5 Policy and Remittances

Human Needs and the Shaping of Practice With Policy

Even with the increase of technological investments and know-how, concerns of security risks and costs have risen to become prevalent concerns for many migrants sending money transfers as discussed in Chapter 4. These issues and concerns also bring into question public policy and the construction of policy around remittances. In this chapter, we take a domestic, United States, view of policy initiatives, public good, and delve into implications for foreign receivers where information is available.

Remittances and the need to send money have increased over the last two decades but significantly over the last two years. With the rise of low- to middle-income countries (LMICs), flow in remittances has reached $500 billion USD (World Bank, 2019). However, in order to send money, there is a cost associated with the transfer of funds that vary widely depending on the location monies are sent, the method used to send funds, and the mode used for delivery. These costs to send are not strictly monetary, but consist of social, physical, political, and economic impacts. And it is within the policy arena where the monitoring of remittances is created. But even with constructed guidelines, policies, and procedures, the actual practices, again, vary widely between nations.

In this chapter we will first define and outline several major concepts, then present the cases of Mexico and India as related to policy initiatives. While we are not crafting a policy brief or offering action plan recommendations, we are laying out a timeline approach of the different frameworks created by policy endeavors that shape remittance practice.

In order to fully develop this discussion on policy, policy implications, and the ways policies are shaping practice, it is imperative we refer back to the original conversation (placed in Chapter 2 of this book) regarding philanthropy and remittances, understanding that at times there is an overlap of overlap of motivation and who gives, resulting in similar reasons of giving and factors that have been used to operationalize giving (Lucas & Starke, 1985; Schervish & Haven, 1997; Bekkers & Wiepking, 2011). We also look towards the concept of humanitarian aid and its role in philanthropic studies. The aid of this type can be seen within the identification model of philanthropy and we suggest these concepts

of identity shift and fluctuate depending on the time, place, and circumstances. An example of how humanitarian aid fits into this discussion is when natural or humanitarian disasters strike one's country of origin and the identification with one's own kin and people of one's own country goes up. While this is a single type, an example is when we saw monetary transfers rise in India after the flooding disaster in Kerala, southern India (2018), which was most likely a contributing factor in the rise of over 14% of remittances to India in 2018.

The policy that surrounds the private transfers of money is not standardized nor is it limited to a single type of transaction or location. Policy enactments have trends and tend to be politically bound in their foundation, use, and conception. In the next sections of this chapter, we strive to present the cases of Mexico and India, delving into a timeline approach of the different initiatives, endeavors, policy struggles, and action plans that have been proposed and implemented. The planning, execution, and eventual results of the multitude of policy frameworks have produced varied outcomes and at times the policies were discontinued without any impact studies or follow-through. As mentioned in the opening of this chapter, this discussion arises from a U.S. outflow of remittances to a Mexico and India inflow. Whereby policies are implemented on both the sender and receiver countries and then melted together, creating at times more ebbs than flows, and trials and tribulations, nonetheless they offer a perspective to view another force that is shaping remittances globally. Further, this extends the notion that there are multiple invisible forces for and against each other in remittances.

Mexico: The Situation for Remittances

Our neighbor to the south has had trials, tribulations, and triumphs in its relationship with remittances and particularly with the interaction of public policy in regards to governance and regulation of remittances. There has been and continues to be a strong link between monetary policies and the current political regime in office, both in Mexico and in the U.S. But throughout these political changes there is a continued migratory flow of emigrants from Mexico, predominantly to the U.S., and this meshing and melding of cultures plays an integral role in the formation of policy, which in turn impacts the private money transfer practices.

In this section, we aim to provide a timeline view of the major policy impacts regarding remittances within the Mexican context. We have been fortunate to interact with key researchers, academics, policy entities, private money transfer organizations, and to interview numerous migrants to obtain a mixed-methods approach in understanding the actual practice of remittances.

