“yo no estaba en desacuerdo con ese proyecto, y muchos no estábamos en desacuerdo, en lo que estábamos en desacuerdo es que el Estado lo dirigiera. Entonces el Estado dijo: a ver vamos a venderlo al sector y, como el sector no tiene dinero, entonces vamos a traer de socio [...] a los Sparkassen y vamos a traer a los Desjardins y vamos a traer al Banco Mundial y vamos a traer al BID, todos esos van a ser socios del banco y las cajas también. Y nosotros dijimos: ‘¿por qué? Por qué tenemos que tener todos esos socios?!’ No era el momento para vender, nos estaban tratando de vender el banco en el momento en que las instituciones estaban en su peor momento posible, frente a un proceso de depuración financiera [...] pero ya el paquete venía armado.” (Interview 95)

The problem that the Mexican government was perceived as deciding on the development of the popular finance sector without sufficiently involving its members seems to have been a more general one. Thus, a representative of Caja Popular Mexicana complains that BANSEFI often took decisions in the name of the popular finance and credit sector without consulting it beforehand:

“Q: Qué habría podido hacer BANSEFI, este, para cooperar mejor con el sector?

A: Pues, tan sencillo como tomarlos en cuenta. Es que mucho de lo que salía en los periódicos, 'es que es para el sector'. Y los del sector, 'a ustedes les dijeron?' 'a pues, tampoco? De dónde dice el señor que es para el sector?' 'Quién dijo que el sector estaba de acuerdo?' No es que estuviera en contra, pero si realmente dices que es para mí pues vamos platicándolo, vamos revisando la información, vamos viendo que opciones hay, cual nos gusta más, cuales nos puedes ofrecer.” (Interview 82)

Likewise, also when the NGO AMUCSS was asked for its expectations towards the state's role in supporting the development of microfinance in Mexico, the interviewee suggests that the state should deepen the dialogue with the non-state actors:

“yo creo que lo que debería de hacer es profundizar el diálogo. Te podrían decir: hace falta más dinero. Sí, pero no importa más dinero si no hay más diálogo, o sea, y el diálogo significa escuchar al otro ¿no? o sea, nosotros entender claro la prioridad del Estado, pero ellos entender las posibilidades que tienen de movilizar la iniciativa social.” (Interview 93)

Also these arising frictions between the state and the non-state actors could be labeled as “domain conflicts”, because the non-state actors reclaim participation in the decisions regarding a field that they consider as their domain of competence. The conflict arising in these cases could be, based on Beisheim et al. (2011b: 258ff.), however, also described as

“autonomy conflicts”, which, according to these authors occur in cases specifically where the state regulates societal self-organization. In such governance constellations, the state maintains central decision competencies whereas the implementation of the decisions, that is, organization competencies, remain in the hands of the non-state actors (ibid.: 255). BANSEFI’s sale fits into this category in so far as the transformation from the state into a non-state institution (in its result) reflects this constellation: In this case, the government sets the regulatory framework for the development bank whereas the non-state actors (here, the financial institutions of the popular savings and credit sector) take over the operation of the bank. Autonomy conflicts in such governance constellations, according to Beisheim et al., usually arise around the question which organization competencies are supposed to be executed by the non-state actors and with which degree of autonomy. In the cases presented above, though, moreover there was discord about the fact that the state, establishing, for instance, how the bank was to be sold, exercised decision competencies – at least this was criticized by the NGO. In that sense, the conflict could be also conceived as a “legitimacy conflict” (ibid.: 260f.) – which the cited authors especially conceive to be the case in regards to foreign actors intervening in internal governance issues – as the non-state actors cast doubt on whether the state is the (only) legitimated actor to make decisions regarding the popular finance sector.

In the case of BANSEFI’s planned sale, the unresolved conflict of the state and non-state actors on the one hand obviously hampered the strategy of the Mexican state to only partly and temporarily engage in the Mexican microfinance sector (and thus follow the international expectations). At the same time, though, also the popular savings and credit sector were deprived of the chance to gain control over their own bank and operate it as a true (central) bank of the sector. That such (autonomy) conflicts (between the state and non-state actors) can significantly affect the course of a political decision making process, will be also argued in the next section, addressing the three actors’ roles in the contested process of the Mexican popular finance sector’s regulation, a considerably more far reaching policy area.

5.4.3 The sectors’ contested regulation: necessary reforms and political power plays

With its third mandate as coordinator of the governmental support programs for the popular finance sector, BANSEFI has been also entrusted with a supporting role regarding the regulation of the sector. As has been argued above, the development bank assumes organization competencies in the regulation process, implementing technical assistance programs to enable the financial institution’s authorization (see section 5.1.1). The following sections – far from aiming to address the complex and lengthy process of the Mexican popular finance sector’s regulation with its wide implications – shed light on some factors that hampered the implementation of the regulation and thus complicated

BANSEFI's role in that respect. A central problem for the exercise of BANSEFI's "regulation mandate" was that the development bank had to assist in the implementation of a regulation that became a highly politicized issue. As governmental actor it thereby necessarily represented the Mexican government's position (CESOP 2006). Thus, the focus in what follows lies on the roles of the state and the non-state actors in this process, in order to show how they impacted the contested legislative procedure. It will be argued that particularly the two non-state actors analyzed in this study, Caja Popular Mexicana and AMUCSS, played crucial roles. Beyond these, the following analysis will necessarily include some other non-state actors as well and will address the state's role beyond the governmental bank BANSEFI, as this is relevant to understanding the complication of the process.

As has been outlined in chapter three, the law passed in 2001 to regulate the popular finance sector (*Ley de Ahorro y Crédito Popular*, LACP) was not only revised several times with permanent postponements of the deadlines for authorization, which created considerable uncertainty among the institutions in the popular finance sector (Heimann/Ströh de Martínez 2008: 22). After several years of political contestation in the popular financial sector, in 2009, in addition, a particular law for the regulation of the cooperatives (*Ley para Regular las Actividades de las Sociedades Cooperativas de Ahorro y Préstamo*, LRASCAP) was published. This additional law not only diluted the initial idea to have *one* comprehensive law for the different institutions of the entire sector, but has been, up to the present, also not been fully applied, due to a range of difficulties.

Interestingly enough, some interviewed (former) governmental representatives, who had taken part in the elaboration of the LACP, declare that this was an exceptionally consultative process. A former high level management staff of BANSEFI states that the popular finance sector had never before been so heavily involved ("*los consultábamos como nunca antes se les había consultado, nosotros teníamos reuniones periódicas y juntas con ellos*") (Interview 79). A Mexican microfinance expert, who had formerly served in various positions as government official in the financial sector and led the consultation process, specifies that during the 14 month of the preparation of the LACP, there were between 10-12 consultative events with the representatives of the popular financial sector in order to discuss primarily the conceptual design and subsequently the draft law (Interview 22). According to the interviewee, also the opponents of the law were invited and partly participated in the discussion process, which is described as very participative:

"el proceso de consulta fue muy amplio [...] Hicimos reuniones plenarias, hicimos más de cincuenta reuniones de trabajo, hicimos más de equis foros, etc. etc., tres debates abiertas en la cámara, o cinco debates abiertas en la cámara [...] hasta que finalmente se llegó y se aprobó la ley. Pero no fue así de que se nos ocurrió, a ver como le hacemos, y ya llegamos y allí está, a ver apruebela, no, no, fue todo un proceso de construcción muy participativo." (Interview 22)

In spite of this apparently participative start, in the following years, though, the non-state actors obviously felt that they were not sufficiently consulted. The interviewed management member at Caja Popular Mexicana, for instance, referring to BANSEFI's role in the regulation process, criticizes that the development bank implemented its technical assistance programs (which were part of BANSEFI's regulation tasks) without consulting the sector beforehand and generalizes this problem also to other cases:

“BANSEFI gestionaron recursos para dar asesoría técnica. El problema de BANSEFI es que muchas veces gestionó o hizo algunas cosas a nombre del sector sin tomarlo en cuenta. 'Es que el sector necesita esto.' 'Y a mí me preguntaste?' No. Entonces como que esto también generó una cierta división con el BANSEFI. No solo de cajas sino de otras instituciones. [...] Eso hizo que la relación no sea tan buena con el banco.” (Interview 82)

The regulation of the Mexican popular finance sector remained a complicated and contested issue during the following decade. Some of the problems are related to the initial design of the regulation. Thus, the regulation is judged as very ambitious and complicated, and the organizations in the sector (both the financial institutions and the federations, which were supposed to execute auxiliary oversight) have not always been sufficiently capable of complying with the requirements. That the sector is highly heterogeneous, regarding the size, location and capacities of the large variety of institutions, considerably complicates the application of unified standards – even if the law foresaw several levels of regulation (Interview 74). Regarding the high ambition of the regulation, several interviewees attested to the limited knowledge of the regulation authorities in regards to local conditions in the rural areas, where popular finance institutions often have to deal with basic problems such as the lack of electricity, complicating the introduction of sophisticated information technology, and the fact that many personnel lack the professional certificates required by the law – both of which exacerbate the problem of compliance with the regulation standards (Interview 98).²⁶⁸ Nevertheless, some interviewees also considered that the different modifications of the law made it more suitable for the diversity of the institutions in the sector. They argue that several very small and rural institutions were authorized by the regulation entity and thus showed that it is not entirely impossible to comply with the law (Interview 74).²⁶⁹

Beyond these problems regarding especially the design of the regulation, there were a range of political implications which accompanied the regulation process. A central problem on the side of the government was that the regulation has de facto never been completely implemented. That is, both the Congress passed subsequent deferrals of the deadlines, and the Mexican authorities have not always consequently enforced the

²⁶⁸ This was also confirmed in an informal conversation with a microfinance expert. An additional problem beyond the design of the law are the costs of regulation, which emerge with the necessary adaptations and supervision and are a considerable burden for the popular financial institutions (Imperial Zuñiga 2004: 610).

²⁶⁹ This was also confirmed in an informal conversation with a microfinance expert.

regulation by closing unauthorized institutions (Interviews 6, 64, 95). This reluctance on part of the state withdrew considerable credibility from the law, created adverse incentives, and many institutions delayed their regulation, waiting for the next deferral of the deadline. On the occasion of another important reform of the LACP in 2007, extending the “conditional referral” to the end of 2012, a group of Mexican microfinance experts expressed their concerns in that respect:

“El hecho de prorrogar por cuarta ocasión la plena entrada en vigor de la Ley, así como de permitir el acceso de sociedades irregulares al régimen de transición, sin que, en su momento, se hubiesen aplicado las sanciones correspondientes en los supuestos de incumplimiento o cotravención al marco normativo, es una señal que merma significativamente la credibilidad de la propia Ley. En la práctica, un marco jurídico cuya aplicación se postpone en diversas ocasiones, sin que se ejerza la autoridad para su cumplimiento, puede terminar siendo, en el mejor de los casos, un conjunto de buenos propósitos de aplicación voluntaria y, en el peor, una fuente de incentivos perversos.” (La Colmena Milenaria 2007: 6)

One expert of the Mexican popular finance sector explains this phenomenon with the image of the game of cat-and-mouse, including in its statement a critique towards the Mexican government’s continuous paternalism, as it initially fixed strict deadlines without taking into account the needs of the popular financial institutions:

“en el tema de [...] prorrogar el tiempo, [...] decían que el gobierno, siguiendo su forma de operar muy paternalista, decidió en vez de decir a la gente ‘van a tardar tres, cuatro años con asistencia técnica para tener una infraestructura y solidez que necesitan para ser autorizados’, dijeron: ‘van a ser autorizados en dos años, pónganse a trabajar’, sabiendo que en dos años se iba a prorrogar. Pero el mexicano también sabe cómo funciona su gobierno, [...] entonces es un juego de gato y ratón. Entonces, cada vez que siento que me vas a dar una prórroga dejo de trabajar. Entonces, tú me dices ‘ya pónganse listos porque ya va a entrar en vigor’, y yo empiezo a trabajar, y luego me prorrogas porque digo ‘oye yo no pude todo’ [...] Eso ha sido de los temas más importantes de la ley.” (Interview 16)

Some of the reasons for the government’s reluctance to apply the law might have to do with factors concerning the capacity of the national banking authority CNBV. The supervision of the large number of small institutions, often located in remote areas, requires enormous efforts. Yet, the banking authority has only one head office in Mexico City, with 36 employees, but no regional branches familiar with the local circumstances. In order to gain information about institutions operating beyond the law, the authority depends thus on the information of defrauded clients as well as state and local governments. As the CNBV responsible for the popular financial sector remarks, though, the latter often did not cooperate in providing the necessary information (Interview 65). According to that interviewee, also, some actors in the sector expected the banking authority to enforce the law with spectacular actions (*“esperaban que llegaran helicópteros, y hummers, y que nos bajaramos con pasamontañas y escopetas a cerrarlas cooperativas”* Interview 65), while closing down fraudulent institutions is the responsibility of the Office of the

Mexican Attorney-General, the *Procuraduría General de la República* (PGR), and not of the CNBV. The latter limits its supervising task to the registration, investigation and denunciation of the fraudulent cases in the judicial system and in national and regional media (Interview 65).

Beyond the capacity problems, though, the continuous deferrals and the non-application of the law are explained by a range of the interviewees with the political costs of the regulation. According to this argument, the Mexican authorities were reluctant to apply the law because the clientele of the popular financial institutions represents an important electoral base with considerable potential of political pressure, particularly regarding the organizations of the farmers. Thus, the enforcement of the law was an especially delicate issue in election years. The following statements of two experts in popular finance in Mexico illustrate this rationale:

“la ley implica costos políticos para la autoridad financiera. Entonces ponerte a cerrar cajas porque no llegaron a cumplir con los estándares en la fecha prometida iba a significar un costo político muy alto. Entonces la Comisión no ha cerrado ninguna de esas cajas. Lo que ha hecho es poner prórrogas a los 'deadlines', esa es una, o sea el costo político es alto. También llegaron las épocas de las elecciones de cambio de gobierno en 2006. Entonces eso hizo que también fuera mucho más cuidadosa la Comisión Nacional Bancaria y de Valores en relación a ese costo político.” (Interview 6)

“en una de las prórrogas decidió que iba a entrar en vigor el primer día de enero de 2006, que era año electoral. En México, ningún gobierno, ningún partido, ningún oficial se le iba a ocurrir cerrar una caja, aunque estuviera lavando dinero o involucrado en narcotráfico, o sea no va... o sea, con los cooperativas y los campesinos con tantos poderes en el Congreso, nadie iba a cerrar una caja en un año electoral.” (Interview 16)

Also a responsible of the popular finance sector in the Ministry of Finance confirms the political nature of the enforcement problem, highlighting that the savers in this sector are powerful groups in spite of their small assets, and that the sector is highly politicized:

“En verdad es un tema muy político. O sea, tienen muy pocos activos, pero la verdad es que son grupos muy fuertes. Y hay muchos intereses, o sea, los típicos candidatos a Gobernadores o a puestos de elección popular no quieren quedar mal con los ahorradores. Entonces es un sector que que está altamente politicizado y que tienes que tratar con pinzas. Entonces yo creo que las autoridades sí han sido a veces tímidas con ellos, y les han tolerado, para no tener problemas.” (Interview 64)

This conjunction of a complex regulation, its deferrals and its lax enforcement by the state consequently opened the political arena for those actors in the popular financial sector not satisfied with the design of the adopted regulation or opposing the regulation of the sector completely. While the legal situation of the sector has not been entirely resolved, they have used their chance to influence the regulation process according to their interests. One group of cooperatives, the before mentioned so called *Alianza Cooperativa Nacional* (ALCONA), has completely opposed the regulation from the beginning, arguing

that the requirements of the LACP were far too rigorous and proposed that the financial cooperatives should be regulated solely under the general law for cooperatives (*Ley General de Sociedades Cooperativas*) (CESOP 2006).²⁷⁰ ALCONA comprised a group of around 150 institutions, which according to various observers boycotted the LACP completely and lobbied for their position in the Mexican Congress (Interviews 2, 3 and 64).

