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Sir/Madam,

Re: Submission to the Financial System Inquiry

I am attaching my submission to the Financial System Inquiry. The recommendations are in two areas:

- The first set of recommendations relate to financial inclusion
- The second set of recommendations deals with the need to recognise and monitor the importance and changing nature of remittances.

Both sets of recommendations are important to foster a just financial system which is flexible, efficient and competitive, whilst meeting the needs of users, within Australia and globally.

With best wishes,

Supriya Singh

Supriya Singh

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Submission to the Financial System Inquiry

By Supriya Singh
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Overview

This submission focuses on two sets of recommendations.

The first set of recommendations emphasises the need to foster a just financial system which is flexible, efficient and competitive, whilst meeting the needs of users. Financial inclusion needs to become a major policy focus for the Reserve Bank of Australia (RBA). The RBA has to articulate that it is no longer sufficient for the financial system to be efficient and competitive, if it does not meet the needs of close to one-fifth of Australia's population. This requires regular monitoring and a close collaboration with financial institutions and community groups who have made a modest start in addressing the issues of financial inclusion.

The second set of recommendations deals with the growing importance of migration in Australia and the accompanying two way flows of remittances and intra-family capital transfers. At present RBA does not have a public database that records remittances coming in or going out of the country. We are thus wholly reliant on the World Bank when discussing data on Australian remittances. As remittances now include intra-family capital transfers, particularly in the areas of small business, trade and foreign direct investment, the RBA working together with the Australian Bureau of Statistics could also work towards better data on migrant businesses in Australia as well as charting their role in fostering trade with the country of origin. In addition, surveys and qualitative research could track how foreign direct investment relates to migrant links. Ensuring that this data is available and is recorded will the financial system will take into account a major international flow of funds. It will also mean we can have a meaningful discussion about the economic value of migrants.

Financial Inclusion

Financial Inclusion is a key global issue. The latest data show that half the world's population 15 years and above was unbanked in 2011. Twenty-two per cent saved at a financial institution and only nine per cent had a loan from a financial institution in the past year. The situation is worse for the poor and for women.[1] Hence, when financial regulators, particularly from the Global South meet, financial inclusion is a key topic of discussion. It is often a central plank of banking policy and regulation.[1]

However, reference to financial inclusion is mostly missing in RBA media releases, speeches, annual reports, Bulletin, Financial Stability Review, research discussion papers, conference papers, research workshops, occasional papers. The six references to financial inclusion on 18 March 2014 occurred in the context of a review of mobile payments in developing economies.

This complacency is most likely rooted in the fact that in Australia nearly everybody is banked, as all government benefits have to be paid into a financial account. In 2012, only 1.1 percent of Australians did not have a transaction account with a formal financial institution. But another 16.6 percent were underbanked because they only had one financial services product, leading to an overall figure of 17.7 per cent, that is, 3.1 million being severely or fully excluded. This was an increase from the 17.2 per cent that were financially excluded in 2011. Another 42.6 per cent were marginally excluded in that they did not have a transaction account or a credit card or general insurance. So just above three-fifths (60.3 per cent) of Australian adults are fully, severely or marginally excluded from financial services.[2]

The factors leading to the different degrees of financial exclusion of three-fifths of Australian adults include the high costs of using these services, distance from a bank branch, language and literacy difficulties, and problems related to providing identity documents. Low income, low education, being born in a non-English speaking country, living in a large rural or remote area or the inner-city areas of major capital cities, being eighteen to twenty-four years of age, being a student not in employment increase the chances of being financially excluded.[3]

Indigenous consumers are overrepresented among consumers who are unbanked and underbanked. The percentage could be as high as 43.1 percent.[4] They face additional barriers with difficulties in obtaining birth certificates because of cost and lack of awareness. Without this basic identity document, it is difficult to access government and financial services.[5]

I recommend that:

- The RBA acknowledge in policy and research publications that financial exclusion is an important problem that to a greater or lesser extent affects three-fifths of Australian adults.
- The RBA monitor financial inclusion annually, following the example of the Federal Deposit Insurance Survey in the United States, and building on the initiative of the National Australia Bank.
- The RBA extend and build on initiatives by financial institutions and community groups by using global best practice to encourage innovation

[1] In Appendix 1, I am attaching chapter 3 entitled ‘Half the World is Unbanked’ for a more complete global discussion of the issue from Supriya Singh (2013) *Globalization and Money: A Global South Perspective,* Lanham, MD: Rowman & Littlefield.

that will lead to appropriate financial products and services to address the needs of the financially excluded groups.

- RBA encouragement for designing appropriate products and services for the financially excluded could lead to greater innovation in the financial system. These innovative practices could take from the use of mobile payments as in much of the developing world; microfinance, and experiments with wealth management via rural branches as in the Kshetriya Gramin Financial Services (KGFS) in India.[6]
- The RBA monitor and make public how individual financial institutions are increasing access to transaction accounts, savings, credit and insurance among the most excluded groups.

These steps would help begin to address the growing problem of financial exclusion in Australia.