Migratory flows into and out of Mexico are steeped in history and can be traced back to the indigenous population. This flow has been

tracked for the last hundred years and in total Mexico is second in terms of the number of emigrants, with India third. There are an estimated 37.5 million people of Mexico origin in the U.S. when second- and third-generation Mexicans are considered in this figure. The migratory patterns of Mexicans have fluctuated over the recent past with the return migration—at times voluntary and others forced—many times including parents with children born abroad. This return migratory pattern has a cultural and economic impact as well with the unplanned or unexpected arrival of citizens. While Mexico's history is steeped with migratory movement out of a region, there is a little history and even fewer policies related to the return or reception of migrants, i.e. returning Mexicans (Arenillas, Ling, & Serrano, 2018).

Reviewing the current history and outlining policy influences and impacts on remittances is the goal of the below section. We aim to contextualize the push and pull between U.S. and Mexican policies and the practices that are occurring as a result of those. When attempting to understand policies and flows of remittances in Mexico, we must consider the institutions that deal with money transfers, governance, regulations, and policies. Consideration needs to be placed on partnerships, nonprofit or third-sector advocacy efforts, formalized initiatives, and political relationships. Some noteworthy endeavors include U.S.- Mexico Partnership for Prosperity, Directo a México, Institute of Mexicans Abroad, Mexican hometown associations, Mexican National Policy on Financial Inclusion, National Remittance Plan (G20–2015 and 2017), Tres por Uno program, and the current U.S. administration migration policies. We will delve deeper into these below.

U.S. and Mexico's Relationship in the Political Context

It is hard to offer an unbiased, politically correct, and public acceptable answer to this above section title. While we can view many media sources from a plethora of different outlets, there are overwhelming conflicts in information available and too many opinions to solicit enough for any type of generalized assumptions. However, what we can do is look at it from a 36,000-foot viewpoint and discuss the policy proposals and interactions.

There are uncertainties surrounding the new economic policies that are being proposed in the U.S. and their impacts on Latin America; however, there are three parts of these new economic policies that may directly influence Latin America: alteration in policies on trade, immigration, and remittances. Note that a standardized policy is not blanketed to a specific region; rather, given Mexico's close proximity to the U.S. and their close relationship, Mexico tends to be the most affected nation when it comes to changes in U.S. global policies.

On Wednesday, January 25, 2017, President Donald J. Trump signed two executive orders regarding immigration:

- "Border Security and Immigration Enforcement Improvements," detailing the construction of a border wall and enhancements to border security
- "Enhancing Public Safety in the Interior of the United States," enabling and enacting measures to detect and deport illegal aliens from inside the U.S.

While we are not aiming to pursue a political argument or intense discussion within the context of this chapter, it is needed to set the stage for where the relationship is between the U.S. and Mexico to then better understand where we came from and the shaping of remittances. The above executive orders do not directly mention remittances but they focus on migrants who are both the senders and receivers of over $27 billion USD in 2016 and $35.7 billion USD in 2018, and forecasted remittances for inflows to Mexico are expected to continue to rise (World Bank Group, 2019).

According to some research outlets (BBVA) as of September of 2018, there have not been any negative effects in Mexican remittances given the change in U.S. administration or the increased focus on migrants in the U.S. And it is further estimated by BBVA that because of the low unemployment rate in the U.S. plus the favorably high peso (Mexican currency) to dollar (U.S. currency) exchange rate, an 11% growth will continue in remittances to Mexico.

We have discussed the impact of Mr. Trump's rhetoric around using taxes on remittances to build the border wall with Mexico. While this initiative didn't gain traction and he had to dip into funds from other U.S. government sources, the fact that this initiative was on the table means that remittances are viewed by both sides—the U.S. and Mexico—as being important. With remittance amounts totaling the revenues from oil exports, the phenomenon of remittance from the U.S. to Mexico is not easy to ignore (BBVA).

With that being stated and the potentially favorable economic conditions assisting towards a positive growth of remittance outflows from the U.S. and inflows to Mexico, and despite the hostile (there is not a better or more descriptive term to use in this context) attitude towards migrants in the U.S., it seems that this is not slowing down support, motivation, or identification with one's own country of origin and the dedication to connecting with that spirit of giving.

However, there are still a multitude of factors that are present in Mexico that shape remittance practices.