“hubo también un componente político [...] las cajas disidentes, las cajas que no estaban de acuerdo con estar reguladas y que todo el tiempo le han estado apostando al fracaso de la ley y que han tenido cierta interlocución con el congreso, con los senadores, con los diputados, algunas veces más otras menos, pero que son los que han estado de alguna manera, no sé si llamarlo boicoteando, pero han sido un factor ahí que ha frenado el proceso.” (Interview 74)

The two non-state actors analyzed in this study, Caja Popular Mexicana and AMUCSS, generally supported the sector’s regulation. Yet, both also pursued their own agendas in the contested regulation process. Caja Popular Mexicana, as has been outlined in section 5.2.2, representing the other cooperatives through its presidency of the *Consejo Mexicano de Ahorro y Crédito Popular* (COMACREP), was the government’s most important interlocutor from the popular finance sector in the regulation process. In the beginning, the financial cooperative widely accepted and supported the governmental regulation of the LACP (CESOP 2006; Imperial Zuñiga 2004: 610 and Interviews 22 and 23) and was one of the first ones to get its authorization from the CNBV in 2007, after having had a formalized status as *Sociedad de Ahorro y Préstamo* (SAP) since 1995 (see chapter three). Nevertheless, later on, Caja Popular Mexicana promoted the creation of the new law specifically regulating the operation of financial cooperatives from 2009 onwards (Interview 22), even if, in a technical sense, it would not have needed an extra regulation, as it was able to regulate and continue operating as financial cooperative under the initial law LACP. An interviewed management member confirms that the cooperative and its director played an active role in the reform process, representing the popular finance sector via the COMACREP and leading meetings with Congress members:

“Sí, de hecho la Caja fue una de las principales promotoras de esta nueva ley. Digo, allí el trabajo que ha hecho nuestro director general es bastante fuerte para esa última ley. El trabajó mucho, muy de cerca con gente del congreso, el estuvo representando el Sector también, para poder gestionar, y contaba con el apoyo pues de muchas de las cajas. Había una agrupación aquí en México, se llamaba COMACREP. El estuvo presidente de COMACREP, el gestionaba las reuniones con congresistas, trabajó bastante, bastante, nuestro director general en este tema.” (Interview 82)

²⁷⁰ This general law has been in place since 1938 and contains specific regulations for financial cooperatives, which was one of the reasons to pass a new specialized law in 2001 (see section 3.1.2).

The interviewee's explanation of why Caja Popular Mexicana got involved in the new reform process of the law regards partly a conceptual debate common among the cooperatives of the sector. As they conceived themselves as not-for-profit communal institutions, they did not want to be regulated by the same law as the (rather) profit oriented private institutions, which were integrated into the LACP as *Sociedades Financieras Populares* (Sofipos) (see section 3.1.2) (Interviews 21, 64, 65 and 79). Caja Popular Mexicana's representative expresses this reasoning as follows:

“una de las críticas, decía uno de los fundadores de la Caja Mexicana, que estaban revolviendo perros y gatos en un costal, decía él. Porque nada tienen que ver las empresas lucrativas de entrada con una empresa que no es lucrativa. Entonces esa primer ley regulaba entidades lucrativas y entidades no lucrativas.”(Interview 82)

Moreover, the interviewee states that there were some inadequate regulations for the cooperatives, which were improved with the new law. The interviewee also refers to the improvement of the auxiliary supervision, which was, according to the old regulation, implemented through a diversity of supervisory committees of the federations, whereas, after the reform, there is only one national supervising body for all cooperatives, unifying the supervision standards (Interview 82). Beyond that, though, according to the CNBV responsible for the popular financial sector, the technical changes between the LACP and the LRASCAP are minimal overall. The most important improvement in the official's eyes is thus the elimination of the “ideological problem” and the cooperative sectors' satisfaction with the reform (Interview 65).

In order to understand why Caja Popular Mexicana might have supported the creation of an additional specific law for cooperatives, in spite of the fact that they had initially supported and already been regulated by the LACP, it is interesting to note that the main promoters of the new law seem to have been the cooperatives around the dissident group ALCONA. Even if these did not represent the majority of the sector, according to various observers, they had considerable political influence (Interviews 23 and 64). In this light, the involvement of Caja Popular Mexicana could be due to its desire to maintain and strengthen its leadership role in the cooperative sector, adopting the claims of the other cooperatives. It might thus have supported the cause of this influential group in order to not cede its leading position to other powerful actors in the cooperative part of the popular finance sector (Interview 22).

Also AMUCSS has been continuously involved in the regulation process regarding popular finance in Mexico since its foundation and thereby acted especially on behalf of the rural sector (Interview 93). Consequently, the NGO has been also actively engaged regarding the reform process of the LACP, which it considered inadequate for the rural areas attesting to it a strong urban bias. AMUCSS therefore strove for the incorporation of new legal figures especially adapted to rural financial institutions into the regulation:

“siempre hemos trabajado el tema de reformar el marco regulatorio [...] se creó la Ley de Ahorro y Crédito Popular en el 2001, pero diez años hubo un sesgo muy fuerte hacia el sector urbano, el sector Ahorro y Crédito Popular no entendía al área rural, y la función de AMUCSS fue dar a conocer y representar los intereses rurales.” (Interview 93)

Thereby, the NGO claims to be the quasi-unique actor in the rural financial sector who publicly dares to fight for the rural interests. According to the following statement, the NGO, due to its origins in the agricultural sector, is used to speaking up and criticizing the government, whereas the cooperatives are described as rather assimilated and fearful of the state and – due to their Catholic origin – less revolutionary and militant:

“en el sector había posiciones tan críticas como las de nosotros, y lo que cambiaba era el estilo. No se atrevían a decirlo en público, lo decían acá en las reuniones, sí lo ponían sobre la mesa, pero el sector, eso es un poquito como la historia de México. Porque el sector cooperativo que es el fuerte, o era por lo menos el fuerte todos estos años, es un sector que viene, que se formó, nació y se desarrollo al amparo de la Iglesia, o sea, los rezos y los valores fueron su supervisora más eficaz durante cuarenta años. Entonces no era un sector que estuviera acostumbrado a levantar la voz, a ser desplegados, a discutir con el sector público. Nosotros sí, sí estábamos acostumbrados, venimos del sector campesino, el sector campesino curiosamente, es muy laico, en sus propuestas, o sea, venimos de dos revoluciones sociales que han sido campesinas, entonces en el mundo campesino, nosotros no rezamos, ni cantamos Aves Marías, ni cosas así. Si hay una asamblea es una asamblea campesina y sí hay un temario, sí, discutimos, sí nos peleamos, hacemos marchas contra el Estado o contra una política que nos parece incorrecta, o sea, es un mundo curiosamente más avanzado políticamente. En cambio el sector cooperativo financiero es muy católico en ese sentido, tenía mucho miedo a relacionarse con el Estado, había sido durante años semi clandestino, lo cual les creó una cultura muy de mantenerse bajo la sombra y su fuerte cultura católica les hacía poner la otra mejilla. Entonces no era un sector que tu dijeras, beligerante en discusiones de Estado, por eso es que grupos pequeñitos como el nuestro que sí protestaban parecían pues como ¡los únicos! pero no éramos los únicos, todos ellos protestaban y no estaban de acuerdo, pero su manera de expresarlo era pasiva, no era activa.” (Interview 95)

Justifying its involvement in the political process and the need of special financial figures for the rural sector, a leader of the NGO refers to the different realities prevailing in these areas. The interviewee holds that the legal form of cooperatives is not adequate for the rural sector, arguing that the Mexican cooperatives are focused on urban areas and individuals, whereas the rural sector requires legal forms that take into account the existence of collectivities, which need financial services:

“en el sector legislativo hay una ignorancia casi absoluta del campo, y mucha gente piensa que la cooperativa es la solución [...] No, pero es que las cooperativas en México están dominadas por una visión urbana, individualista, es decir, el concepto de la cooperativa es individuos que tienen una actividad económica y requieren un servicio individual. Pero en zonas rurales, tú lo que necesitas son colectivos también, o sea, sí hay individuos pero también hay comunidades y también hay grupos. Y sin esa economía de escala no hay viabilidad de desarrollo en zonas rurales. [...] tan elemental, el grupo de cafetaleros, el grupo de productores de maíz, eso no lo entiende el legislador y no lo entiende el supervisor y

obviamente no lo entienden las cooperativas urbanas, que están hechas de individuos.”
(Interview 93)

And de facto the NGO reached its aim with the creation of two new legal forms of rural finance in the context of the LACP’s reform in 2009.²⁷¹ As the following citation shows, this achievement is considered an “enormous triumph” and “the beginning of a new era for the rural financial institutions”:

“Hasta que en 2009, logramos un acuerdo político, para que se reconociera un marco legal más favorable al área rural, y esto se tradujo, con la creación de dos figuras asociativas sólo para zonas rurales que son la SOFINCO y el Organismo de Integración Financiera. [...] lograr el reconocimiento de estas dos figuras asociativas con dos niveles de financiamiento fue un triunfo enorme de AMUCSS y el principio de una nueva era para las instituciones financieras rurales [...] fue el resultado de nuestro trabajo de muchos años, lograr esa modificación.”(Interview 93)

Yet, regarding this “triumph”, it is interesting to note that the two new legal figures promoted by AMUCSS were integrated into the (initial) LACP, which remained especially focused on the private and “lucrative” institutions in the sector after the reform, as the not-for-profit cooperatives had been regulated in a separate law. Even if the new figure is conceived as a combination of cooperative and Sofipo (interview 65), this is in so far remarkable, as the NGO has always put strong emphasis on its social orientation.

Moreover, according to some Mexican microfinance experts, the new legal figures are designed to fit to the specific needs of the rural financial institutions created by AMUCSS.²⁷² Accordingly, they consider that a few modifications of the existing regulation would have been sufficient to meet the requirements of the rural sector.²⁷³ In fact, there are a range of institutions belonging to AMUCSS that already regulated as cooperatives – which thus at least seems also to be a viable option for such rural institutions, as also a leader of the NGO confirms: “sí, y entonces nosotros tenemos un lío porque ahora estamos en las dos leyes, porque ya teníamos organizaciones que optaron por ser cooperativos y respetamos ese proceso” (Interview 93).

Finally, contrary to the above cited observation that there were similar critics in the popular financial sector in addition to AMUCSS, who did not speak up, according to a Mexican microfinance expert, there were obviously not many institutions in the sector supporting the struggle of the NGO, having its allies rather among the organizations of

²⁷¹ These are the so called “*Sociedades Financieras Comunitarias*” (Sofincos) and the “*Organismos de Integración Financiera Rural*”, which are regulated in Chapter IV of the *Ley de Ahorro y Crédito Popular*.

²⁷² This perception was expressed in an informal conversation of various experts of the Mexican popular finance sector.

²⁷³ This was stated by experts of the Mexican popular finance sector who did not want the interview to be recorded while speaking about the regulation process, and in informal conversations.

the farmers.²⁷⁴ Implicitly confirming this, a member of the NGO's directorate explains the difficulties of their struggle with the "obstacle" of the other institutions in the popular finance sector and their limited understanding of the rural realities ("*fue difícil porque el principal obstáculo eran los propios compañeros del sector que no entendían lo rural*" (Interview 93)).

Hence, according to these observations, AMUCCS' seems to have pursued rather specific reform plans, which received little support from the popular finance sector, and which, at least in the eyes of some observers, were in that form not absolutely necessary in order to do justice to the rural sector. The question may arise, thus, whether the NGO's involvement in the political reform process and the aspiration to by all means fight for its own position was also motivated by political power interests beyond the declared focus on the rural finance sector. At least according to a former high level management of BANSEFI who participated in the negotiation process of the LACP, the NGO was barely ready to compromise in the regulation process:

"Cuando negociamos la Ley de Ahorro y Crédito Popular, decíamos bueno, vamos cediendo cada quién. Todos cedían algunas cosas y al final, lo que no le dábamos, que siempre quería que le diéramos dinero adicional porque era rural, [...] y nos sabotaba la Ley. Y lo hizo un par de veces [...] decía [...]: 'es que debo defender lo mío'. Y le digo: 'pero si aquí estamos para ponernos de acuerdo, lo que negociemos debemos apoyarlo todos, y no, tú negocias lo que te conviene y lo que no te conviene vas y lo sigues negociando por fuera'." (Interview 79)

AMUCSS' negotiations with other actors in order to reach their own political goals – mentioned in the citation above – seem to have worked in the reform of 2009 as well: According to a leading staff member of the NGO, after years of difficult persuasion, they achieved a political pact with – especially interesting in the context of this study – the group of financial cooperatives allied in the COMACREP and presided by Caja Popular Mexicana.²⁷⁵ As the interviewee explains, the cooperatives supported the concerns of the NGO in exchange for its support of the special cooperative law:

"ellos [i.e. Caja Popular Mexicana] estuvieron con todo el grupo cooperativo, de COMACREP que impulsó la creación de la Ley RASCAP, una ley de cooperativas, y nosotros apoyamos esa iniciativa, ese fue el pacto político. Nosotros los apoyamos a ellos y ellos nos apoyan a nosotros y unimos las fuerzas políticas en el Congreso que nos apoyan a ambos. Porque nosotros teníamos un grupo que nos apoyaba a nosotros y ellos tenían un grupo que apoyaba a ellos, entonces dijimos: unimos esos dos grupos para sacar las iniciativas de ambos. Y fue un momento te digo, excepcional en que pudimos dialogar, pudimos tener acuerdos y salir ganando las dos partes, y sí Caja Popular estuvo muy... siempre es un referente muy fuerte en ese sector cooperativo y obviamente ellos estuvieron tanto de

²⁷⁴ This perception was expressed in an interview with an expert of the Mexican popular finance sector who did not want to be recorded.

²⁷⁵ This is also confirmed by an expert of the Mexican popular finance sector who did not want to be recorded while speaking about the regulation process and by another in an informal conversation.

acuerdo en respetar nuestra propuesta y en apoyarnos, como en negociar un espacio propio para las cooperativas.” (Interview 93)

Thus, the dissident cooperatives around ALCONA, the financial cooperative Caja Popular Mexicana and the NGO AMUCSS, each of them pursuing their own political agenda, took advantage of the propitious situation, allied and reached their goals through mutual negotiations and support. This study does not argue that each of the parties has not had significant reasons to engage in the reform process of the *Ley de Ahorro y Crédito Popular*, considering its considerable difficulties from the beginning. The outlined problems of the law should have demonstrated that there were obvious difficulties with the design and implementation of the law. Yet, this does not exclude the impression that the different non-state actors involved in the reform process also capitalized on the inconsistent regulation by the state in order to pursue their own political rationales.

Relating the above outlined conflicts surrounding the Mexican popular finance sector’s regulation to the classifications of Beisheim et al. (2011b), these can be conceived as different types: They could be labeled both as “domain conflicts”, as all actors claim to participate in the decisions regarding the regulation and as “autonomy” or even as “legitimacy conflicts”, because the non-state actors, at least partly, aspire to be themselves responsible for the regulation of the sector and hold themselves as more legitimized than the state regarding the relevant decision-making. Rather, or in addition, though, one could understand these conflicts as political (power) conflicts between the state and non-state actors – a category not foreseen in the authors’ conflict constellations.

Even if the cooperative sector has now passed the long contested particular law, several observers doubt whether these new legal determinations will put an end to the decade long history of (non-)regulation of the Mexican popular finance sector. Firstly, despite the reform in 2009 and the apparently more adequate law, only a few additional institutions were regulated under the new legal framework.²⁷⁶ Secondly, the new deadline to ultimately comply with the legal requirements was fixed at the end of 2012 – which is again a year of presidential elections and makes the enforcement of the law rather improbable due to political tactics before and presumably other priorities of the new government after the election.²⁷⁷ Thirdly, according to the staff member responsible for the popular financial sector at the Ministry of Finance, there is still considerable opposition in the sector towards regulation (Interview 64).

²⁷⁶ Between September 2009 and 2011 around 20 institutions were authorized (Sánchez Arriola Luna 2011: 28).

²⁷⁷ Whereas an interviewed representative of the CNBV – not surprisingly – expressed that there would certainly be no more deferrals and the law would be applied strictly with the new deadline (Interview 65), several Mexican microfinance experts doubted whether there might not be another deferral in 2012, and/or that again the law might not be consequently enforced (Interviews 16 and informal conversations). And also a staff member of BANSEFI in an informal conversation was rather skeptical about the possibility of completely regulating the sector by the end of 2012, due to the large number of still unauthorized institutions.

All these observations at least cast some doubt on the probability that the regulation process will be concluded and without further contestation any time soon. Until then, also the money that the Mexican migrants send back home to support their families will continue to move in an uncertain institutional environment, which is thus limited to help the remittance-receivers improve their situation.

5.5 Interim conclusions

After analyzing the remittance-initiatives' potential contribution to financial inclusion in chapter four, the present chapter has addressed the related logics of the three respective state and non-state actors and their remittance-initiatives. This analysis showed that the actors' logics not only influence those of their remittance-initiatives but also lead to (potential) conflicts between the state and non-state actors in the sector.

Among the three, the logic of the governmental development bank BANSEFI is arguably the most complex, not least because different roles implicit in the state actor's mandate(s) partly interfere with each other. The various tasks it has been entrusted with imply the roles of financial service provider, central bank, as well as capacity builder and implementation agent of the sector's regulation. Thus, with these multiple tasks and roles, the bank is not only an ambitious actor, but has also a rather ambivalent mandate, combining the roles of the old and new type of development banks, with elements of direct intervention and sector development tasks. Moreover, as (supposed) central bank of the popular finance sector, it is the "government proclaimed leader of the sector" (Klaehn et al. 2006: 14) and, even if it is supposed to be a neutral governmental instrument, also (implicitly) plays a role as political actor in the context of a highly politicized regulation process of the sector in the last decade. The logic of BANSEFI's remittance-initiative La Red de la Gente is similarly multifaceted and closely related to the development bank's mandates. The social orientation of La Red de la Gente and fostering financial inclusion via remittances does not seem to be the network's only rationale. To a certain extent, there is also a commercial rationale regarding the generation of additional revenues through the remittance-service, even if, up to now, this seems to be an incentive for the participating financial institutions rather than for BANSEFI itself. Moreover, the Mexican government and the development bank seem to conceive La Red de la Gente as an instrument to support the regulation of the popular finance sector, which the government is willing to subsidize at least temporarily. In that logic, the remittance-service functions as an incentive for the popular finance institutions to join the network and get regulated rather than as a direct instrument to foster financial inclusion. This political rationale, along with the social mission, seems to be the most dominant in the case of La Red de la Gente. That

the regulation of the popular finance sector is, in the long run, also a contribution to financial inclusion (and maybe even a more important one) is not contested here, but it is certainly a rather indirect contribution in comparison to the concrete linking of remittances with other financial services. Moreover, as has been argued, that logic has other implications for the interaction of the different actors in the popular finance sector than if BANSEFI would merely operate La Red de la Gente linking remittances with microfinance without a “regulation rationale”.