Migration, Remittances and Transnational Family Capital Transfers[2]

It is important to measure migrant remittances between the source country and Australia, for Australia is a migrant country. Around half of Australia's population comprises either migrants (24 per cent in 2006) or Australian born children of migrants (26 per cent).[7]

Money sent home by migrants has been recognised in the last decade as one of the largest international flows of funds to developing countries. Remittance flows through formal channels, worldwide, may reach US$550 billion in 2013. The figure is substantially higher if informal remittances are included. Formal remittances are now 'nearly three times the size of official development assistance and larger than private debt and portfolio equity flows to developing countries'.[8]

Given the importance of migrants to Australia and of remittances worldwide, I make the following recommendations.

- It is important the Reserve Bank of Australia begin to publicly record and monitor remittances. At present, the data is coming from the World Bank Migration Database. As detailed below, this data is deficient for it does not take into account the money flowing in from the transnational families of Australian migrants.
- The RBA working together with the Australian Bureau of Statistics could ensure there is better data on migrant businesses in Australia as well as charting their role in fostering trade with the country of origin. In addition, surveys and qualitative research could track how foreign direct investment relates to migrant links.

[2] This section substantially draws from Supriya Singh and Liliya Gatinya (Unpublished). Migrant Money Flows Two-Ways between Australia and India. The paper is attached in Appendix 2.

- The Reserve Bank of Australia should work with Australian banks to reduce the cost of remittances. As the World Bank notes, East Asia and Pacific is the second most expensive remittance corridor after Sub-Saharan Africa. Australian banks are above this high average cost. On average, if a person remits $US200 through Australian banks to the Philippines, it costs $US 38.3. The charges are slightly lower for remittances to Vietnam at $US31.8.[9]

Measuring remittances

Measuring the two way flow of migrant remittances and transfers will help estimate the financial value of migration and contribute to a better understanding of the role of remittances in the Australian financial system. It will also lead to more effective policy making in the areas of migration, trade and investment.

At present, we do not know the full extent of money flowing in or out of Australia because of migration. In Australia, the RBA does not publish data on remittances to or from the source country. The only data we have for remittances to the source country is from the World Bank. This lack of data prevents us from documenting the changes in inflows and outflows, because of the enhanced mobility in migration patterns. It also fails to take into account the broader definition of remittances adopted in 2009 by the International Monetary Fund. Remittances now include 'current and capital transfers in cash or in kind between resident households and nonresident households'. [10]

There is evidence that migration patterns in Australia are shifting from permanent settlement to mobility, circularity, reciprocity and remigration.[11] This pattern is particularly evident in Australia as student and skilled migrants from middle-income countries in Asia have become a greater part of migration inflows. In 2006-2007, the India and China-born were the third and fourth largest group settling in Australia. The majority of these settlers arrive as skilled migrants, with India as the second largest source country and China as the fifth. India and China also account for the largest number of international students who arrive as temporary migrants but then may apply for permanent residence.[12]

The increased mobility and circularity of migration patterns is particularly important when measuring the two-way flow of money within the transnational family – that is the family unit that resides in Australia and the family unit that remains behind in the source country. There is evidence from qualitative research in Australia that families send money to Australia not only for education, but also for investment in housing and business. This is because money is a medium of relationship within the transnational family, particularly in Asia.[13]

Quantitative evidence Australia-wide is lacking. Other than education, this flow of money is not captured in the trade, housing or investment statistics. However, the Longitudinal Survey of Immigrants to Australia (LSIA), a study of newly arrived offshore immigrants with skilled, family or humanitarian visas between 1993 and 2005, provides limited data on financial transfers relating to new migrants in their first two years. The survey was managed by the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA).

LSIA2 covered those who arrived between September 1999 and August 2000 (3,124 Primary Applicants). It is the latest to ask about money and financial assets sent overseas by new migrants. The offshore Principal Applicants were also asked about money and financial assets brought when they arrived in Australia and financial support subsequently received from overseas. The participants in LSIA2 were surveyed twice. The first survey was between February 2000 and January 2001, within six months of arrival, and the second, between February 2001 and March 2002.

The main finding from LSIA2 is that the Indian-born migrants who arrived between 1999-2000 brought and received 18 times as much as they sent to India in the first two years.[14]

Conclusion

This submission focuses on two major areas that are important for Australia's financial system and its social fabric.

The first set of recommendations deals with financial inclusion. A financial system is flawed if it does not fully answer the needs of three-fifths of Australia's adult population. This negatively impacts the domestic competition and international competitiveness of the Australian financial system. It also calls into question the current cost, quality, safety and availability of financial services, products and capital for users. By making financial inclusion a central tenet of financial policy, this inquiry can rebalance the philosophy, principles and objectives underpinning the development of a well-functioning financial system.

The second set of recommendations deals with the financial system recognising and monitoring the growing role of migration and its impact via two-way remittances in Australia. It also focuses on how the financial system, particularly the banks in Australia, can better serve the needs of Australian migrants, particularly from the East Asia and Pacific region, by reducing the cost of remittances. Remittances worldwide are a major international flow of funds. As yet, we do not know the importance of remittances to the Australian financial system because they are not adequately measured and monitored. This knowledge has the potential to modify our understanding of the flow of funds in the financial system, migration, trade and investment.