Banking Governance, Regulation, and Policies

The federal government in Mexico oversees all banking and financial institutions in Mexico. Banxico regulates money transfer services, though

only those that follow a formal channel (Federal Banking Law in Mexico). The banking system as a whole in Mexico is regulated by four different governmental agencies: Bank of Mexico (Banxico), the central Mexican bank; Ministry of Finance and Public Credit (SHCH), the ministry within the executive branch of the federal government with the duties of regulating all financial institutions; National Banking and Securities Commission (CNBV), an agency that works with the SHCP; and the Financial Consumer Protection Commission (CONDUSEF).

In order to be authorized as a banking service or any financial service, a company must file with CNBV. All retail banking institutions in Mexico are required to be incorporated as a corporation under Mexican law and this must be approved by the CNBV; additionally, once approved for incorporation, it is required to be published for public knowledge through the Federal Official Gazette.

Security Concerns and Consumer Protection

In June 2000 Mexico joined FATF, the Financial Action Task Force. This inter-governmental body was established in 1989 and objectives include setting standards for more effective application of legal, regulatory, and operational measures to mitigating money laundering, terrorist financing, and other threats to a country's financial system. Essentially the FATF offers policy frameworks and guidelines for member countries (FATF, 2019). According to Mexican law history, money laundering was criminalized in 1996 and in 1997 the Financial Intelligence Unity (FIU) was organized to investigate money laundering. All banks and financial institutions are subject to anti-money laundering regulations, which require them to not only maintain records of all transactions but also identify customers. Through these regulations, banks must report unusual activity and any transaction over $10,000 USD. Mexico is actively implementing standards as recommended by the FATF; for example, the Federal Penal Code (Articles 139 and 140) was updated in 2018 to link terrorist financing with money laundering.

Existing regulations that were published in 2004 in the Federal Official Gazette were created to strengthen the financial system and promote transparency and imposed on credit institutions, exchange bureaus, money transfer operators, and all money service businesses. The regulations include:

- Reporting of unusual or suspicious operations and transfers
- Establishing internal policies for identifying customers
- Utilizing a computerized system to save and track information
- Keeping records of every transaction, archived for at least ten years
- Developing and offering training and informational sessions
- Maintaining confidentiality regarding transactions

Again in 2014, Mexican President Enrique Peña Nieto set forth financial reforms that redefined the mission of development banks to promote private financing using lower financing rates. Results from these reforms have reduced borrowing costs and increased access to credit. Outlined in the 2014 reforms were four goals:

1. Promote lending
2. Expand credit
3. Increase competition
4. Ensure security

As with all new or recently implemented reforms, there are concerns about timeliness of results, capacity issues, and sustainability. The 2014 financial reforms in Mexico continue to have the same trepidations. But slow results have been already actualized.

Policy Initiatives Between the U.S. and Mexico

U.S.–Mexico Partnership for Prosperity

In 2001 President George W. Bush and President Vicente Fox met for the first time and through that meeting and subsequent discussions, the U.S.-Mexico Partnership for Prosperity was created. It was seen as a benefit for both the U.S. and Mexico to craft a concrete action plan to promote economic development, specifically in areas of Mexico where growth lagged. This turned into a private-public alliance that aimed to yoke the power of the private sector to foster an environment in which a Mexican citizen would not feel the need to leave his or her home because of a lack of jobs or opportunities. It took six months of work and the Partnership yielded an action plan for leveraging resources.

The action plan seeks to facilitate investment into multiple projects within small business ventures, housing, agriculture, roads, ports, airports, and information technology. The Partnership was designed to hold itself accountable, measure results, and produce outcomes.

Directo a México

Directo a México is a service for sending money from a U.S. bank account to any bank account in Mexico. In the early 2000s, the Bank of Mexico and the U.S. Federal Reserve undertook a study to seek a recommendation of whether to link both countries' payment systems as a direct response to the Partnership for Prosperity's action plan. Effectively this connection between banking systems would allow for efficient interbank exchanges and create a mechanism to process payments between counties. In 2003, the link was established. The Bank of Mexico and the U.S.

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Federal Reserve established a payment system. In 2004, payments were able to be sent from any enrolled U.S. financial institution to any individual bank account in Mexico. In 2005, this payment service was registered and authorized through CBNV and named Directo a México.