In the case of the first analyzed non-state actor, Caja Popular Mexicana, the actor’s logic is less complex than that of BANSEFI and corresponds widely to that of a typical financial cooperative – even if due to its size and historical development it also plays a special role in the Mexican popular finance sector. Its mission and main tasks – educating the community on the importance of savings and providing financial services – do not contradict but rather complement each other. Due to the aspiration to operate in a financially sustainable manner, the cooperative aims at balancing its social orientation with a clear entrepreneurial approach. Procuring the necessary financial resources through the generation of its own revenues is thus an important driver of its institutional logic. As the largest and almost nationwide financial cooperative, it aspires to a “natural” leadership position in the popular finance sector in Mexico, which automatically implies a certain conflict potential *vis-à-vis* the governmental proclaimed leader of the sector BANSEFI. In order to pursue its own interests and represent those of the other cooperatives in the sector, especially during the decade long regulation process, the cooperative has thus also assumed the role of a political actor. Whereas also in Caja Popular Mexicana’s case the remittance-service has a social, commercial and political logic, the need to operate financially sustainable in order to reach its social goals seems to be the dominant rationale. Even if the remittance-service is not as explicitly aimed at fostering financial inclusion as it is in the other two cases, Caja Popular Mexicana cherishes the potential of remittances to attract new clients for the institutions and to cross-sell other financial services. In contrast to the other two actors, the financial cooperative, though, is prepared to offer the service only to a limited extent in a cross-subsidized manner, in order to at least avoid losses. Consequently, as far as its remittance-initiative is concerned, Caja Popular Mexicana appears to be the less ambitious but also the less ambiguous actor among the three. That it has started its own service instead of joining the governmental initiative seems also due to its size and particular historical role in the sector and the aspiration to maintain its independence from the state.

The logic of AMUCSS, the second analyzed non-state actor, is again to some extent more complex than Caja Popular Mexicana’s because it combines aspects both of MFI-NGOs and of lobbying NGOs. The main assignment it has according to its mission is the development of financial service options for the rural families. Through its participation

in various social enterprises it initiated, though, AMUCSS also has somehow assumed a role as provider of financial services. AMUCSS is also a rather ambiguous actor: The NGO has a strong discourse in favor of the rural marginalized population and against or as alternative to the state, but its remittance-initiative is in the end not as rural as claimed and the NGO not as independent of the state as aspired, because it is partly dependent on Mexican public funding sources. These ambiguities, though, result also from ambiguous international expectations towards these type of actors: NGOs are supposed to be a corrective for the non-complying state and market and serve rural and marginalized groups, and they are supposed to do this in a financially sustainable way; whereas economic theory confirms that this is highly complex in these areas due to high transaction costs and risk factors, which also with new microfinance-methodologies and technologies cannot be reduced that far. Thus, while AMUCSS keeps up its discourse (and practice) as alternative and critical civil-society actor complementing and/or opposing the government and supporting the marginalized rural sector, the NGO is forced, on the one hand, to move its realm of action to less remote areas (away from its initial clientele) and, on the other hand, to accept its dependence on external resources (limiting thus its autonomy). Perceiving itself as an expert with long accumulated knowledge of the rural sector and the necessities of its poor population, AMUCSS sees its participation in the political regulating process concerning this sector as a necessity and thus plays, similar to the other two analyzed actors, an important political role in the sector. Against that background, AMUCSS' remittance-initiative *Envíos Confianza*, is strongly driven by the social goal to offer a more adequate solution to the transnational families in the Mexican rural sector and to foster their financial inclusion. Yet, the foundation of the social company shows to be also a strategy to attract international donor funding – following thus a commercial or financial logic as well, even if not necessarily as a financially sustainable institution but rather with a strategic logic. Moreover, the foundation of *Envíos Confianza* also follows the NGO's rationale to strengthen its position in the Mexican political arena with the support of a growing network of institutions. This political logic of the remittance-initiative seems in the NGO's case arguably of similar importance as the social aspiration.

In brief, the logics of all three actors' remittance-initiatives show elements of social, commercial and political rationales. Whereas in the case of the state development bank political and social aspects seem the most dominant, in the case of the financial cooperative, the commercial and social logics prevail, and in the case of the NGO it is again arguably a combination of social and political aspirations. The relevant observation, though, is that the three welfare oriented governance actors, as they and their initiatives all also follow commercial and political logics, inevitably enter into competition and conflicts with each other.

The conflicts among the three actors rise on different levels. This has partly to do with the state development bank's ambiguous roles and the non-state actors' aspirations to participate in the political process. Firstly, BANSEFI's role as first tier market participant enters into conflict with its role as second tier central bank of the microfinance institutions, being at once their competitor and their service provider. Secondly, there are conflicts of interest when the second tier bank, whose services the MFIs are supposed to use voluntarily but for a fee, also has the function of supporting these MFIs in their regulation process. And thirdly, all three enter the stage as political actors, participating each in some way to the regulation process of the Mexican popular finance sector.

BANSEFI has quasi been entrusted with a political role through its mandate to strengthen the MFIs of the sector and prepare them for regulation. Even if that task per se might seem rather "technical" at first sight, within the politicized context of the Mexican popular financial sector in the aftermath of the new regulation for the sector from 2001, this apparently neutral mission converted into a rather political venture. Caja Popular Mexicana, in contrast, seems to have assumed a role as political leader in that context primarily because of its interests and those of the popular finance and credit sector. As the largest cooperative it feels a natural legitimacy and obligation towards the other cooperatives in the sector to defend and represent the cooperatives position in the regulation process *vis-à-vis* the government. For AMUCSS the role of political actor, finally, seems determined by (1) its interest in defending its own position as well as the position of the rural financial sector as political lobbyist in the regulation process of the Mexican popular finance sector and (2) its identity as critical and experienced civil society actor raising the voice of the poor rural population.

Independent from the source of the political actor role, though, the important finding in the context of this study is first and foremost, that all three actors de facto perform such a political role and thus compete for political influence. Acting in the same sector, addressing the same – or similar and overlapping – domain(s) and having either the task of helping implement or the aspiration to influence the regulation of the sector, they thus partly enter into conflict with each other. As both BANSEFI and Caja Popular Mexicana claim a leading role of the Mexican popular finance sector, conflicts between these two actors are bound to occur, even if theoretically they might have similar aims and interests concerning the development of the sector. In that light, the involvement of a highly critical NGO with additional alternative suggestions for the sector's regulation complicates the scenery arguably even more.

It is no surprise then that some expert voices attest to the Mexican government's venture to reform the sector and BANSEFI's mission thereby a rather modest performance, in light of the high expectations related to the process in the beginning: Initially BANSEFI's experience was praised as "the basis of what is perhaps the most ambitious effort to

massively scale-up access to financial services for poor and marginalized people in the world” (Taber 2004: 112). And the same author stated that, “designed from the experiences of successful savings and credit sector institutions worldwide, an institutional transformation of the nature and scope being undertaken by BANSEFI is undoubtedly a first in the annals of development banking” (ibid. : 121). Several years later, in contrast, a Mexican microfinance expert, closely acquainted with BANSEFI’s experience as a former staff member, estimates that the role of the development bank has been weakened and that it has only reached a fraction of its initially aspired goals, especially due to its ambitious and complex project and the political complications accompanying the process:

“lo que ha pasado con BANSEFI es que sí se ha debilitado con los años porque desarrolló un proyecto muy complejo, muy técnico y muy político a la vez, y fue muy difícil en ambos frentes tener éxito, o sea técnicamente [...] y en lo político pues fue muy difícil manejar una relación sana con el sector [...] y a final de cuentas creo que la variable política hizo muy difícil que se logaran los objetivos que se tenían desde BANSEFI, yo diría que se logró un 20 por ciento de lo que debió de haberse logrado, o un 15 por ciento, entonces fue difícil” (Interview 6).

6 Conclusions: About Complementarities and Conflicts

Against the background of the global rise of remittances and the increasing promotion of financial inclusion as a goal of public policy in developing countries, this study analyzed state and non-state initiatives linking remittances and microfinance with a potential to contribute to financial inclusion in the US-Mexican context. All three main initiators, the state development bank BANSEFI, the financial cooperative Caja Popular Mexicana, and the NGO AMUCSS, albeit to a different degree, declare a contribution to financial inclusion as (one of) their aim(s). The initiatives were analyzed from a governance perspective in light of the academic discussion on the change of the state in globalization and emerging forms of governance with the participation of non-state actors.

Parting from the observation that state and non-state actors become involved parallel to one another within the same governance area, the study addressed the following research questions: Firstly, it asked to what extent the state and non-state initiatives' potential to contribute to financial inclusion via remittances differs. Inspired by a critique of the governance approach which attests to it a problem-solving bias and power-blindness, the second research question focused on the logics guiding the three state and non-state actors and their involvements in linking remittances and microfinance. Related to that, the study finally asked which implications the differing logics and the parallel involvement of state and non-state actors have for their interplay in the microfinance sector.

Having recalled briefly the research interest, this concluding part synthesizes the main insights of this study proceeding in three steps. Firstly, it summarizes the results regarding the initiatives' potential contribution to financial inclusion. The main finding is thereby that all three initiatives have different strengths and weaknesses in different dimensions, which determine their respective potential and lead to a range of complementarities among them. Although – at first sight – the state seems to play a significant role among the analyzed initiatives, in general, the differences between state and non-state actors seem less important for their potential to contribute to financial inclusion. However, they are decisive regarding their logics. Secondly, the chapter summarizes the findings regarding the state and non-state actors' logics and their implications. It thereby shows that the differing logics of the three actors influence also those of their remittance-initiatives. Beyond the social aim of financial inclusion, these seem to follow, in addition to commercial rationales, political (power) logics in all three cases. Moreover, the different logics of the state and non-state actors cause diverse conflicts in the actors' interplay in the Mexican microfinance sector. These conflicts are related both to the general actor logic and the Mexican context. After these analytical summaries, the final part of this chapter draws some general conclusions concerning the selected governance perspective and provides suggestions for further research.

6.1 The initiatives' potential contribution to financial inclusion and related complementarities

In light of the expectations of development experts, policy makers and scholars presented in the introduction that remittances, linked to microfinance, could foster the financial inclusion of remittance-receivers, and thus contribute to “financial democracy” (Terry 2005: 11f.), the present study analyzed selected initiatives which promise to make such a contribution. In order to estimate to what extent the three analyzed state and non-state actors may be able to contribute to financial inclusion, the theoretical part of the study developed an analytical frame comprising several dimensions considered as fundamental requirements on behalf of the supply side in order to realize such a contribution. Beyond these basic factors, the analysis also included dimensions, which specifically provide insight into the actors' additional efforts related to the demand side and their involvement to foster the remittance-receivers' access to and use of other financial services.

On the basis of the empirical analysis of the initiatives' potential contribution to financial inclusion, the study draws three main conclusions, regarding, firstly, the differences and complementarities of the initiatives, secondly, the role of the state among the three actors, and thirdly, the importance of these initiatives as alternative remittance-models to foster financial inclusion and their overall development potential.

(1) Regarding the potential of the three initiatives to contribute to financial inclusion, a definitive conclusion is difficult to draw as it depends which dimensions of financial inclusion are considered as (the most) relevant. Whereas it was not the aim of this study to develop and establish a criterion to weight the different dimensions, the analysis gives a comprehensive overview of relevant dimensions involved and assessed these for each actor and initiative. The following different dimensions are identified as important in order to realize a contribution to financial inclusion are the following: On the one hand, fundamental requirements on behalf of the supply side. These regard firstly the network-size and geographic presence, secondly the offer and realization of remittance transfers, and thirdly, the offer of other financial services. Beyond these basic factors, the analysis, on the other hand, includes two dimensions that give further insights into the three main actors' involvement to foster the remittance-receivers' access to and use of other financial services. These concern firstly the initiatives' various efforts to inform the migrant families about their services and secondly the tracking of the client information in order to monitor whether remittance-receivers become members of the institution or customers of other services.

It is consequently argued that all three initiatives have their strengths and weaknesses in different dimensions, which partly lead to complementarities among the three. It has to be noted though that these complementarities are not capitalized on strategically in order to

reach an overall better result; the study instead shows that the initiatives operate in a separate and partly competitive manner next to each other. BANSEFI's initiative La Red de la Gente demonstrates potential in regards to outreach in absolute terms, the potential of the financial cooperative's remittance-service is larger in relative terms, and the NGO's initiative Envíos Confianza shows particular strengths in qualitative terms. The following paragraphs shortly summarize the most important aspects per actor and initiative.

The state's initiative La Red de la Gente demonstrates the largest potential among the three in absolute terms especially due to its size, both regarding the network and the transfer volume. BANSEFI's initiative, which consists both of BANSEFI branches and other institutions of the Mexican popular savings and credit sector, has the largest remittance-paying network in Mexico, outnumbering even the largest commercial banking network. Moreover, it is the only initiative with a presence in all federal states. In 2011, La Red de la Gente was more than five times larger than Caja Popular Mexicana's and more than ten times the size of Envíos Confianza's network. Considering the fact that in 2011 the majority of participating institutions were not yet regulated, it is yet to be determined to what extent the governmental development bank might exclude members if they do not become authorized before the new deadline at the end of 2012. Regarding the offer of remittance transfer options, BANSEFI has not only closed more agreements with MTOs than the other two actors, but it hitherto offers the broadest range of transfer forms. The initiative's limitations concern among others the geographical coverage, as its distribution is less focused on the remittance receiving federal states than the two non-state actors' initiatives'. Concerning the offer of other financial services beyond the transfer options, a general statement is difficult to draw, because the offer varies among the participating institutions. BANSEFI's own branches, for instance, do not offer credits. This represents a limitation in terms of financial intermediation, regardless of the fact that it has been an explicit decision in order not to enter in competition with the other institutions of the popular finance sector. Moreover, interestingly enough, even if BANSEFI declares a contribution to financial inclusion as one of La Red de la Gente's central aims, it does not apply a methodology to monitor the transformation of remittance-clients into users of other services. This not only limits its possibilities to adapt its strategies in case of "underperformance", but can be also interpreted as an additional sign that fostering financial inclusion might not be the most important goal of the initiative.

To put it briefly, the state initiative promises the largest potential contribution to financial inclusion among the three analyzed governance-initiatives in absolute terms, potentially reaching out to the largest number of remittance-receivers who might thus access and use other financial services beyond the transnational money transfers. Nevertheless, examining the de facto transferred remittances, La Red de la Gente is (still) a small player

in the Mexican context, despite its large network and the variety of transfer options: Even if it channeled the largest number and monetary value of remittances among the three, in 2011, BANSEFI's initiative covered around 2.5 percent of the Mexican remittance market.

The potential of Caja Popular Mexicana's remittance-initiative, in contrast, seems to be larger in relative terms, due to its efficiency and service orientation. As far as the size and coverage of remittance-receiving states are concerned, it ranges in between the other two initiatives: The credit cooperative has the second largest paying-network among the three, which, unlike in the other two cases, consists only of branches of the institution itself. Being the largest cooperative in Mexico, it covers two thirds of the federal Mexican states, whereas its presence in remittance receiving regions is considerably more marked than that of La Red de la Gente. Its efficiency can be inferred especially from the fact that the financial cooperative reaches (slightly) higher transaction rates per branch on average than the development bank's initiative, even if they have only three money transfer operator partners and carry out very few additional efforts to inform their potential remittance-clients. Yet, in addition to the possibility of receiving remittances, they offer an attractive range of financial services and the staff seems to be particularly service-oriented and aware regarding the potential of remittances to gain new members for the institution. The financial cooperative, being a regulated institution since 1995, is also the only actor among the three channeling remittances through an entirely regulated branch network. That Caja Popular Mexicana implements only a limited range of informational activities about their remittance-service and does not track the conversion rate of its remittance-receivers into members, is congruent with their stated aims: They conceive remittances as additional service for their clients and not primarily as a means for attracting new members and fostering financial inclusion.

Thus, without attempting to contribute to the financial inclusion of remittance-receivers as explicitly as the other two actors, the financial cooperative even seems to perform better in relative terms. In absolute terms, though, due to its smaller network and overall fewer amounts of de facto channeled remittances, Caja Popular Mexicana's participation in the remittance market, with less than half a percent, is considerably lower than La Red de la Gente's.