Directo a México's (DM) purpose was to help U.S. financial institutions reach and assist customers with a low-cost and convenient way to remit funds to Mexico. Further, it provides U.S. financial institutions with customizable, dual-language marketing material and offers consumers an affordable alternative to costly money transfer organizations. And DM assists U.S. financial institutions in capitalizing on the growing U.S.-to-Mexico remittance market.

Interestingly enough there have not been many studies conducted on the usage, operationalization, outcomes, or efficiency of Directo a México as a mechanism for remittances.

National Policy on Financial Inclusion

In June of 2016, the National Policy on Financial Inclusion was published. Its goals were for the adult population of the country to have access to financial services. Specifically, at minimum half of the adult population was to become part of the formal financial system. Mexico was included by the World Bank as a top 25 country priority to achieve Universal Financial Access by 2020. While there have been some efforts to achieve financial inclusion, the telecommunications sector has a long way to go in developing and offering virtual access to financial products and services.

The Financial Inclusion Program for Migrants, part of the initiative, offers an innovative way for Mexican citizens repatriating from the U.S. to gain financial services, in the form of bank accounts and other direct support. The National Savings and Financial Services Bank (Bansefi), a development bank, opened 11 strategically located service branches along the U.S.- Mexico border and one in Mexico City to provide financial services and education as part of the repatriation. Since the initiation of this program, Bansefi's services have been well received, resulting in quicker repatriates, meaning a quicker return to being productive Mexican citizens and restarting labor activities to generate income and further provide for one's family's well-being.

Institute of Mexicans Abroad

El Instituto de Los Mexicanos en el Exterior—Institute of Mexicans Abroad, or IME—was formed in 1990 by the Ministry of Foreign Affairs to encourage involvement in Mexican communities abroad. Information was encouraged to be provided for services in health, education, culture, and community organizations. Their mission is to promote activities that

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raise the standard of living for Mexican living abroad in the form of their communities. Programs that stem from the institute tend to be civil society organizations and collaborations between the institute and U.S. entities such as school districts, hospitals, universities, and foundations. Multiple projects have resulted from these partnerships, all with the common outcome of collaboration and information sharing among common groups.

Mexican Hometown Associations

"In the Americas, U.S.-based Mexican migrant organizations are one of the most visible forms of grassroots philanthropy aimed at supporting migrants' communities of origin" (Duquette-Rury & Bada, 2013). These voluntary civic associations are an avenue for migrants to come together and connect with others from their communities of origin. In the late 1980s, several Mexican states started to participate in a federal matching funds program that turned into the formalized Tres por Uno or 3x1 Program for Migrants, formalized in 2002 by President Vincent Fox's administration. The 3x1 Program offered a peso-for-peso contribution match for Mexican migrant clubs, up to 1 million pesos. The public-private partnerships developed sustainable working programs that spread across all Mexican states. The 3x1 Program is a national social spending program where not only are contributions matched, these contributions are mainly remittances. Funds are sourced with the aim to improve public services through cross-border partnerships.

National Remittance Plan (G20–2015 and 2017)

Highlights from the 2015 plan include an aim to increase remittance market competition, improve financial systems infrastructure, and improve transparency and consumer protection of transfers. In 2017, the Mexican government focused on promoting innovative business models utilizing business technology to increase capacity and become more cost-effective for remittance transfers. The plan directly promotes the continued use of Directo a México program from the Central Bank, where the commission is extremely low (0.21%). Currently, there is a FinTech Law in the Mexican Government waiting for approval; once passed it will offer protection to customers, provide legal platforms and fiscal certainty to ensure compliance with policy standards in financial services.

Mexico and Future Policy

As seen in the above discussion on policies related to financial services and specifically remittances, there is a large overlap between plans, programs, and initiatives in Mexico. Several of the government-led policy proposals create further projects that turn into programs that are later supported or

focused on in other policy endeavors. Whether this is by design or happenstance, there are numerous frameworks that are geared toward the collection, sustainability, and effective use of remittances within Mexico. This is further supported by the close relationship (though unstable at times) with the U.S. government and partnerships with private sector organizations.

India: Remittances and a Changing Economy

India is the top recipient of remittances worldwide, reaching over $78 billion USD in 2018 according to the World Bank. These monies come from a variety of diaspora Indian migrants, concentrated in the Gulf region, the U.S.A., U.K., and Canada. Interestingly, India received more than 50% of its total remittance from the Gulf Region. Remittances play an integral role in the economy of India, financing the trade deficit for example. Despite this, India's dependency (measured through GDP) on remittances remains stable at 3%, which is interesting because of the high amount of remittances and the fast-changing macro-economic structure and pace of the Indian economy. By contrast and to shed a different light, in many low-income countries, remittances play a role in the development of and also shaping of external policies, though in these cases remittances account for over 10% of their (respective) country's GDP.

Given the large amounts of monies flowing into India, one would think there are solid structures and frameworks in place to govern and dictate private transfers. However, according to many studies, there is an absence of coherent policy frameworks on dealing with these remittances, which results in a decrease in realizing a high level of utilization, creating negative impacts for India. If utilized productively, through institutional and public support, remittance has the potential to become an instrument for creating alternative livelihoods and a mechanism for sustainable development in many states within India (Pande & Yan, 2018). As mentioned the economic structure of India is changing and the latest numbers,2016, show that the amount of Indians with a banking account is on the rise (CGAP, 2019).

The timeline of policy related to remittances in India is varied, but in 2006, some state-level governments were experimenting with electronic cash transfers from bank accounts, which required delivery from a bank agent. In 2013, the federal government attempted to target some of the largest cash transfers and move them to an electronic cash transfer. This shift has resulted in ease and better accountability for the sender and receiver. It has gained popularity and through the newly elected national government has gained momentum through renewed policy efforts. In terms of numbers, while we mentioned that remittances accounted for 3% of India's GDP, the World Bank has kept data points on the percentage of GDP regarding remittances since 1975. The lowest percentage

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was 0.44 in 1975 and the highest 4.21 in 2008 (World Bank Group, 2019).

In India, remittances and remittance-related activities are broken down and apart, resulting in various authorities for each activity. These include the Reserve Bank of India (RBI), the Ministry of Finance (MoF), the Ministry of Overseas Indian Affairs (MOIA), the CCI, and the Ministry of Consumer Affairs, the latter coming into public discourse and general conversation when the national online seller Flipkart partnered with the global powerhouse Walmart in a billion-dollar transaction in 2018. However, the MoF, the MOIA, and the RBI are the central players within the remittance discussion and the driving forces behind moving the needle to improve remittance serviced and improve market conditions for remittances. Here it should be noted that the MOIA was created in 2004 for the direct purpose to "promote, nurture and sustain a mutually beneficial and symbiotic relationship between India and overseas Indians" (MOIA, 2010). This ministry has been in charge of initiatives such as the Pravasi Bharatiya Divas, among others, which seek to engage the Indian diaspora to invest in India and also to stay connected.

Remittance Market in India

The remittance market in India is serviced by multiple parties: commercial banks, non-bank money transfer operators (MTOs), foreign exchange bureaus, cooperative banks, post offices, and a variety of other commercial entities acting as agents (in some cases sub-agents). In India, the term collectively used for these actors is Remittance Service Providers or RSPs.

The Actors

Banks

Banks are typically the first place visited to send and receive remittances. Banks have as much as 80% of the market share for remittances within India. Banks also yield the highest costs associated with remittances according to the World Bank (2019).

Money Transfer Operators (MTOs)

These include multinational enterprises such as Western Union (WU), MoneyGram, and others. MTOs are the second most widely utilized RSPs in India. If we break down this particular market share, WU is the leader. This is not surprising given their globalization efforts, their longevity in the global arena, and their ability to utilize a localization or glocalization strategy of expansion within multi-country areas (Robertson, 1995). This strategy allows for the understanding of a worldwide view of expansion

while taking the local view of said expansions into equal account. This view of globalization further considers that while there is a trend towards global markets and political interactions between nations and nation-states, there is an associated need to recognize increased diversity, the importance of community. Back to the market share of WU, there are more than 50,000 locations in India, operating out of 7,000 cities. WU has a partnership with upwards of 30 banks in India as well.

India Post

India's post has established its own set of offerings when it comes to remittances, primarily in the form of money order (MO) and postal order (PO) services. Both MOs and POs are ways to send money from across the 160,000 post offices around India.