The second of the non-state actors, finally, the NGO AMUCSS with its remittance-initiative in the form of the social company Envíos Confianza has a particular potential in qualitative terms and serves thus as a model. This is due to its special ambition to adapt financial services to the clients' needs and to focus on marginalized clients and regions. Envíos Confianza has adopted a similar model as La Red de la Gente, that is, its network consists both of institutions founded by AMUCSS (the *microbancos*) and other institutions from the Mexican popular finance sector joining the network in order to offer the remittance-service. Envíos Confianza is the youngest among the three initiatives, and

even if it has been steadily growing since its inception in 2008, it has hitherto the smallest remittance-paying network among the three. Consequently, it also covers only half of the Mexican federal states and only five percent of the municipalities. Nevertheless, the NGO's network has a comparably stronger presence in remittance-receiving areas, at least regarding the federal state level. Focusing more than the other two on migrant prone areas, it could thus be expected that they transfer higher amounts and transactions per branch. This is however not the case: Envíos Confianza has by far the lowest transaction rate per branch (around four times less than the other two initiatives). On the other hand, the NGO has been especially active in developing adapted financial services for migrant families, which are, next to the general range of financial services offered, available at the majority of MFIs of the institution's network. Even if they also do not undertake as many activities to inform the migrants' families as La Red de la Gente, they are hitherto the only initiative implementing some sort of registering of their contribution to convert remittance-receivers into users of additional financial services. This can be interpreted as an indicator for a more explicit involvement on their part in capitalizing on remittances for financial inclusion.

Thus, one could argue that the NGO's initiative, even if it may potentially contribute less in absolute and relative terms among the three, it may reach a higher potential contribution in qualitative terms, that is, offering a more adapted range of financial services and being closer to the remittance-receivers. This, though, does not necessarily apply to the "quality" of its participating institutions, which are mostly still unregulated. In the sense of more adapted services, however, Envíos Confianza could function as a model for the link of remittances with other financial services. At any rate, this would have to be more efficient and replicated far more in order to reach scale: Despite considerable growth rates in the first years, the social company's remittance-service participation in the national remittance market is rather modest with less than 0.1 percent.

In light of the presented strengths and weaknesses of the three initiatives, one can firstly argue that there are certain complementarities among the three actors. Whereas the state has established the largest network, the financial cooperative seems to serve their members more efficiently and more service oriented, and the NGO demonstrates in a sense a more qualitative way to serve its clients, trying to adapt the services more than the other actors to their needs. All three aspects are important to foster financial inclusion, and all three actors could strengthen their potential considerably if they managed to adopt the respective strengths of the others. Depending on which dimension of financial inclusion is taken as a reference, each initiative has a larger potential in one dimension, but is weaker in others. BANSEFI, for instance, has a large network, which potentially contributes to breadth of outreach, but – at least regarding BANSEFI's branches – fewer and less adapted services for their clients, whereas in the case of Envíos Confianza, this

shows to be the contrary. As far as the clientele is concerned, they partly complement each other insofar as Envíos Confianza often serves a more rural and marginalized population than the other two actors. Moreover, the regional and local coverage of the three networks partly differs. Yet, there are also important overlaps, as the networks are often present in the same localities, consequently leading to a certain competition between the actors. In fact, despite the (theoretically) existing complementarities, it has to be noted that these are not specifically exploited by the actors. That is, there is no common strategy to complement each other; the initiatives rather operate partly in competition and with certain conflicts.

(2) Regarding the differences in the potential contribution to financial inclusion, according to the above presented results, one can secondly argue that, on the one hand, the state plays an important role and partly complements non-state actors. Yet, on the other hand, the differences between state and non-state actors seem not necessarily decisive. The governmental development bank BANSEFI has succeeded in initiating the largest branch network in Mexico²⁷⁸, which is several times larger than those initiated by the non-state actors and is thus able to potentially reach out to far more remittance-receivers. This is insofar an interesting observation against the background of the debate on the role of the state in the financial sector, as the farewell of (an active role of) the state in the *laissez-faire*-view seems to have been rather premature. The observation of the present study thus is in line with the newly developing “pro-market activism view” (De la Torre et al. 2007: 24ff.), arguing that the state might still have an important role to play for fostering financial access and inclusion.

That La Red de la Gente has the largest network, transfers most of the remittances among the three and thus performs potentially better in terms of breadth of outreach, can be related to BANSEFI's quality as state actor in at least three respects: First of all, the state development bank has a far wider, if not comprehensive, mandate to address societal groups, whereas the non-state actors rather focus on a specific clientele and thus do not aim at serving the entire population in need. Moreover, the state development bank's financial resources to implement social goals are more “secure” than that of non-state actors. It has the possibility of receiving funding from the national budget (at least as long there is a political will to pursue the development issues in question) and easier access to international donors. Especially due to the broader access to funding, the state actor is arguably in a better position to finance a range of measures in order to enlarge its network and create awareness about its initiative among transnational families. Thirdly, BANSEFI as a state actor has direct access to the large Mexican consular network in the United

²⁷⁸ It has nevertheless to be kept in mind that BANSEFI's network also comprises a large number of non-state financial institutions. The important aspect here is, though, that the network has been initiated and is operated by the state development bank.

States, through which a large part of La Red de la Gente's information activities are carried out.

Even if the state does not aim at or is not supposed to engage in the link of remittances and microfinance in the long run – as is the case in Mexico and as would be in line with the new paradigm of “pro-market activism” – state actors can thus play an important role as initiators of a network. They can provide the necessary technological infrastructure and negotiate partnerships for small financial institutions that do not have the necessary capacities on their own, thus capitalizing on economies of scale. Thereby, the state is able to draw on a larger negotiating power *vis-à-vis* money transfer operators, when the latter have a higher preference for a state-supported development bank over a small lesser known NGO, for instance.

On the other hand, both non-state actors Caja Popular Mexicana and AMUCSS have also established the necessary transfer platforms, and the latter gathered small financial institutions in order to profit from economies of scale. Moreover, their cases show that it is rather the network size which enhances an actor's negotiating power, and that also a small NGO is able to attain the necessary trust on the side of the MTOs and close numerous partnerships. These observations thus do not suggest that the state “per se” has greater capacities or potential to capitalize on remittances for financial inclusion with that type of initiatives. As capacities of actors are highly contingent, they rather depend on the context and individual cases (Scharpf 1997: 51). Further general conclusions are difficult to draw in the context of this study, which could only include one governmental actor. As will be argued at the end of this chapter, a comparative study of several state initiatives is, however, not feasible at present, as La Red de la Gente hitherto represents a worldwide unique case of such a governmental initiative.

In the context of this study, at any rate, the question of the differences between state and non-state actors turned out to be not that important regarding the potential contribution of their initiatives to financial inclusion. The difference between state and non-state actors instead rather showed to be relevant regarding the logics of the governance actors and of their remittance-initiatives. Before these will be recalled in section 6.2, the following paragraphs continue with a last observation regarding the initiatives' potential.

(3) The third conclusion regarding the potential contribution to financial inclusion is related to the hitherto limited market participation of the state and non-state initiatives, both individually and in combination: summing up their individual shares, altogether in 2011 they channeled slightly over three percent of the Mexican remittances. Nevertheless, this study argues, they are relevant alternative initiatives to foster the remittance-receivers' financial inclusion compared to commercial actors and thus represent important models. Thereby, it is important to keep in mind that these initiatives are

particularly sensitive to the problems of the low income population and are especially dedicated to serving this clientele. They still often represent the only possibility for the migrants' relatives in marginalized areas to pick up their remittances and at the same time to save part of their money in a secure place.

This is related to the debate on the commercialization of microfinance and the expectation that microfinance-initiatives achieve their social aims with a commercial approach, that is, in a financially sustainable way. What has been proclaimed by some authors as a win-win situation both for the microfinance clients and institutions also carries the risk that the balance of commercial and social objectives is lost to the detriment of the latter. As has been demonstrated discussing the logics of the actors in chapter five, the aspiration to balance social and commercial aims is also followed by the governmental development bank, the cooperative and the NGO analyzed in this study. These three actors rather do not run the risk of sidelining their developmental aims in the (excessive) pursuit of profits – they were by definition selected as governance actors, supposing that their main *raison d'être* is not profit-maximization but the contribution to social goals.

Nevertheless, the commercialization debate is relevant in the context of these initiatives, because offering remittance-services implies costs to microfinance institutions other than their general service offer: for example, the considerable investments to install the necessary technological platforms and the costs to provide for sufficient liquidity, which are multiplied in marginalized areas due to security risks. At the same time, both the revenues from remittance-payments and the gains through cross-selling remain limited for the institutions, as remittance-receivers often rather demand savings services than credits, which implies more costs than revenues for the financial institutions. Small financial institutions often cannot bear these costs on their own, and profit maximizing microfinance actors are therefore usually not interested in offering remittance payments. It is in that regard not surprising that Compartamos, for instance, the largest commercial MFI in Mexico, which has fueled the debate on commercialization and mission drift, does not offer remittance-transfers to its clients. The study showed that Caja Popular Mexicana, the one actor among the three that most explicitly and strictly follows the aspiration of financial sustainability, only offers remittance-payments as long as it represents an additional income or at least no overall loss to the institution. AMUCSS, in contrast, which provides the service in extremely marginalized areas as well, continues to do so in a partly subsidized way. And also BANSEFI, the state actor, despite the aspiration to operate the remittance-service in a financially sustainable manner, still seems to have to cross-subsidize part of the operational costs. The viability of offering remittance-payments in a sustainable way, especially in marginalized areas, is thus to be regarded skeptically, and the win-win-proposition of the commercial approach of microfinance at least questionably for the case linking microfinance services with remittances.

Consequently, those actors that aim to offer the possibility for remittance-receivers to pick up their money near their homes and simultaneously use other financial services also in remote regions – which are usually also the most financially excluded – appear to require an explicit social aspiration to even be prepared to offer the service in a (partly) subsidized manner. This is why this study argues that it matters which actors with which orientations engage in such initiatives – be they state or non-state actors – and that it is important to look at these orientations. Thus, despite their hitherto low participation in the Mexican market, they are relevant alternative models, which demonstrate various forms of capitalizing on remittances for financial inclusion. In that sense, they constitute important complementarities to the commercial remittance-payment networks in Mexico. One can therefore certainly argue that such governance-initiatives play a crucial role for leveraging the potential contribution of remittances to financial inclusion, especially regarding the fact that purely market based solutions are unlikely to occur.

In light of the presented results regarding the participation in the Mexican remittance market, though, some skepticism about the overall development potential of such initiatives is indicated. Considering the enormous amounts of remittances sent every year to Mexico, it is at least legitimate to ask why such few migrants sent their remittances through one of the analyzed networks. One possible explanation is that the remittance-receivers are far less interested in accessing other financial services than assumed, simply due to the fact that most of the money they receive is spent immediately, and the possibility and necessity of saving part of the money is expected to be far greater by development experts than it actually is for the remittance-receivers. Another explication, which has been discussed in this study, is that many migrants and their families do not (yet) know about these alternative ways to send and receive the money and therefore do not make more use of them.

Finally, migration and development do not occur in a vacuum, and such initiatives may not deliver considerable contributions as long as the context in which they are embedded is not likely to foster the expected development impacts. In the concrete cases of this study, this regards especially the Mexican microfinance sector, whose complex dynamics and uncompleted regulation process build the context of the analyzed initiatives. Agreeing with de Haas (2010) that only the integration of agency and structure perspectives is able to grasp the heterogeneity of migration-development interactions, the study was particularly interested in looking beyond the individual initiatives' contribution and understanding the logics of the three governance actors. The analysis tried to grasp these with the actor-centered institutionalism approach, which combines agency and structure perspectives. The respective results and implications are the focus of the next section.

6.2 Logics of actors and their implications: arising governance conflicts

This section brings us back to the critique *vis-à-vis* the governance perspective, presented in the introduction and the theoretical part of this study, which attributed a “problem-solving bias” (Mayntz 2004: 74; 2006: 17) as well as a “tendential or tendentious blindness for questions of power and distribution” (Offe 2008: 72) to the governance discourse. To avoid such a bias and blindness, the study focused on the logics of the three governance actors and asked whether these might *de facto* (only) aim at solving a development problem or whether other logics could be related to their involvement in linking remittances with microfinance. In order to understand the logics of the analyzed state and non-state actors and their initiatives, the study reconstructed them based on the conceptual elaborations in the theoretical chapter. Thereby actors’ logics were basically conceived as the interplay of institutional rules and normative role expectations on the one hand and actors’ interests on the other hand. These dimensions were operationalized in the case of the norms through the analysis of each actor’s institutional mandates or missions and related activities, also corresponding to the role expectations regarding their type of actor. Regarding the interests, specifically the different actors’ strategies for meeting their fundamental demand of financial resources were addressed, analyzing their commercial approach and their ways of funding. Moreover, the analysis looked at the political activities the actors undertake in order to pursue their interests. Based on the reconstruction of actors’ logics, the study finally analyzed the implications of these for their interactions in the Mexican microfinance sector.

On the basis of the empirical results of the analysis of actors’ logics and their implications, the study likewise draws three main conclusions. These concern, firstly, the differing and multifaceted nature of the actors’ and their initiatives’ logics, and secondly, the arising conflicts due to these logics. Thirdly, it argues that these are both related to the institutional logics of the three analyzed state and non-state actors and to the Mexican context.

(1) Regarding the logics of the state and non state actors and their initiatives, the analysis has shown that all three, the development bank, the credit cooperative and the NGO, in addition to their aim to contribute to financial inclusion via remittances, also follow other logics, which in all cases comprise commercial/financial interests and aspects of political power. The following paragraphs shortly summarize the most important lines of argumentation per actor and initiative.

The state actor, the development bank BANSEFI, is a complex and ambiguous actor, as it combines characteristics of the old and new type of development banks (linking direct involvement with second-tier and sector development tasks) – and reflects thereby the state’s search for a new role in financial sector development between the two poles of the

interventionist and laissez-faire paradigms. This seems to be the most important reason why the relationship to the non-state actors in the Mexican microfinance sector has been often rather complicated: With its multiple and partly ambiguous mandate, combining a first and second tier role with implementation tasks concerning the popular finance sector's regulation, BANSEFI turns out to be a distinct case of a development bank and conflicts with the non-state actors in the sector are preprogrammed.

The reconstruction of the logic of the development bank allows for the following conclusions for the logics of its remittance-initiative: Even if one of its main goals, consistent with BANSEFI's institutional mandate, is the fostering of financial inclusion via remittances, this appears not to be the only reasoning behind the initiative. The initiative also partly follows a commercial logic, as it is supposed to generate additional revenues and be financially sustainable – although apparently it does not yet fully achieve sustainability. Moreover, the initiative is conceived as an instrument supporting the regulation of the sector, whereby remittances are the “carrot” to invite the popular finance institutions to join the network and be regulated. (This obviously may indirectly contribute to financial inclusion, but represents another mechanism as a direct linking of remittances and other financial services.) That is, in addition to the social and commercial objectives, there is also a regulatory logic behind the remittance-initiative of BANSEFI. In order to implement its regulation mandate, the state development bank, though, needs a large network, which preferably encompasses most of the institutions of the popular finance sector. This is necessary in order to strengthen its position and underline its authority in a sector that is characterized by a multitude of popular finance institutions skeptical about the state's engagement in the area they conceive as their domain of competence. Thus, next to the social and commercial goals there is also a regulatory and political (power) logic related to BANSEFI's Red de la Gente.

One of the skeptical actors in the sector is Caja Popular Mexicana. As the largest financial cooperative and with a long history, it conceives of itself as the natural leader of the Mexican popular finance sector and thus quasi-automatically becomes the natural non-state opponent of BANSEFI. According to the social business logic of cooperatives and the cooperative principle of autonomy, Caja Popular Mexicana intends to achieve its social objectives with a commercial approach operating as a financially sustainable organization. The need to secure the necessary financial resources for institutional survival appears thereby as a larger driver of its logic, at least compared to the development bank. Moreover, the financial cooperative's interest in securing its domain and position in the popular finance sector incite its active political involvement: Due to its size it has obviously an interest and the necessary weight to influence the political decision-making regarding this sector.

Also in the case of Caja Popular Mexicana, the outlined actor logics determine the logic of its remittance-service: Whereas the cooperative conceives its remittance-service especially as an additional service for its clients, a contribution to financial inclusion is implicitly appreciated. In addition, the service is welcome as a means to generate additional income for the cooperative and would not be offered in a subsidized way as in the other two cases. Moreover, and more interestingly in the context of this study, the cooperative apparently initiated its own remittance-service also due to a leadership conflict with BANSEFI. The fact that it did not join the governmental initiative thereby underlines the financial cooperative's aspiration to maintain its autonomy from the state and to demonstrate its own strong position in the Mexican popular finance sector. Also in the case of the financial cooperative, one can thus conclude that the remittance-initiative also combines a social, a commercial and a political (power) logic.

Finally, also the NGO AMUCSS is an important, albeit small, political player in the Mexican popular finance sector. It has a special mission to target the rural and indigenous population and orients its activities in that regard. The NGO has developed a range of financial services, institutions and social companies, including its remittance-initiative *Envíos Confianza*, through which AMUCSS pursues its social goals more and more independently from national and international donor funding. Nevertheless, as the NGO is still widely dependent on external funding, especially from Mexican public sources, the different strategies necessary to procure additional funding, more than in the other two cases determine its logic of action. Moreover, similar to the financial cooperative, AMUCSS undertakes political lobbying activities as well, in its case specifically in order to defend the cause of rural financial institutions. Related to that is its remarkably critical discourse about the Mexican state, to which it conceives itself as superior due to its experience in rural finance.

Regarding the logic of AMUCSS' remittance-initiative *Envíos Confianza*, against this background, the goal of fostering financial inclusion seems to be the most important, but also not the only rationale. In light of its need to secure financial support, the NGO's decision to get involved in the remittance-business and to start its own initiative in the form of a social business seems also due to the necessity of attracting international donor funding. Thereby, the non-state actor is able to capitalize on a favorable international environment towards the remittance-topic. An additional rationale behind the initiating of an alternative venture is arguably the NGO's logic to manifest its autonomy and independence from the state. In this regard, the creation of a large network of institutions is conceived as an additional instrument to strengthen AMUCSS' political influence in Mexico, in order to gain greater leverage to pursue its political agenda. Similarly as in the other two cases, the NGO's remittance-initiative thus also seems to follow political (power) rationales in addition to the social and commercial goals.

In brief, the logics of all three actors' remittance-initiatives show elements of social, commercial or financial and political rationales, albeit with differences in their respective weight. The initiative of the state development bank seems especially driven by the political aspect next to its social aspiration; in the financial cooperative's case, the commercial logic clearly accompanies the welfare goals; and the NGO's initiative combines an explicit social aspiration with a strong political motivation. Independent from this varying emphasis, the relevant factor in the context of this study is, though, that the three social actors inevitably enter into competition and conflicts with each other due to their additional commercial and political logics.

(2) That the logics of the three actors and their initiatives thus obviously all include other driving forces in addition to fostering financial inclusion via remittances might partly explain why their overall potential contribution to financial inclusion, considering at least their small market participation, remains rather low at present. The financial inclusion of the remittance-receivers is arguably not the only and perhaps not even the main reason for these initiatives' existence. The fact that none of the three actors systematically applies a method to track whether their initiative de facto contributes to the financial inclusion of the remittance-receivers is one indicator in that respect. Moreover, though, these different logics have obviously caused a range of conflicts among the actors – not only regarding their remittance-initiatives but also other relevant topics concerning the Mexican microfinance sector. These conflicts, thus, also affect the remittance-initiatives indirectly, among other reasons because they partly concern such fundamental issues as the sector's regulation.

Before addressing the conflicts, an important caveat is necessary. The conflicts addressed in this study between BANSEFI as representative of the Mexican government in the popular financial sector and the two analyzed non-state actors Caja Popular Mexicana and AMUCSS certainly do not signify that the overall situation in the sector is always and in every respect conflictive. There have been a considerable range of improvements regarding the development of the situation of the financial institutions, their opinions have been increasingly taken into consideration, and obviously not all of them are in the same way critical of BANSEFI's work. If they were, not as many institutions would have joined La Red de la Gente. Yet, Caja Popular Mexicana and AMUCSS represent important actors in the sector and have considerable leverage. Therefore, they have been able to influence the political process regarding popular finance in Mexico in the last decade significantly. This, however, does not signify that the relationship between Caja Popular Mexicana, AMUCSS and BANSEFI is always and only conflictive, as there have been also examples and times of cooperation. Nevertheless, in order to better understand the difficult dynamics in the field of remittances and microfinance in Mexico, this study

focused on the conflictive issues instead of the areas where cooperation between state and non-state actors run smoothly.

The conflicts arise on different levels and have partially to do with the mandates of the state development bank BANSEFI. Firstly, its first-tier role and mandate to foster savings with its own offer in the retail market leads to competing roles and conflicts because it implies competition with the non-state actors regarding the provision of financial services. As all three thereby take over “organization competencies” (Beisheim et al. 2011a: 16) regarding the governance aim of financial inclusion, the state and non-state actors enter thereby into “domain conflicts” (Beisheim et al. 2011b: 261f.). These arise especially because the non-state actors conceive the state as an illegitimate competitor in their sphere of operation.

Secondly, on a higher level, conflicts arise in the context of BANSEFI’s second-tier role and its aspired role as central bank of the sector. Due to the perceived competition in the retail market, the state-bank struggles to be accepted as central bank of the sector and has difficulties performing the related tasks as expected. Two main ventures, the establishment of a central technological platform for the entire sector and the foreseen acquisition of the bank by the financial institutions in the sector – that is, its (at least partial) privatization – remain up to the present broadly unaccomplished. Even if the platform has been established, it is accepted and used by far less institutions in the sector than initially foreseen. The privatization seems suspended for the time being. The critique brought forward by the financial cooperative Caja Popular Mexicana and the NGO AMUCSS *vis-à-vis* the governmental actor regards thereby in particular the reproach that the state has decided about these issues without consulting the non-state actors. Also these arising frictions could be labeled as “domain conflicts”, because the non-state actors reclaim participation in the decisions regarding a field that they consider as their domain of competence. Moreover, the conflicts show elements of “autonomy conflicts” – arising around the question which organization competencies are supposed to be executed by the non-state actors and with which degree of autonomy. Yet, there is also a degree of a “legitimacy conflict”, with the non-state actors questioning the state’s legitimacy to (solely) make crucial decisions regarding the sector’s development.

Finally, the diverging logics of the state and non-state actors also lead to conflicts in the regulation process that was initiated at the beginning of the new millennium: Whereas initially there seems to have been considerable consensus about the need to regulate the sector, due to discord about the “right” regulation and the process by which this was carried out, several actors in the popular finance sector increasingly pursue their own regulation agendas. The state for its part permanently alters the popular savings and

credit law from 2001 and shows inconsequent enforcement of the adopted regulations.²⁷⁹ Due to the state and non-state actors' partly opposing agendas, the regulation process has been slowed down considerably. After several years of contestation, the non-state actors finally achieved a political alliance and other new regulations for the sector. Both AMUCSS and Caja Popular Mexicana played important lobbying roles in that process. Also the conflicts arising out of the regulation issue can be understood as "domain conflicts" with state and non-state actors both claiming authority to decide on important issues concerning the sector's regulation: Even if the non-state actors do not adopt "decision competencies" (Beisheim et al. 2011a: 16), they aspire to influence the decision-making regarding the regulation process. Likewise, these conflicts, as has been argued, show elements of "autonomy" and "legitimacy conflicts" as well, and they imply conflicts of political power.

As the unclear regulation process has lasted over a decade, the result is a popular finance sector which, even if regulated on paper, has remained widely unregulated in practice; and the completion of the process is still unforeseeable. The new regulation is coupled with new deadlines for compliance, whose strict observance both by the financial institutions and the banking authority is doubted by various observers of the sector. This, in the end, may have negative consequences for the clients in so far as there are still many institutions operating in the sector without authorization by the national banking commission. As they are thus not covered by a protection fund, the clients' savings are potentially at risk. That there has also been a range of fraudulent cases with institutions in the Mexican microfinance sector in recent years arguably hinders clients' trust in these institutions – which could, moreover, be a further reason for the limited use of the three analyzed initiatives by the Mexican transnational families.

(3) Regarding the conflicts between the state and non-state actors, the study moreover concludes from the empirical analysis that these are both inferable from the general logics linked to the types of actors and are related to the Mexican context. That is, the observed conflicts between the actors in the microfinance sector seem to mirror general prevailing conflicts in Mexico and be reinforced through these. As far as the complications due to the type of actors are concerned, one can certainly argue that the parallel, especially first tier, involvement of a development bank and non-state actors in the microfinance sector in general may cause friction. This is expectedly reinforced when the mandate of the development bank is likewise ambiguous, as in the case of BANSEFI. This seems to cause considerable confusion among the non-state actors in the sector. The latter consider the popular savings and credit sector as their domain of competence – this is typical for non-state actors like cooperatives, who traditionally aspire to independence from the state –

²⁷⁹ It has to be noted, though, that here it is, obviously, especially the parliament and the banking authority, and not BANSEFI, which are the governmental actors complicating the process.

and react with skepticism to the governmental attempt to reorder the sector and participate with its own institutions. The fact that the state is generally expected to play a (more) limited role in the financial sector since the emergence of the “laissez-faire” paradigm (De la Torre et al. 2007: 18f.) certainly reinforces such skepticism.

Concerning the context-specific issues and their relevance for the arising conflicts, one observation is touched upon here briefly. In addition to the fact that the state (again) engages more actively in that field, the main problem in the Mexican case seems to be that it partly tries to (re-)organize the sector in a top-down manner – with BANSEFI as one of its implementation agencies. At least, this is how the non-state actors conceive the governmental action: Both analyzed non-state actors reproach the development bank and the Mexican state in general that they are not taken into account sufficiently in the decision-making process concerning relevant issues of the Mexican popular finance sector. This critique recalls the traditional practice of Mexican governmental paternalism, characterized by governmental programs designed by bureaucrats without taking into consideration the affected population. Against the background of the broader pattern of paternalistic policy-making in the Mexican past, non-state actors might be particularly sensitive to every type of governmental initiative from above. The expectations towards more participation may have even increased with Mexico’s formal democratization in the change from the PRI to the first PAN government. Yet, whereas the Mexican political culture, especially under the PRI-regime, has been characterized also by forms of negotiation between governors and the governed, the so called *gestión*, these negotiation channels seem to have been limited with the PAN governments. Thus, it is no surprise that the non-state actors in the present case paradoxically perceive the opportunity to participate in the political process under the formal democratic rule as even more insufficient.

6.3 Reflections on the governance perspective and suggestions for further research

To conclude, this section provides final thoughts on the governance approach and ideas for further research. Concerning the theoretical background of the study and its analytical governance perspective, the study draws two general conclusions. These concern, firstly, its criterion of an intentional contribution to the collective good and, secondly, the critique of the governance-approach, regarding its alleged problem-solving bias and power-blindness recalled in the last section. Finally, the section discusses a range of additional issues regarding the design of the study and presents related suggestions for further research.

Firstly, the selected governance perspective entails inherent complexities related to its criterion of an intentional contribution to the collective good. In the first place, the assumption and determination of a “collective good” is always a highly normative and therefore often contested issue, even if the governance perspective is partly described as rather minimally normative (Draude et al. 2012: 7; Risse 2008: 152). Using this perspective, thus, inevitably implies a certain preliminary normative decision on behalf of the researcher – this does not have to be negative, but should be kept in mind and made explicit. Accepting, though, and parting from the idea of a – however defined – collective good, the governance perspective implies certain limitations for the case selection, as it excludes per definition “pure” market actors: these channel remittances without a declared aspiration to contribute to financial inclusion and do so rather for profit-maximizing reasons. It would be nevertheless interesting to include such actors into the analysis as well in order to compare their potential contribution to financial inclusion with that of socially-oriented governance actors. Even if they do not explicitly aspire to foster the financial inclusion of remittance-receivers, they might make de facto such a contribution. As has been argued above, it remains doubtful whether these actors would expand their offer, for instance, (also) to marginalized areas, due to the high costs of offering remittance-transfers there. Nevertheless, a concluding statement is feasible only after including such actors into the analysis. Especially regarding the hitherto small participation of the three analyzed governance-initiatives in the Mexican remittance market, it would be interesting to estimate to what degree purely commercial actors could yet make a contribution to the financial inclusion of remittance-receivers.

One case which would be especially interesting to include in the analysis in that regard is Banco Azteca. In comparison to other commercial banks like Banorte, it is more oriented towards the middle and lower income population (Bruhn/Love 2009). Thus, it addresses partly the same or similar groups of clients as the actors analyzed in the present study, and is also conceived as one of the main competitors by BANSEFI (Interview 68). As has been mentioned in the context chapter, Banco Azteca several years ago channeled around ten percent of the Mexican remittances, which is far more than even BANSEFI does. Even if actual data are hard to obtain, that percentage is supposedly similar at present or may be even higher, as Banco Azteca expanded its network of cooperating MTOs. Whereas, regarding the offer of credits, Banco Azteca’s interest rates are – not surprisingly – far higher than those of the analyzed socially-oriented governance actors, their offer of savings presents broadly similar conditions. As remittance-receivers usually have a larger demand for savings options, this might thus be an interesting case to analyze.

Regarding, secondly, the mentioned critique of the governance approach, it can be argued that the governance perspective per se does not necessarily only focus on the solution of problems and is not automatically blind to questions of political power. The analysis of

the three main actors' logics showed that beyond the motivation to contribute to the public interest through the provision of the collective good financial inclusion, they also followed other logics, which obviously include interests in political power. This, though, challenges the selected governance perspective, which implies per definition that governance is a collective action in the public interest. This study showed that the differing logics of the analyzed state and non-state actors moreover resulted in considerable conflicts complicating their interaction in the Mexican microfinance sector and thus also affecting the context in which the initiatives are embedded. Even if the conflicts between state and non-state actors can be described as "domain conflicts", as has been proposed in this study, on the basis of this study's reconstruction of the three actors' logics, they can also be conceived as political (power) conflicts. The present study, thus argues with Blumenthal (2005: 1172) and Mayntz (2009c: 13) that using governance as an analytical perspective does not automatically imply blindness in regards to questions of political power, but that it depends on the research interest whether such questions are explicitly addressed. In the present case, the analysis of actors' logics, beyond simply assuming that they act in the public interest, has provided interesting additional insights. Without these, considerable conflicts and dynamics in the analyzed field, and thereby probable obstructing factors for the governance-initiatives, would have gone unperceived. In order to more thoroughly address such questions of political power, though, it would be fruitful to link the governance perspective more systematically with other approaches.

One interesting strand regarding the research on financial sectors would thereby be the emerging literature on "the political economy of finance", which addresses the political factors behind financial development. Whereas a range of studies tackles the role of governments or of political regime types (see e.g. Girma/Shortland 2008), others analyze questions of power and interests in financial sectors (see e.g. Haber/Perotti 2008; Pagano/Volpin 2001; Rajan/Zingales 2003). As Pagano and Volpin (2001: 502) state,

"politics can interfere with financial markets in several ways. In recent years economists have developed a new approach to analyse systematically the impact of politics on the economy, treating policy-makers as self-interested agents responding to political incentives. This approach, known as 'new political economy', contrasts sharply with the 'benevolent social planners', which is a common hypostudy in welfare economics."

Based on the results of this study, one could argue that it is not only state actors who may not always and only be benevolent social planners, but that this can refer to non-state actors as well. Likewise, the hypostudy of benevolent actors is not only common in welfare economics but also in the governance discourse. As a consequence, the governance perspective including the criterion of an intentional contribution to a collective good would either have to reconsider this "minimal" normative assumption, or – as the present study did – explicitly broaden its perspective and take a look behind the

benevolent first appearance of actors and initiatives. This is not to say that the declared socially oriented actors do not at all aspire to contribute to the collective good. Yet, if other possible logics guiding governance actors' behavior are not taken into consideration in the analysis, the overall picture may be limited.

Beyond these reflections on the theoretical perspective, the following paragraphs address several other aspects regarding the scope of this study and relate them with additional suggestions for further research. These concern especially the case selection, the collection of the relevant information for the addressed research topic, and the inclusion of other perspectives. A first issue regards the comparison of state and non-state actors' "comparative advantages" concerning the organization and operation of remittance-channeling microfinance networks and their potential contribution to financial inclusion – and thus, the question of the "remaining" role of the state. Some fundamental aspects have been addressed throughout the study and in the previous sections of this concluding part. Nevertheless, for a systematic analysis, it would be necessary to compare various state and non-state initiatives. Whereas this is obviously not possible for the Mexican case, because there exists only one network initiated by a governmental actor, to the author's knowledge, also worldwide there is (hitherto) no other state initiated network channeling remittances through microfinance institutions in order to contribute to financial inclusion. The respective argumentations on the question whether the state might still play an important role regarding such remittance-initiatives thus have to rely on the case of BANSEFI's La Red de la Gente for the time being.

Regarding the potential contribution to financial inclusion of the three analyzed cases, an important limitation was the availability of relevant data. This is true especially for data about remittances in municipalities. In order to thoroughly assess whether the initiatives de facto reach out to the remittance-receiving population, it would be highly interesting to be able to cross the number of incoming remittances on the municipal level with the presence of the initiatives' branches. This is insofar relevant as an important ambition of these socially oriented networks is the explicit aim to be present in those areas where remittance-receivers live and to provide the option of picking up the money in their home locations, and it represents an important improvement in comparison to commercial providers, who often do not serve marginalized areas. Due to the described data restriction, the present study was, though, only able to analyze this factor with a very rough approximation on the federal state level. That this is not of relevance for the individual remittance-receivers but can only give some insights about the general geographical orientation of an initiative is obvious. Likewise, the study was not able to make more precise statements about the actual contribution to financial inclusion of the initiatives due to a lack of data regarding the transformation of remittance-clients into users of other financial services. Whereas these data are not collected by the analyzed

actors themselves, a compilation of this information for the special purpose of this study was not feasible due to time restrictions, but would be of interest in further analyses.