Internet

Private banks in India have become players in this remittance area. Banks such as HDFC and ICICI have begun offering e-commerce type remittance services. This trend has spread to state-owned banks as well, such as SBI and Bank of India, with branded offerings to include e-remit and star-e-remit.

Other Actors

While this list is not exhaustive in the area of remittance service providers, we wanted to add in other actors, to include courier transfers, in-kind remittances, and hawala/hundi. You will note that a deeper discussion of hawala and in-kind remittances occurred in Chapter 2. But it should be noted here that these are other types of avenues for giving and receiving remittances in the case of India. These methods often include low transaction costs, speed in receiving funds, a way to perform giving anonymously, and specifically in the case of hawala a strong tradition is steeped within this method of monetary transactions.

To contrast the speed and efficiency of the hawala system of transfers, courier transfers are much less efficient and come with more risk. As there are no tangible guarantees that your monies will make it to the destination on the sending end of the transaction; nor a guarantee that monies will arrive at their destination on the receiving end of the transaction. This risk is due to the physical need to handle the cash and cross border. On the flip side, the hawala system does not have a tracking mechanism which is unfortunate in events such as this book where data is key to understanding the expanse and impact of differing systems, though some academic studies have estimated that the hawala market in India may be as much as 30 to 40% of the recorded remittances.

Regulatory Systems in India

The regulatory system in India in regards to remittances is overseen by the Foreign Exchange (FX) Department. The FX Department established two approval systems that administer the process of remittance services: the Rupee Drawing Arrangement (RDA) and Money Transfer Services Scheme (MTSS). Below is a synopsis of the different structures of the approval systems (Afram, 2012).

RDA

The RDA has a business arrangement that offers a bank in India to link with a financial services company in a different country. The foreign financial services company is not necessarily a bank, but sources the funds from the remitter. The Indian bank then disburses the funds in India using their already established bank branches. In order for a bank in India to operate with foreign financial companies, the Indian bank has to apply to the FX Department. Under the RDA, the source of countries includes the Gulf Cooperation Council (GCC) countries, Singapore and Hong Kong SAR, China. Under the RDA system, it is determined that the foreign financial services companies are regulated effectively by the individual local monetary authority. Otherwise, there are no particular partnership restrictions nor are there specific appointments of agents within the partnership agreement. While there is a necessary collateral guarantee requirement under the RDA scheme, in order for a foreign financial service company to qualify for partnership through the RDA approval system, it must be a financial institution that is monitored and regulated by their own nation's monetary authority. Remittance transfers approved through RDA may be for any reason which includes business transactions. Payout modes include interbank payment instruments, but no direct cash is permitted under RDA. Under the RDA there are quarterly statements compiled and collected on all remittances received.

MTSS

The MTSS approval system works with foreign banking and non-banking services. These foreign financial companies partner with both banks and non-banking companies in India. Through these partnerships a principal-agent is appointed; this agent then appoints sub-agents. The foreign financial company sources the funds from the remitter and the recipient is able to collect funds in cask form from the agent/sub-agent. The recipient also has the option to receive funds using other interbank payment methods. In order for a principal-agent to receive funds, an application must be completed for approval through the FX Department. In this case, the foreign financial company is termed "Overseas Principal" and

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must submit an application for a license to the Payment and Settlements Department under the FX Department. It should be noted that there is only one "Overseas Principal" per foreign company, and each agent/sub-agent need not apply and be approved individually. Furthermore, there are no country-based restrictions through the MTSS system though there are amount limits on remittances for the recipient. A maximum of $2500 USD per remittances with a limit of 12 remittances per recipient per annum is allowed. And a distinctive point regarding the MTSS approval system is that the remittance service may only be used for remittances for family or personal expenses within India. This means that remittances for business transactions under the MTSS are strictly prohibited. There must be a capital guarantee or collateral of $50,000 USD or three days average worth of remittances (whichever is higher), but there are no restrictions on the type of partnerships. And under MTSS there are required quarterly reporting of the transaction volume as well as listings of all agents and sub-agents currently operating.