Finally, it would be highly valuable to include systematically the perspective both of the remittance sending migrants and their receiving relatives into the analysis. This study has refrained from doing so because it was specifically interested in the institutional level and the dynamics between the three governance actors and because it would have gone beyond the financial and temporal capacities to implement systematic surveys among migrants in the United States and remittance-receivers in Mexico. Nevertheless, one could obtain considerable additional insights from interviewing their addressees in order to figure out which initiatives are preferred by the transnational families and for what reasons, whether they are conscious about the differences between the state and non-state offers and which preferences they thereby have, and why, after all, the overall usage of these initiatives has hitherto remained rather low. Thereby, it would be possible to address other relevant questions like the senders' and receivers' trust in different types of financial institutions and *vis-à-vis* the state, an especially delicate issue in the Mexican case, for instance. To include the perspective of the migrants and their families, though, not only would be interesting in order to obtain the relevant information, but it seems also morally indicated; after all, it is their money. Nor should the economic and social costs of migration behind the large sums of remittances be forgotten, considering migrants' deprivation, efforts and hard work behind every dollar sent home.

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Annex

Annex 1: Questionnaires

The following questionnaires contain the basic questions regarding all analyzed Governance-Initiatives. Neither detailed questions that varied between the different initiatives are included, nor further questions regarding specific data about the respective initiatives, as these were often gathered per email. The questionnaires for the other interviewees, like the interviewed experts and members of Mexican governmental institutions, for instance, are not included in the Annex either, because they varied between all the respective interviewees.

Questionnaire for Governance-Initiatives – First Research Trip

1. PARA EMPEZAR

- Qué significa la actual crisis financiera en EEUU para las remesas en México y para el trabajo de su institución y su iniciativa?

2. OBJETIVOS, ACCIONES, INICIO/DESARROLLO

- **Podría decirme cuáles son los objetivos de su iniciativa?**
 - o Cuáles son los objetivos de su iniciativa?
 - o Quién definió los objetivos?
 - o Han cambiado los objetivos durante el tiempo? En caso que si, porqué?
 - o Qué es lo que entienden por „desarrollo financiero“/inclusión financiera etc.? (*dependiendo si es mencionado como objetivo, si no, ver pregunta Nr. 4*)
- **Qué es lo que hacen en el programa /su institución?**
 - o Cuáles programas y acciones concretas realizan?
 - o Realizan programas de educación financiera?
 - o Cómo informan a los migrantes y sus familias sobre su(s) iniciativa(s)?
- **Cómo surgió su iniciativa/ podría contarme „la historia“ de su iniciativa?**
 - o Cuándo empezó?
 - o Quién(es) fueron los iniciadores de la iniciativa?
 - o Porqué se fundó? (Porqué empezaron a ocuparse del tema de las remesas?)
 - o Se consultaron los intereses / las demandas de los emisores y receptores de las remesas en el diseño de su programa? En caso que sí, cómo?
 - o Hubo dificultades en el desarrollo del programa? Cuáles?

3. ACTORES INVOLUCRADOS Y FORMAS DE COOPERACIÓN

- **Con cuáles otras instituciones cooperan?**
 - o Cuáles otras instituciones colaboran en su programa? (*actores a nivel internacional, nacional, regional y local; inst. estatales y no estatales*)
 - o Se han juntado nuevos actores y/u otros han dejado de colaborar? Porqué?
- **Cómo colaboran con las demás instituciones participantes?** (*acuerdos escritos, cooperación informal, procesos de convencimiento, otros?*)
 - oCuál es el rol de las diferentes instituciones participantes? (*quiénes toman las decisiones, quién tiene más poder*)
 - o Diría usted que hay o hubo problemas en la cooperación? Cuáles?

4. "ÉXITO" DE LA INICIATIVA Y COMPARACIÓN CON OTRAS

- **Cómo describiría el éxito de su iniciativa?**
 - o Cómo define el éxito de su iniciativa?
 - o Han logrado sus metas? Cuáles han logrado, cuáles no?
 - o Cómo miden el éxito del programa?

- **Cuáles son las fortalezas de la iniciativa y los factores para su éxito?** (Qué es lo que funciona bien?)

- **Cuáles son las dificultades de la iniciativa y los factores que dificultan su éxito?** (Qué es lo que funciona mal?)
 - o Dónde ve los aspectos más importantes para el éxito y dónde ve los mayores problemas? (*nivel internacional, nacional, estatal, local, en el contexto, en la institución, las características de los migrantes, otros?*)
 - o Cómo han solucionado las dificultades?
 - o Cuáles problemas no han solucionado y cuáles son problemas que podrían surgir en el futuro?

- **Cuáles otras iniciativas hay que son similares a la suya?**
 - o Qué piensa de la iniciativa de XX?
 - o La(s) ve como competencia?

5. REMESAS Y DESARROLLO FINANCIERO (*si no mencionado todavía*)

- Qué entiende usted por desarrollo financiero (inclusión financiera)?

- Usted cree que las remesas pueden contribuir al desarrollo financiero? Cómo?

6. OTROS

- Qué más se podría / debería hacer para mejorar el impacto de las remesas en el desarrollo financiero?

- Hay algo importante de su programa y del tema remesas y desarrollo financiero de lo que no hemos hablado todavía?

Questionnaire for Governance-Initiatives – Second Research Trip

1. OBJETIVOS

- Si recuerdo bien ustedes quieren también contribuir a fomentar la inclusión financiera con su iniciativa? Si es así, me interesaría porqué?

2. CONTRIBUCIÓN POTENCIAL A LA INCLUSIÓN FINANCIERA

Tamaño y cobertura (transnacional)

- Instituciones de Microfinanzas (IMFs):
 - o Cuantas sucursales tenían respectivamente a finales de los últimos años?
 - o Cuál es la presencia en cuanto a municipios en México?
 - o Está previsto agrandecer la red? También con otros agentes?
 - o Cuánto tiempo duran los contratos con los IMFs?
- Money Transfer Operators/Remesadoras:
 - o Con cuántas remesadoras están trabajando ahora?
 - o Está previsto cooperar con más remesadoras?
 - o Cuál es la duración de los contratos con las remesadoras?
 - o Cuáles son las comisiones que pagan las remesadoras a la institución?

Transferencias de remesas

- o Cuáles formas de envío ofrece su iniciativa?
- o Están previendo envíos de dinero con tarjetas o celulares?
- o Cuántas remesas en números y montos pagaron en los últimos años?

Servicios financieros

- o Hay ahora / cuáles servicios financieros especiales (hay) vinculados a las remesas? Planean tener algunos?
- o Cuáles son las condiciones de los servicios financieros ofrecidos? (Tasas de interés de cuentas de ahorro y para créditos?)

Actividades adicionales

- Información clientes:
 - o Hay un presupuesto asignado para la promoción del servicio? Cuál es?
 - o Cuáles medidas han tomado y toman actualmente para informar los clientes sobre el servicio de remesas?
- Educación financiera:
 - o Realizan medidas de educación financiera vinculada a la recepción de remesas? Cuáles?

„Monitoreo del éxito“

- Ustedes estiman que contribuyen a la inclusión financiera con su servicio?
- Están mediendo ahora cuantos receptores se transforman en clientes/ socios? En caso que sí, cómo funciona? Hay datos? En caso que no, porqué no? Está previsto?
- Creen que están aprovechando su potencial al respecto? Porqué? Porqué no?
- Cuáles experiencias han tenido con el tema de la vinculación de remesas con servicios financieros para fomentar la inclusión financiera? De qué depende el éxito en vincular remesas con otro servicios financieros?

3. LÓGICAS

- Porqué crearon su propia iniciativa de envíos de dinero?
- Cree que para el éxito de la iniciativa sea importante que la institución sea (no) estatal? Porqué (no)? (Cuáles ventajas hay que es una institución (no) estatal?)
- Cuáles son sus ventajas en comparación con las otras iniciativas (RdG, CPM, EC)?
- En qué diría que se distingue su institución con las otras en cuanto a sus acciones y/o enfoques/orientaciones? (...es más social?)
- Como describiría a su institución: más bien como actor social, actor político o actor de mercado?
- Cuál debería ser el rol del estado en cuanto a la vinculación de remesas y microfinanzas?

Financiamiento y sustentabilidad

- Cómo se financia el servicio de remesas? Sólo a través de las comisiones?
- Cómo se financia la institución?
- Cuál fue el rol de cooperantes externos para la iniciativa? En que medida fue importante? (Financieramente? En términos de capacitaciones? Otros?)
- El servicio de remesas está rentable o por lo menos cubre los costos?

Complementariedades y conflictos

- Qué diría: las tres iniciativas (RdG, CPM, EC) más bien se complementan o están en competencia?

Reforma del Sector

- Qué le parece la reforma de la LACP?
- Qué rol jugó su institución en el proceso de la reforma?
- Cuáles otros actores fueron importantes en la reforma? Qué rol jugaron?

4. OTROS

- Qué más le parece importante en el ámbito de los temas que tocamos de lo que no hablamos todavía?

Annex 2: Summary in English

The study with the title “Migrants’ Money for Financial Inclusion? Transnational Governance-Initiatives in the US-Mexican Context” links three hitherto separate research fields – migration and development, microfinance and financial inclusion, as well as governance and the changing role of the state in globalization. This is inspired by fundamental global developments: Increasing human migration and transnational money flows, a growing interest in microfinance and financial inclusion as a solution to poverty and inequalities, and the tendency of processes of governing to be increasingly shared by state and non-state actors.

(1) Narrowing the focus from this global perspective, the study addresses an intersection of the outlined tendencies in a specific area of the globe where they are interwoven in a particularly interesting way: It addresses the implications of state and non-state actors’ parallel involvement in the financial sector, linking migrants’ money and microfinance in the US-Mexican context, the largest bilateral remittance-corridor worldwide. Mexico has not only experienced a century long migration to the Northern neighboring country, but the Mexican state has also been increasingly active in courting the migrants with specific policy programs, not least due to considerably rising remittance inflows. In the context of the ongoing Mexican transition process to democracy, moreover, in the last decade, a profound reform process of the Mexican microfinance sector was undertaken, with state and non-state actors partly redefining their classical roles.

In that context the study analyzes three Mexican state and non-state initiatives that channel migrants’ money through networks of microfinance institutions in cooperation with US money transfer operators. Linking remittances with (other) microfinance services (like savings accounts, credits and insurances), these initiatives have a potential to contribute to the financial inclusion of the remittance-receivers. Their main actors – the state development bank BANSEFI, Mexico’s largest credit cooperative Caja Popular Mexicana and the NGO AMUCSS, with a special focus on rural finance – to different degrees declare such a contribution as (one of) their aim(s). The interesting but potentially conflictive issue thereby is that the governmental actor, as initiator and participant in one of the networks, engages in a field, in which it is expected to play a limited role and which is reclaimed by the non-state actors as their domain of competence.

Parting from the observation that state and non-state actors become involved parallel to one another with similar initiatives in the same governance area, the study addresses the following research questions: Firstly it asks to what extent the state and non-state initiatives’ potential to contribute to financial inclusion via remittances differs. Inspired by a critique of the governance approach attesting to it a problem-solving bias and power-blindness, the second research question focuses on the different logics guiding the three

state and non-state actors and their involvements in linking remittances and microfinance. Related to that, the study moreover asks for the implications of the actors' differing logics for the actors' interplay in the Mexican microfinance sector, including probable arising conflicts.

In addition to presenting the general research interest and the research questions, the introduction of the study outlines the three mentioned relevant research strands in more detail: Firstly, the political science discussion on the changing role of the state in globalization and the respective treatment of these issues in the governance-literature – which forms the general theoretical background of the analysis. It is argued that “governance” is a useful perspective to analyze selected initiatives, as it allows taking into account the participation and interplay of state and non-state actors. Secondly, the multidisciplinary field of “migration and development” studies, with optimistic and pessimistic views changing over the last decades, an anew tendency towards positive views and with a special focus on the issue of remittances and (financial) development. The latter has hitherto above all been addressed by economists and is moreover one of the “hot topics” on the international development policy agenda. Thirdly, financial inclusion and microfinance, which has also gained increasing interest among academia along with its rising popularity in the global development community. This is a particularly contested issue due to a rising trend to offer microfinance services in a commercial way and related possible negative consequences for the clients. After an overview of the scarce literature on the specific addressed questions and cases, the introduction presents the research design and methodological approach of the study. This consists of an inductive, theory guided approach, with qualitative heuristic case studies. The main data source are qualitative interviews which are analyzed with classical qualitative content analysis drawing also on interpretative approaches.

(2) Chapter two contains the theoretical frame, explaining the relevant concepts and analytical tools applied. Thereby, in a first step, in order to deepen the understanding of the analyzed governance field, the interrelation of remittances and financial inclusion is addressed, presenting the concept of financial inclusion – understood as adequate access to and usage of financial services improving the welfare of the clients – and outlining possible links with remittances. Secondly, the general theoretical background and this study's understanding of governance as collective regulation of social matters and provision of collective goods is presented in greater detail. Even if governance is applied in this study primarily as an analytical perspective, the selected definition has an implicit normative bias. Therefore, some important implications of this approach, which inspired the critical perspective of this study, are discussed – among these the risk that due to the assumption that governance actors are (only) welfare oriented, relevant other motivations might be neglected in the analysis. Moreover, the chapter gives an overview of several

relevant issues regarding governance for financial inclusion, like the changing view on the role of the state in financial sector development, the types of different actors providing microfinance and their challenge to balance social and commercial aims to foster financial inclusion. After these conceptual fundamentals, in a first step an analytical framework to approach the potential contribution of microfinance-networks to foster financial inclusion via remittances is presented. The framework comprises first of all several dimensions considered fundamental requirements on behalf of the supply side in order to realize such a contribution. These regard firstly the network-size and geographic presence, secondly the offer and realization of remittance transfers, and thirdly, the offer of other financial services. Beyond these basic factors the analysis also includes two dimensions that give further insights into the main actors' involvement to foster the remittance-receivers' access to and use of other financial services. These concern firstly the initiatives' various efforts to inform the migrant families about their services and secondly the tracking of the client information in order to monitor whether remittance-receivers become members of the institution or customers of other services. The selection of these dimensions and the respective indicators, though, does not aim at assessing the *actual* contribution of these initiatives to financial inclusion, but to estimate their respective *potential* in that regard. This is supposed to serve as a basis for the subsequent analysis of actors' logics and interactions. The approach to address the logics of the governance actors initiating these initiatives is developed in a second step. Thereby, both the fundamental "components" of actor logics' – the norms and normative role expectations and actors' interests – and a classificatory scheme to analyze the interactions and conflicts of the state and non-state actors involved in the same governance-field are introduced.

(3) The empirical context of the study is presented in chapter three, which gives an overview of the Mexican financial sector and remittance market. It also introduces the selected actors and initiatives and contextualizes them within the broader range of governance-initiatives undertaken by Mexican governments in the last decade in order to capitalize on remittances for financial inclusion. Firstly, both the histories and actual structures of the traditional banking and the microfinance sectors are presented. It is argued that in spite of a developed banking sector, large parts of the Mexican population are excluded from the use of financial services. Whereas the growing microfinance sector contributes to lessening this problem, its internal complex structure and a conflictive regulation process over the last decade limit its potential in that regard. Moreover, the chapter outlines the most important data regarding the Mexican remittance market and presents the relevant players in the field. It is demonstrated that commercial institutions pay out by far the largest percentage of the billions of dollars sent to Mexico, and socially oriented actors, who explicitly aim to contribute to financial inclusion via remittances, hitherto are minor participants. Subsequently, the chapter presents an overview of

governance-initiatives addressing the different stages of a remittance-transfer, highlighting thereby both the remarkably active role of the Mexican state regarding the governance of remittances and finance and contextualizing the three initiatives selected for analysis in the present study. This section also briefly explains the modes of operation of remittance-channelling microfinance networks. Finally, the selected state and non-state actors and their declared aims regarding the channelling of remittances are introduced in more detail. As is shown, whereas they all to a certain extent express the ambition to contribute to the common good of financial inclusion with their initiatives, their respective explicitness varies, with the development bank and the NGO being more assertive than the financial cooperative.

(4) Against the background of the actors' declared aims, and in order to estimate to what extent the three analyzed state and non-state actors may be able to contribute to financial inclusion, chapter four applies the analytical frame developed in the theoretical part to the three empirical cases. Thereby, firstly the dimensions identified as fundamental requirements on the supply side are analyzed per initiative, before the additional dimensions focusing on the demand side are addressed. Concluding from the analysis, the potential contribution of the three initiatives to financial inclusion varies considerably and is partly complementary, as is argued and explained in detail in the interim conclusion of chapter four. Due to its large network, the governmental initiative, BANSEFI's La Red de la Gente, promises the largest potential contribution to financial inclusion among the three analyzed governance-initiatives in absolute terms, potentially reaching out to the largest number of remittance-receivers, which might thus access and use other financial services beyond the transnational money transfers. It is not clear, though, whether the state initiative will maintain its present size, as some of the still unregulated participating institutions might have to leave the network in the context of the ongoing reform process of the Mexican popular finance sector.²⁸⁰ The potential of Caja Popular Mexicana's remittance-initiative seems to be larger in relative terms, due to the efficiency and service orientation of the financial cooperative. Without attempting to contribute to the financial inclusion of remittance-receivers as explicitly as the other two actors, it achieves for instance similar transfer rates per branch as La Red de la Gente. The initiative of the second non-state actor, finally, the social company Envíos Confianza of the NGO AMUCSS, shows a particular potential in qualitative terms and serves as a model. This is due both to its efforts to adapt financial services to the clients' needs and to its focus on marginalized clients and regions, albeit not necessarily due to the "quality" of its participating institutions, which are mostly still unregulated. The chapter moreover concludes that the state initiative plays an important role among the three, particularly

²⁸⁰ The part of the Mexican microfinance-sector comprising above all cooperatives and other socially oriented institutions is called „Sector de Ahorro y Crédito Popular“ (SACP) in Mexico.

due to its large network and remittance transfers, but also shows that all three still pay a very small part of the remittances sent to Mexico.

(5) On the basis of these results, chapter five analyzes the logics of the three state and non-state actors and their remittance-initiatives beyond the declared aspiration to contribute to financial inclusion. The analysis proceeds thereby actor per actor, based on the elaborations of their respective ideal types in the theoretical framework, and examining firstly their norms and secondly their interests. Regarding the normative role orientations, particularly the actors' institutional mandates and missions are elaborated upon, whereas the interests are above all addressed analyzing the actor's commercial approaches and political involvement. In a third step, the respective logic of the remittance-initiative is reconstructed, based on the previous elaborations. Thereby, the analysis of chapter five shows the following picture: The development bank's presentation in the first section shows that BANSEFI's various mandates result in an ambiguous mixture of first and second tier roles combined with development and regulation tasks, which are subsidized by the Mexican state and partly foreign donors. Accordingly, the state's remittance-initiative La Red de la Gente, in addition to its aim of financial inclusion and the intention to generate additional revenues for the participating microfinance institutions, seems to be conceived as a regulation instrument for the Mexican microfinance sector. Caja Popular Mexicana's logic, presented subsequently, is broadly congruent with a typical financial cooperative, albeit it plays a special role due to its size and history in the Mexican popular finance sector. In line with its institutional logic, the remittance-service of the financial cooperative is seen as an additional service for existing members, but also as a means to attract new members and as source of income. That Caja Popular Mexicana has started its own initiative alongside the state actor seems also due to a leadership conflict with BANSEFI in the Mexican popular finance sector. AMUCSS, thirdly, combines the logic of an NGO developing financial services and institutions for the Mexican rural population with a distinct ambition as lobbyist on behalf of the rural financial sector. Thereby, its remittance-initiative, beyond its social aim of serving the marginalized population, seems to be both a result of the NGO's need to gather funding for innovative projects in the international development arena and the aspiration to strengthen its political influence in Mexico.

Regarding the logics of the state and non state actors and those of their remittance-initiatives, the study thus argues that all three, along with their aim to contribute to financial inclusion via remittances, also follow other logics, which in all cases comprise financial interests and (power) political aspects, albeit to different degrees. Whereas the initiative of the state development bank seems especially driven by political rationales next to its social motivation, in the financial cooperative's case the commercial logic appears to play a central role along with the social goals, and the NGO's initiative is

arguably mostly marked by social and political aspirations. Independent from this varying weight, the relevant aspect is, however, that the three welfare oriented governance actors inevitably enter into competition and conflicts due to their additional commercial and political logics.

A range of such conflicts is presented in the final section of chapter five. Thereby, it has to be kept in mind that the relationship between the analyzed state and non-state actors is not always and only conflictive, as there have been examples of well functioning cooperation, but that the study focused on arising conflicts in order to better understand the dynamics in the analyzed field. It is argued that conflicts arise between the three analyzed state and non-state actors on different levels, which seem partly due to the particular logic of the development bank BANSEFI derived from its ambiguous mandates, but also from the other two actors' own agendas and aspirations. Firstly, the development bank's first-tier role and mandate to foster savings with its own offer in the retail market leads to competing roles and conflicts because it implies (at least perceived) competition with the non-state actors regarding the provision of financial services. Secondly, on a higher level, conflicts arise in the context of BANSEFI's second-tier function and its aspired role as central bank of the sector. Due to the (perceived) competition in the retail market, the state-bank struggles to be accepted as central bank of the sector and has difficulties performing the related tasks as expected. Finally, the diverging logics of the state and non-state actors also lead to conflicts in the regulation process initiated at the beginning of the new millennium. Whereas BANSEFI is entrusted with contributing to the implementation of the new regulations for the popular finance sector adopted in 2001, both AMUCSS and Caja Popular Mexicana have played important lobbying roles in order to reform that law. Due to the state and non-state actors' partly opposing agendas, the regulation process has been considerably slowed down. Even if after several years of contestation a new reform was passed in 2009, the perspectives of the Mexican popular finance sector's regulation remain unclear, as the new law has not been fully applied hitherto either.

(6) The final chapter six firstly summarizes the insights of the two analytical chapters. Regarding the initiatives' potential contribution to financial inclusion, beyond the respective strengths and weaknesses and related complementarities resumed above, the study concludes that even if the state plays a relevant role and partly complements non-state actors, overall, the differences between state and non-state actors seem not necessarily decisive for the establishment and operation of such remittance-initiatives. The differences are nevertheless shown to be relevant regarding the logics of the governance actors and of their remittance-initiatives. In addition, the study concludes that the analyzed initiatives are relevant alternative models despite their hitherto low participation in the Mexican market. They constitute important complementarities to the

commercial remittance-payment networks in Mexico and play a crucial role for leveraging the potential contribution of remittances to financial inclusion, especially regarding the fact that purely market based solutions are unlikely to reach that goal. Concerning the logics of the governance actors and their implications (that is, the arising governance conflicts), beyond the results presented above, the study draws the conclusion that these conflicts are on the one hand related to the different logics of the three state and non-state actors but are reinforced through particular characteristics of the Mexican context. This regards especially the sensitive relationship between non-state and state actors due to a decade long practice of governmental paternalism.

On the basis of the empirical results, the concluding chapter moreover reflects upon the general theoretical governance perspective, pointing towards the usefulness and difficulties of this approach for the present study. It thereby argues that, besides the fact that this perspective inevitably implies a certain preliminary normative decision on behalf of the researcher, parting from the idea of a – however defined – collective good, the adopted governance perspective implies limitations for the case selection, as it excludes per definition “pure” market actors. In the specific field of remittance and microfinance, an additional analysis of the potential contribution of such actors to financial inclusion would arguably add interesting insights on the role of different actors, even if their potential contribution, as has been argued above, is expected to be rather limited. It is moreover argued that using governance as analytical perspective does not automatically imply blindness to questions of political power questions, but that these have to be addressed explicitly in order to not miss considerable conflicts and dynamics in the analyzed field, and thereby probable obstructing factors for the governance-initiatives. In order to more thoroughly address such political (power) questions it would be fruitful to link the governance perspective more systematically with other approaches, such as the literature on the political economy of finance, for instance. The study concludes with suggestions for further research, regarding among others the case selection, the compilation of relevant data and the consideration of other perspectives, including those of the transnational families, which as senders and receivers of remittances represent the main addressees of the analyzed initiatives.

Annex 3: Zusammenfassung auf Deutsch

Die Arbeit mit dem Titel „Migrants’ Money for Financial Inclusion? Transnational Governance-Initiatives in the US-Mexican Context“ verbindet drei bisher weitgehend getrennte Forschungsfelder – Migration und Entwicklung, Mikrofinanzen und finanzielle Inklusion sowie die Forschung über Governance und den Wandel des Staates in der Globalisierung. Deren Hintergrund bilden weitreichende globale Entwicklungen: zunehmende Migration und transnationale Geldströme, ein wachsendes entwicklungspolitisches Interesse an Mikrofinanzen und finanzieller Inklusion als Lösung für Armut und Ungleichheiten sowie die Tendenz, dass sich nicht-staatliche Akteure zunehmen an Regierungsprozessen beteiligen.

(1) Ausgehend von dieser globalen Perspektive nimmt die Studie das Zusammenspiel der aufgezeigten Tendenzen in einem spezifischen Fall in den Blick, bei dem sie in interessanter Weise verknüpft sind: Sie untersucht die Implikationen des parallelen Engagements von staatlichen und nicht staatlichen Akteuren im mexikanischen Finanzsektor, die Heimatüberweisungen von Migranten (sogenannte Remittances) und Mikrofinanzen verbinden. Aufgrund Mexikos jahrhundertelanger Migration ins nördliche Nachbarland beherbergt der US-mexikanische Kontext nicht nur den größten Remittance-Korridor der Welt, auch waren mexikanische Regierungen in den letzten Dekaden zunehmend aktiv, spezifische Politikprogramme für Migranten durchzuführen – nicht zuletzt aufgrund der deutlich angestiegenen Remittance-Zuflüsse. Zudem hat das Land im Kontext seines andauernden Demokratisierungsprozesses, der eine teilweise Neudefinition der klassischen Rollen von staatlichen und nicht-staatlichen Akteuren impliziert, eine tiefgreifende Reform des Mikrofinanzsektors unternommen.

In diesem Kontext analysiert die Studie drei Initiativen von mexikanischen staatlichen und nicht-staatlichen Akteuren – der staatlichen Entwicklungsbank BANSEFI, Mexikos größter Kreditkooperative Caja Popular Mexicana und der auf Finanzen im ländlichen Raum spezialisierten NGO AMUCSS – die in Kooperation mit *Money Transfer Operators* (MTOs) aus den USA finanzielle Rücküberweisungen von Migranten über Netzwerke von Mikrofinanzinstitutionen kanalisieren. Indem sie Remittances mit (anderen) Mikrofinanzdienstleistungen (wie etwa Sparkonten, Kredite und Versicherungen) verbinden, haben diese Initiativen das Potential, zur finanziellen Inklusion der Empfänger dieser Gelder beizutragen. Die drei Hauptakteure dieser Initiativen erklären einen solchen Beitrag mehr oder weniger explizit als (eines) ihr(er) Ziel(e). Interessant und potentiell konfliktiv dabei ist, dass der staatliche Akteur als Initiator und Teilnehmer eines der Netzwerke sich in einem Bereich engagiert, in dem von ihm (mittlerweile) eher Zurückhaltung erwartet wird und der von den nicht-staatlichen Akteuren als ihre Domäne angesehen wird.

Vor dem Hintergrund der Beobachtung dass sich staatliche und nicht-staatliche Akteure mit ähnlichen Initiativen im selben Governance-Feld engagieren, geht die Studie den folgenden Forschungsfragen nach: Erstens untersucht sie, in welchem Maße sich das Potential der staatlichen und nicht-staatlichen Initiativen zur finanziellen Inklusion beizutragen, unterscheidet. Inspiriert durch eine Kritik gegenüber dem Governance-Ansatz, die diesem einen Problemlösungs-*Bias* und Machtblindheit attestiert, fragt sie zweitens nach den unterschiedlichen Logiken der drei staatlichen und nicht-staatlichen Akteure und ihres Engagements im Bereich Remittances und Mikrofinanzen. Damit zusammenhängend gilt ein weiteres Interesse der Arbeit schließlich den Implikationen der unterschiedlichen Akteurslogiken für das Zusammenspiel der Akteure im mexikanischen Mikrofinanzsektor, inklusive der Möglichkeit aufkommender Konflikte.

Neben der Präsentation des generellen Forschungsinteresses und der Forschungsfragen erläutert die Einleitung die drei genannten relevanten Forschungsstränge detaillierter: Erstens die Diskussion der Politikwissenschaft über den Wandel des Staates in der Globalisierung und die entsprechende Auseinandersetzung mit diesen Fragen in der Governance-Literatur, die den generellen theoretischen Hintergrund dieser Studie bildet. Governance wird insofern als hilfreiche Perspektive angesehen, die ausgewählten Initiativen zu analysieren, als sie es ermöglicht, die Beteiligung und das Zusammenspiel von staatlichen und nicht-staatlichen Akteuren in den Blick zu nehmen. Zweitens die multidisziplinäre Forschung zu „Migration und Entwicklung“, bei der sich optimistische und pessimistische Perspektiven über die letzten Dekaden abgewechselt haben, wobei nicht zuletzt aufgrund des globalen Anstiegs der Remittances erneut positive Sichtweisen dominieren. Das Thema von Remittances und (finanzieller) Entwicklung wurde bisher vor allem von Ökonomen untersucht und ist eines der Top-Themen auf der internationalen Entwicklungsagenda. Drittens der Themenbereich von finanzieller Inklusion und Mikrofinanzen, der ebenso wie Remittances zunehmendes Interesse unter Wissenschaftlern und der globalen Entwicklungscommunity gefunden hat. Aufgrund des zunehmenden Trends, Mikrofinanzen auf kommerzielle Weise anzubieten und den damit verbundenen möglichen negativen Konsequenzen für die Kunden, umfasst dieses Thema auch eine Reihe umstrittener Fragen unter anderem zur (Profit-)Orientierung der jeweiligen Anbieter. Nach einem Überblick über die (wenige) Literatur zu den spezifisch untersuchten Fragen und Fällen erläutert die Einleitung das Forschungsdesign und methodische Vorgehen der Studie. Dieses besteht in einem induktiven theoriegeleiteten Ansatz mit qualitativen heuristischen Fallstudien. Die hauptsächliche Datenquelle sind qualitative Interviews, die mit klassischer qualitativer Inhaltsanalyse und in Anlehnung an interpretatorische Verfahren ausgewertet werden.

(2) Das zweite Kapitel enthält den theoretischen Rahmen, der die relevanten Konzepte und analytische Instrumente erklärt. Um das Verständnis des untersuchten Governance-

Feldes zu vertiefen, wird dabei in einem ersten Schritt der Zusammenhang von Remittances und finanzieller Inklusion behandelt, indem sowohl das zugrundegelegte Konzept von finanzieller Inklusion erläutert wird – die in der Studie als adäquater, das Wohlergehen fördernde Zugang zu Finanzdienstleistungen und deren entsprechende Nutzung verstanden wird – als auch mögliche Wirkungsmechanismen von Remittances auf finanzielle Inklusion. Zweitens werden der generelle theoretische Hintergrund der Studie und ihr Verständnis von Governance als kollektive Regulierung von sozialen Sachverhalten inklusive der Bereitstellung von kollektiven Gütern vertieft beleuchtet. Auch wenn Governance in dieser Studie primär als analytische Perspektive verstanden und angewandt wird, impliziert die gewählte Definition einen normativen *Bias*. Daher werden einige wichtige Implikationen dieses Ansatzes diskutiert, die die kritische Perspektive dieser Studie inspiriert haben – wie etwa die Gefahr, aufgrund der angenommenen Gemeinwohlorientierung der Governance-Akteure andere relevante Handlungsmotivationen außer Acht zu lassen. Zudem gibt das Kapitel eine Übersicht über die grundlegenden Aspekte der Governance für finanzielle Inklusion, wie die sich Verändernden Positionen zur Rolle des Staates im Finanzsektor, unterschiedliche Akteurstypen von Mikrofinanz-Anbietern sowie deren Herausforderung, soziale und kommerzielle Ziele zu vereinbaren um finanzielle Inklusion zu fördern. Nach diesen konzeptuellen Grundlagen wird zunächst der analytische Rahmen zur Abschätzung des potentiellen Beitrags der Initiativen zur finanziellen Inklusion durch Remittances entwickelt. Dieser Rahmen umfasst zum einen mehrere Dimensionen die als grundlegende Voraussetzungen auf der Angebotsseite angesehen werden um solch einen Beitrag zu leisten. Diese betreffen erstens die Größe der Netzwerke und deren geographische Präsenz, zweitens, das Angebot und die tatsächliche Durchführung von Remittance Transfers und drittens das Angebot von anderen Finanzdienstleistungen. Neben diesen grundlegenden Faktoren schließt die Analyse zum anderen zwei Dimensionen ein, die zusätzliche Auskunft über das Engagement der Akteure zur Förderung des Zugangs von Remittance-Empfängern zu Finanzdienstleistungen geben. Darunter fallen erstens die unterschiedlichen Maßnahmen der Initiativen, die transnationalen Familien über ihre Dienste zu informieren und zweitens die Systematisierung von Kundendaten, um nachzuvollziehen ob die Remittance-Empfänger aufgrund der Geldtransfers Mitglieder der Institution oder Kunden anderer Dienste werden. Die Auswahl dieser Dimensionen und der entsprechenden Indikatoren zielen jedoch nicht darauf ab, den *tatsächlichen* Beitrag der Initiativen zur finanziellen Inklusion zu analysieren, sondern deren jeweiliges diesbezügliches *Potential* – als Grundlage für die nachfolgende Analyse der Logiken und Interaktionen der Akteure. In einem zweiten Schritt wird der Ansatz zur Untersuchung der Akteurslogiken entwickelt. Dabei werden sowohl die grundsätzlichen “Komponenten” dieser Logiken eingeführt – die Normen und normativen Rollenerwartungen und die Akteursinteressen – als auch ein

klassifikatorisches Schema zur Analyse der Interaktionen und Konflikte der staatlichen und nicht-staatlichen Akteure, die im gleichen Governance-Feld engagiert sind.