Authorization Institutions

To further delve into who has what type of authority over money transfers within India, each of the aforementioned actors and approval schemes has overlaps. But all foreign money transfers must conform to the Foreign Management Act (FEMA), 1999. FEMA was specifically crafted and implemented for the purpose of promoting the development and maintenance of a foreign exchange market in India. Through the act, it empowers the RBI to regulate and monitor foreign currency payments in and out of India, which includes remittances. It is under this act that foreign financial service companies are required to obtain a license. There are five main types of licenses: Authorized Dealer (AD) I, divided into non-bank and bank institutions: AD I non-bank and AD I bank; AD II and III, and Full-Fledged Money Changer (FFMC). AD IIs are money transfer agents and AD IIIs are specialized financial institutions. FFMCs purchase foreign exchange currency and resell it to Indians traveling abroad.

Regulation, Policies, and Enactments

There have been several frameworks that have been crafted in India to assist, mature, and sustain the entrance and exit of monies within India.

The Foreign Contribution (Regulation) Act (FCRA) of 1976 was enacted shortly after Indira Gandhi imposed the Emergency, which suspended civil and political liberties (see further research on India's history and links to civil discourse studies). While the Emergency was abrogated, the FCRA continued though it was frequently amended. The FCRA has regulated the Indian nonprofit sector without a political party or coalition affiliation since its conception. The FCRA regulates the acceptance

and use of foreign contributions by Indian third-sector institutions, political parties, journalists, and other individuals. The interpretation and enforcement of the FCRA are overseen through the Ministry of Home Affairs. As mentioned there have been multiple amendments, which were often levied to enforce stronger regulation. Indian nonprofits are required to apply to the government through the Ministry of Home Affairs in order to accept foreign money transfers or contributions. If a nonprofit is not registered it cannot accept remittances on a continual basis. Nonprofits can apply for a one-time prior permission option, but the Ministry of Home Affairs is strict as to what organization qualifies to accept such contributions. The wording of the policy leads to further scrutiny and generally undefined wording. Through a 1984 amendment, contributions subject to the FCRA include donations to an Indian organization as well as direct foreign donations. This also meant that Indian organizations who received funds from another Indian organization, yielding indirect donations, must comply with the Act's registration or prior permission regulations as well. This addition to the Act impacted thousands of local non-governmental organizations. The further amendment enacted in 1996 required approval of officeholders within an organization by the Ministry of Home Affairs.

The FCRA is not only overseen by the Ministry of Home Affairs companies. The role of the courts in state-nonprofit relations is further supported through policy such as the FCRA. However, the courts at times can end up on both sides of a conflict, defending the nonprofit when it seeks to block state action or offensively when a nonprofit seeks to assert rights against a state entity (Ministry of Home Affairs, 2019).

The Foreign Contribution Amendment Rules

The Ministry of Home Affairs issued the new rules that allow for the entire registration of Indian organizations to be completed online (2015). This new rule is another addition to the FCRA. It now stipulates that the Indian nonprofits must report all foreign contributions they receive through their websites and provide the Ministry quarterly updates. Banks must also inform the Ministry within two days of receiving a transaction from a foreign remitter. Furthermore, the Ministry of Home Affairs has created a 'watch list' of donors who cannot offer any financial assistance to Indian organizations without clearance from the ministry. In 2016 there were a total of 18 major foreign donors on this 'watch list.'

The crackdown on International NGOs working in India over the past few years has been particularly glaring, also a cause for concern for scholars and activists around the world. As Sujeet Kumar, a Research Fellow at Jawaharlal Nehru University (JNU), one of the most prestigious universities in India points out, the FCRA was enacted in the 1970s to prevent foreign interference in Indian politics, but since 2010 it has

become weaponized against any civil society organization that is working to empower people to question the actions of the government (Kumar, 2019). Kumar points out that in 2014, an intelligence bureau report accused foreign NGOs such as Greenpeace, Oxfam, etc., of being 'anti-development' and of negatively impacting India's GDP.

Kumar adds that

> In late 2018, it was revealed the Modi government had canceled the licenses of nearly 20,000 NGOs receiving foreign funds under the FCRA. According to a report on India's philanthropic landscape by the consultancy Bain and Company, there was around a 40% decline in foreign funding between 2015 and 2018.