(3) Der empirische Kontext der Studie wird in Kapitel drei präsentiert. Dieses gibt einerseits einen Überblick über den mexikanischen Finanzsektor und Remittance-Markt und kontextualisiert zum anderen die ausgewählten Akteure und Initiativen in der Reihe von Governance-Initiativen, die insbesondere von mexikanischen Regierungen in der letzten Dekade unternommen wurden, um Remittances für finanzielle Inklusion zu nutzen. Zunächst werden sowohl die Geschichte als auch die aktuelle Struktur des traditionellen Banken- und des Mikrofinanz-Sektors beschrieben. Dabei wird argumentiert, dass trotz eines entwickelten Bankensektors weite Teile der mexikanischen Bevölkerung vom Zugang zu Finanzdienstleistungen ausgeschlossen sind. Obwohl der wachsende Mikrofinanzsektor dazu beiträgt, dieses Problem zu lindern, ist sein diesbezügliches Potential durch seine interne komplexe Struktur und einen Dekadenlangen konfliktiven Regulierungsprozess eingeschränkt. Im Anschluss werden die wichtigsten Daten des mexikanischen Remittance-Marktes und die wichtigsten Akteure in diesem Bereich eingeführt. Dabei wird gezeigt, dass – während kommerzielle Institutionen bei weitem den größten Anteil von den nach Mexiko gesandten Dollars auszahlen – sozial orientierte Akteure, die explizit durch Remittances zur finanziellen Inklusion beitragen wollen, bisher in geringem Maße am Remittance-Markt beteiligt sind. Des Weiteren gibt das Kapitel einen Überblick über Governance-Initiativen im US-mexikanischen Kontext, die an den unterschiedlichen Phasen eines Remittance-Transfers ansetzen. Dabei werden sowohl die bemerkenswert aktive Rolle des mexikanischen Staates hinsichtlich der Governance von Remittances und finanzieller Entwicklung herausgestellt als auch die drei ausgewählten Initiativen innerhalb dieser Bandbreite von Governance-Initiativen kontextualisiert. Zudem werden die Funktionsweisen solcher Remittances-kanalisierenden Mikrofinanz-Netzwerke erklärt. Schließlich werden die ausgewählten staatlichen und nicht-staatlichen Akteure und ihre erklärten Ziele hinsichtlich ihrer Remittance-Transfers detaillierter eingeführt. Dabei wird gezeigt, dass – obwohl alle Akteure in gewisser Weise das Ziel erklären, mit ihren Initiativen zum kollektiven Gut finanzielle Entwicklung beizutragen – ihre diesbezügliche Deutlichkeit variiert: die Entwicklungsbank und die NGO sind weitaus expliziter als die finanzielle Kooperative.

(4) Vor dem Hintergrund der erklärten Ziele der drei Akteure und um einzuschätzen in wie weit die analysierten staatlichen und nicht-staatlichen Akteure zur finanziellen Inklusion beitragen können, wird in Kapitel vier der im theoretischen Teil entwickelte analytische Rahmen auf die empirischen Fälle angewandt. Dabei werden zunächst für jede Initiative die als grundlegende Voraussetzung angesehenen Dimensionen der Angebotsseite analysiert, bevor die zusätzlichen auf die Nachfrageseite fokussierten

Aktivitäten verglichen werden. Die Analyse der verschiedenen Dimensionen lässt schlussfolgern, dass das Potential der drei Initiativen zur finanziellen Inklusion beizutragen deutliche Unterschiede und teilweise Komplementaritäten aufweist, wie im Zwischenfazit von Kapitel vier argumentiert wird. Aufgrund ihres großen Netzwerkes verspricht die staatliche Initiative den größten potentiellen Beitrag in absoluter Hinsicht unter den drei analysierten Governance-Initiativen, da sie potentiell die meisten Remittance-Empfänger erreicht, die durch den Empfang der Gelder Zugang zu anderen Finanzdienstleistungen bekommen können. Inwieweit das staatlich initiierte Netzwerk seine derzeitige Größe beibehalten kann, bleibt allerdings bis dato offen, da möglicherweise im Kontext der aktuellen Regulierungsreform des mexikanischen Mikrofinanzsektors einige der zahlreichen noch nicht autorisierten MFIs das Netzwerk verlassen werden müssen. Das Potential von Caja Popular Mexicana's Remittance-Initiative scheint aufgrund der Effizienz und Service-Orientierung der finanziellen Kooperative größer in relativer Hinsicht. Ohne in gleichem Maße explizit wie die beiden anderen Akteure einen Beitrag zur finanziellen Inklusion der Remittance-Empfänger anzustreben, erreicht sie beispielsweise ähnliche Transaktionsraten pro Filiale wie die Red de la Gente. Die Initiative des zweiten nicht-staatlichen Akteurs, schließlich, das soziale Unternehmen Envíos Confianza der NGO AMUCSS, zeigt insbesondere ein Potential in qualitativer Hinsicht und im Sinne eines Modells. Dies liegt in ihren Bemühungen begründet, Finanzdienstleistungen an die Bedürfnisse der Kunden anzupassen und ihrem Fokus auf marginalisierte Kunden und Regionen, wenn auch nicht unbedingt in der „Qualität“ ihrer teilnehmenden Institutionen, die noch größtenteils unreguliert sind. Insgesamt zieht das Kapitel zudem den Schluss, dass die staatliche Initiative insbesondere aufgrund ihres großen Netzwerkes und der vergleichsweise hohen Remittance-Transfers im Rahmen der drei Initiativen eine besondere Rolle spielt, aber es zeigt auch, dass alle drei insgesamt bisher einen sehr kleinen Anteil der nach Mexiko gesandten Remittances kanalisieren.

(5) Auf der Grundlage dieser Ergebnisse analysiert Kapitel fünf die Logiken der drei staatlichen und nicht-staatlichen Akteure und ihrer Remittance-Initiativen – jenseits des erklärten Ziels, zur finanziellen Inklusion beizutragen. Die Analyse geht dabei auf der Grundlage der im Theoriekapitel dargestellten Idealtypen jeweils nach Akteur vor, indem zunächst die Normen und zweitens ihre Interessen in den Blick genommen werden. Hinsichtlich der normativen Rollenorientierungen werden insbesondere die institutionellen Mandate und Missionen betrachtet, während die Akteursinteressen vor allem anhand ihres jeweiligen kommerziellen Ansatzes und ihres politischen Engagements operationalisiert werden. In einem dritten Schritt werden, basierend auf den vorangegangenen Ausführungen, die jeweiligen Logiken der Remittance-Initiativen rekonstruiert. Die Analyse in Kapitel fünf ergibt dabei folgendes Bild: Die Präsentation

der Entwicklungsbank im ersten Unterkapitel zeigt, dass BANSEFIs Mandat in einer ambivalenten Mischung aus Rollen auf der ersten und zweiten Ebene (*first und second tier banking*) in Kombination mit Entwicklungs- und Regulierungsaufgaben besteht, die von der mexikanischen Regierung und teilweise internationalen Gebern subventioniert werden. Dementsprechend scheint die staatliche Remittance-Initiative La Red de la Gente, neben ihrem Ziel zur finanziellen Inklusion beizutragen und zusätzliche Erträge für die teilnehmenden Mikrofinanzinstitutionen zu generieren, insbesondere auch als Regulierungsinstrument für den mexikanischen Mikrofinanzsektor konzipiert zu sein. Caja Popular Mexicanas Logik entspricht weitgehend derjenigen einer typischen finanziellen Kooperative, wenngleich sie aufgrund ihrer Größe und Geschichte eine spezielle Rolle im mexikanischen „populären Finanzsektor“²⁸¹ spielt. Im Einklang mit ihrer institutionellen Logik dient der Remittance-Service der finanziellen Kooperative vor allem als zusätzlicher Service für die eigenen Mitglieder, als Möglichkeit, neue Mitglieder zu gewinnen und als zusätzliche Einkommensquelle. Dass Caja Popular Mexicana neben dem staatlichen Akteur ihren eigenen Service initiiert hat, scheint darüber hinaus auch einem Führungskonflikt mit BANSEFI im mexikanischen populären Finanzsektor geschuldet zu sein. AMUCSS, drittens, verbindet die Logik einer NGO, die auf die Entwicklung finanzieller Dienstleistungen und Institutionen für die mexikanische ländliche Bevölkerung spezialisiert ist, mit einer ausgeprägten Ambition als Lobbyist für den ländlichen Finanzsektor. Dabei scheint ihre Remittance-Initiative – über ihr Ziel hinaus, der marginalisierten Bevölkerung Zugang zu Geldtransfers und anderen Finanzdienstleistungen zu ermöglichen – sowohl durch die Notwendigkeit, in der internationalen Entwicklungsarena Gelder für innovative Projekte zu akquirieren begründet zu sein, als auch durch das Streben der NGO, ihren politischen Einfluss in Mexiko zu stärken.

Hinsichtlich der Logiken der staatlichen und nicht-staatlichen Akteure und ihrer Remittance-Initiativen argumentiert die Studie demzufolge, dass alle drei, neben ihrem sozialen Ziel durch die Geldsendungen zur finanziellen Inklusion beizutragen, auch anderen Logiken folgen, die in allen drei Fällen finanzielle Interessen und (macht-)politische Aspekte umfassen. Während die Initiative der staatlichen Entwicklungsbank neben ihrer sozialen Zielsetzung insbesondere durch ein politisches Rational geprägt scheint, werden bei der finanziellen Kooperative insbesondere wirtschaftliche und soziale Logiken ausbalanciert, und die NGO kombiniert ihren sozialen Anspruch wiederum ebenfalls mit einer deutlichen politischen Motivation. Unabhängig von dieser unterschiedlichen Gewichtung ist der relevante Aspekt dabei jedoch, dass die drei

²⁸¹ Der die Kooperativen und überwiegend sozial orientierten Institutionen umfassende Teil des Mikrofinanzsektors wird in Mexiko „Sector de Ahorro y Crédito Popular“ (SACP) genannt.

wohlfahrtsorientierten Governance-Akteure aufgrund ihrer zusätzlichen wirtschaftlichen und politischen Logiken unweigerlich in Wettbewerb und Konflikte geraten.

Auf einige solcher Konflikte geht der letzte Teil des fünften Kapitels ein. Dabei ist zunächst festzuhalten, dass das Verhältnis der analysierten staatlichen und nicht-staatlichen nicht immer und nur konfliktiv ist; es gab und gibt viele Beispiele gut funktionierender Kooperation. Dennoch nimmt die Studie explizit aufkommende Konflikte in den Blick, um die komplexen Dynamiken des untersuchten Feldes besser zu verstehen. Dabei wird argumentiert, dass Konflikte zwischen den staatlichen und nicht-staatlichen Akteuren auf unterschiedlichen Ebenen auftreten, die teilweise durch die spezielle Logik der Entwicklungsbank BANSEFI und ihrer vielschichtigen und teilweise widersprüchlichen Mandate bedingt scheinen, aber auch durch die Agenden und Ambitionen der anderen beiden Akteure. Erstens führen BANSEFIs Rolle als *first-tier*-Bank und das Mandat, das Sparverhalten der Bevölkerung zu fördern, durch das eigene Angebot der Entwicklungsbank im *Retail*-Markt zu Konflikten hinsichtlich der Versorgung mit Finanzdienstleistungen, da die Bank dadurch mit den nicht-staatlichen Akteuren in den Wettbewerb tritt beziehungsweise als Wettbewerber wahrgenommen wird. Zweitens entstehen Konflikte auf einer höheren Ebene im Kontext von BANSEFIs *second-tier*-Funktion und ihrer angestrebten Rolle als Zentralbank des Sektors. Aufgrund der (wahrgenommen) Wettbewerbssituation im *Retail*-Markt hat die Bank Schwierigkeiten, als Zentralbank des Sektors akzeptiert zu werden und die entsprechenden Funktionen erwartungsgemäß auszuführen. Schließlich führen die unterschiedlichen Logiken der staatlichen und nicht-staatlichen Akteure auch zu Konflikten im Regulierungsprozess des Sektors, der zu Beginn des neuen Jahrtausends begonnen wurde. Während BANSEFI damit beauftragt wurde, zur Implementierung der neuen Regulierung des populären Finanzsektors von 2001 beizutragen, haben sowohl AMUCSS als auch Caja Popular Mexicana wichtige Rollen als Lobbyisten gespielt, um dieses Gesetz zu reformieren. Aufgrund der inkonsequenten Durchsetzung der Regulierung seitens des Staates und der sich teilweise widersprechenden staatlichen und nicht-staatlichen Agenden wurde der Regulierungsprozess deutlich verlangsamt. Obwohl im Jahr 2009, nach einigen Jahren der Auseinandersetzung, eine neue Reform verabschiedet wurde, bleibt die Perspektive der Regulierung des mexikanischen populären Finanzsektors unklar, da das neue in diesem Rahmen verabschiedete Gesetz bislang ebenfalls noch nicht voll angewendet wurde.

(6) Das abschließende Kapitel sechs fasst zunächst die Ergebnisse der beiden analytischen Kapitel zusammen. Hinsichtlich des potentiellen Beitrags der Initiativen zur finanziellen Inklusion, schließt die Studie über die oben dargestellten jeweiligen Stärken und Schwächen und entsprechende Komplementaritäten hinaus, dass die Unterschiede zwischen staatlichen und nicht-staatlichen Akteuren nicht notwendigerweise

entscheidend für die Einrichtung und das Betreiben solcher Remittance-Initiativen sind – auch wenn der Staat im vorliegenden Fall eine relevante Rolle spielt und die nicht-staatlichen Akteure teilweise ergänzt. Die Unterschiede zwischen staatlichen und nicht-staatlichen Akteuren zeigten sich aber als relevant hinsichtlich der Logiken der Governance-Akteure und ihrer Remittance-Initiativen. Zudem zieht die Studie die Schlussfolgerung, dass die analysierten Initiativen, trotz ihrer bislang geringen Beteiligung am mexikanischen Remittance-Markt, relevante alternative Modelle darstellen. Sie fungieren als wichtiges komplementäres Angebot zu den kommerziellen Remittances-kanalisierenden Netzwerken in Mexiko und spielen eine zentrale Rolle dabei, den potentiellen Beitrag von Remittances zur finanziellen Inklusion zu fördern, da rein marktbasierende Lösungen zu diesem Ziel eher unwahrscheinlich beitragen. Hinsichtlich der Logiken der Governance-Akteure und deren Implikationen, das heißt, der aufkommenden Governance-Konflikte, zieht die Studie über die oben präsentierten Ergebnisse hinaus den Schluss, dass diese Konflikte einerseits durch die unterschiedlichen Logiken der drei staatlichen und nicht-staatlichen Akteure bedingt sind, und andererseits durch spezifische Charakteristika des mexikanischen Kontextes verstärkt werden. Dies betrifft insbesondere die empfindliche Beziehung zwischen nicht-staatlichen und staatlichen Akteuren aufgrund jahrzehntelanger Praxis von Paternalismus seitens mexikanischer Regierungen.

Auf der Grundlage der empirischen Ergebnisse werden im Schlusskapitel zudem einige Überlegungen zur generellen theoretischen Governance-Perspektive angestellt, wobei auf die Nützlichkeit und die Schwierigkeiten dieses Ansatzes für die vorliegende Studie hingewiesen wird. Es wird argumentiert, dass die Governance-Perspektive, abgesehen von der Tatsache dass sie unweigerlich eine gewisse normative Vorentscheidung des Forschers impliziert, indem von der Idee eines – wie auch immer definierten – kollektiven Gutes ausgegangen wird, zudem Beschränkungen hinsichtlich der Fallauswahl mit sich bringt, da per definitionem „reine“ Marktakteure ausgeschlossen werden. Im spezifischen Fall von Remittances und Mikrofinanzen würde eine Analyse des potentiellen Beitrags von solchen Akteuren zur finanziellen Inklusion jedoch möglicherweise interessante zusätzliche Einsichten zur Rolle von verschiedenen Akteurstypen bringen, auch wenn deren diesbezüglicher Beitrag – wie oben argumentiert wurde – als eher gering eingeschätzt wird. Desweiteren wird im Hinblick auf die eingangs erwähnte theoretische Kritik argumentiert, dass die Verwendung von Governance als analytischer Perspektive nicht automatisch eine Blindheit für (macht-)politische Fragen impliziert, aber dass diese explizit untersucht werden müssen, um nicht bedeutende Dynamiken und Konflikte im analysierten Feld und damit mögliche Obstruktionsfaktoren für die Governance-Initiativen aus dem Auge zu verlieren. Um solche (macht-)politischen Fragen tiefergehend zu bearbeiten, wäre es weiterführend, die Governance-Perspektiven

systematischer mit anderen Ansätzen zu verbinden, wie zum Beispiel die Literatur zur Politischen Ökonomie der Finanzmärkte. Die Studie schließt mit einigen Ideen für die zukünftige Forschung, die unter anderem die Fallauswahl, die Erhebung weiterer relevanter Daten sowie die Einbeziehung von anderen Perspektiven betreffen – was letzteres anbetrifft insbesondere auch derjenigen der transnationalen Familien, die als Sender und Empfänger von Remittances die Hauptadressaten der untersuchten Initiativen sind.