This negative trend in philanthropic support (and some coming from remittances) has impacted the NGO landscape in India. More pervasive has been the fear of being on the wrong side of the law, whether by supporting these NGOs or financing them in any way.

Other Regulations Impacting Philanthropic Giving

Societies Registration Act, 1860, detailed the requirement for an organization to be fully registered and governed by the state.

Indian Trusts Act, 1882, is a federal law regulating trusts. It applies in Indian states that do not have their own designated Trust Acts. An example of a state-specific law is the *Bombay Public Trusts Act*, 1950 which applies to the states of Maharashtra and Gujarat.

Income Tax Act, 1961, is a federal law offering tax exemptions for nonprofits and deductions for donations.

Prevention of Terrorism Act, 2002, is a federal law that offers definitional parameters to 'terrorism' or 'terrorist acts' and provides additional authorization to counter-terrorism officials.

Characteristics of Remittances in India as Understood Through the Committee on Payments and Settlements System

Transparency and Consumer Protection

There is a push and general principle that remittances in India appear transparent and that consumers are informed about the different aspects of transactions.

Payment System Infrastructure

Continual improvements to the Payment System Infrastructure are being made to increase the efficiency of remittances. The Reserve Bank of India

(RBI) plays an integral role in this standard and in the overall operation of India's payment systems. To this end, the RBI in conjunction with banks in India has established the NPCIL or National Payment Corporation of India, a nonprofit that will establish a domestic payment card network for ATM usage.

Legal and Regulatory Environment

Through the Reserve Bank of India Act, 934, the RBI is empowered to make statutory regulations to electronic fund transfers between banks and other financial institutions.

Market Structure and Competition

The remittances market in India is dominated by banks with about 80% of the market share of inflow remittances being consumed by banks. Remittance services by MTOs are focused on cash payouts. Interestingly the demographics of remitters who use banks are predominantly white-collar workers whereas mainly blue-collar workers use MTOs. While the remittance market is dominated by banks, there is still a high level of competition in the bank-operated schemes. Leaders in the banking competition are ICICI Bank, SBI, Federal Bank, HDFC Bank, and the Bank of India. While the banking level of competition is high, in the MTO segment dominance is by WU with MoneyGram and UAE Exchange also competing.

Governance and Risk Management

The FX Department is responsible for the oversight of all remittances; therefore governance is provided through their oversight. Specific guidelines related to fraud and operational risk management for remittance services do not exist in India.

Future Promises and Developments

As in the discussion that began "India: Remittances and a Changing Economy," there are several new developments and outlooks for the future of money transfers for India. Many banks have started rural banking projects to provide services to the rural poor. Through the expanded use of mobile phones, even people of low income in remote areas are encouraged to utilize banking services. With the introduction of mobile networks in rural poor areas, partnership opportunities exist for mobile service providers to launch products that further utilize mobile phones. This can be seen as links or partnerships with banking institutions. Banks have already started to evaluate e-commerce style money transfers for

payment schemes. Furthermore, India's Union Cabinet approved a proposal to extend proxy voting to non-resident Indians (NRIs) by amending electoral laws. Note that NRIs and overseas Indians are already allowed to vote in constituencies where they are registered, but now they will be able to use a proxy. Via a web-based service, NRIs may register themselves as voters. This service is offered in multiple languages, further-reaching untapped voting potential. This new policy is further connecting different nationals, overseas individuals and may offer new avenues for private money transfers as migrants are being offered another connection to their country of origin.

Further Discussion and Next Steps

Policies have a way of shaping practices, and this at times is the case with both the nations of Mexico and India, though there are many times where policy is shaped by practice as well. This was the case when the U.S. Federal Reserve and the Central Bank of Mexico noted the need for a low-cost alternative to money transfer companies to remit and receive payments across the border, and the creation of Directo a México was established. Whether policy comes first or second, there are multiple mechanisms in place to measure, oversee, and guide (though not always efficiently, as seen in the FCRA of 1976 in India). It is imperative that these policies be amended, updated, and monitored. Just as they set out to regulate and oversee the financial transactions, so too do they need to be understood and kept in check as well.

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