Appendix 1: Chapter entitled 'Half the World is Unbanked' from Supriya Singh (2013) *Globalization and Money: A Global South Perspective*, Lanham, MD: Rowman & Littlefield, pp. 41-65.

CHAPTER 3

HALF THE WORLD IS UNBANKED

Irene, thirty, sits in a pandanus hut fringed by mountains in the Morobe province of Papua New Guinea and tells how her family of six lives on $2.79 a day. They grow 150 kilograms of betel nut that brings them about 1,000 kina (roughly $430) a year. This is money from her husband's land, so it is money she does not control. She sells taro, fruit, and greens every fortnight at the market, a half an hour's walk from her village. From the 40 kina she gets, she buys oil and salt. Sixteen kina go for her husband's mobile phone top-up every fortnight, paying for twenty minutes' talk time. "I buy rice if there is money. If not, we eat taro every day, every month."

Irene saves her money in the walls of the pandanus hut or in a hole in the ground. Irene's dream is to educate her four boys. There is no bank branch within easy reach. She uses whatever mechanisms she can to save money. But most of the time, it is a difficult subsistence because there isn't enough money.

The annual school fees for her three who are in school are nearly 100 kina. The government has been talking of making the first few years of primary schooling free. Holding her youngest close to her, she says she went to the clinic at the market and paid 50 toya (half a kina) to have him seen. She gives two to three kina a week to her husband who has gambling debts.

There are weddings and funerals where each family gifts two or three kina plus food. Her two brothers send her money when they can. Her father, who lives in a village farther north, gives her money toward the school fees. He sends her a message on her husband's mobile phone, and she meets him at the public motor vehicle stop when he is on his way to Lae.

She wants a secure place for her savings. Irene needs to be able to manage small, irregular, and unpredictable amounts of money for the family's daily needs. She saves in order to spend later and borrows if she can. She wants to separate money that is immediately available for everyday needs and some that can be sequestered away from herself and her husband so that it slowly builds up to pay school fees. And as with all of us, money is a medium of relationship. She says she will open a mobile bank account in Lae, a six-hour ride one way, when she has 100 kina to spare for the return trip. She is most likely also budgeting for a mobile phone.

Irene is one of the unbanked. Nearly half the people in the world aged fifteen and above do not have an account with a bank, credit union, cooperative, post office, or microfinance institution. When the social concept of money, rather than markets, is at the center of globalization, the story includes Irene. The challenge for developing countries is to see how, with the help of technology and the effective design of money management services, this half of the population can be brought into the formal payment and banking systems. The savings available to the country would increase. Irene's life would be easier if she had a secure and private place to save near her home. Access to flexible and sustainable credit would help with emergencies and help her cope with a shortage in the school fees. It would also help Irene if her father could send her money via the mobile phone, as is happening in Kenya and many other countries in Africa and Asia.

Financial inclusion will work only if it fits with the way Irene manages her money. It will be important for Irene to be able to keep the social and cultural context of the give-and-take that is part of her life now. She most likely will continue to use a mix of formal and informal money management tools. Some of the most interesting innovations around the management of money are happening among the unbanked. These are a mirror

image of new ways of dealing with money in the developed world and will remain part of the future of money.

The literatures and players in the world of the unbanked differ from those involved in discussions of globalization. In the world of the unbanked, at the center are international organizations like the World Bank, the Consultative Group to Assist the Poor (CGAP), and the Alliance for Financial Inclusion. The United Kingdom's Department for International Development (DFID) is a prominent player, as is the Bill and Melinda Gates Foundation. Relevant research is about poverty, financial and social exclusion, and the ways technology can help. The regulation of banking and payments revolves around these issues. Global financial markets, the global financial crisis, the role of derivatives, and even banking money seem distant. Money as a medium of relationship remains a constant.

There are five stories told in this space. The first story is about bringing people from informal financial services to the world of formal financial services, adding to transparency and economic growth. We have to find out how many people are unbanked, who are the unbanked, and why they are unbanked. A global picture is just emerging. The second story introduces the way regulators are addressing this issue with the help of new technologies. The third story is how the poor manage money. The fourth revolves around broad theoretical approaches to development, freedom, and capabilities. This story, articulated by Amartya Sen and Martha Nussbaum, says that development and financial inclusion mean the freedom for people to live the kind of life they choose. This is done by giving people the capability to choose and act in their preferred ways, while putting in place the institutional structures and values that are supportive.[1]

The fifth story moves the focus to the reduction of poverty at the ground level. One part of the story is about social justice and inspirational programs, like Muhammad Yunus's Grameen Bank, while advocating a greater participation in market economies. Another is the approach advocated by the late C. K. Prahalad.[2] He introduced the concept of the "bottom of the pyramid" to describe the bottom two-thirds of the global population who live on less than $2 a day. He argued that we must see the poor as value-conscious and entrepreneurial customers who need to be served, and as customers who will be profitable.

Gender in relation to financial inclusion is such an important subject that I will consider it at length in the next chapter. It takes us to the marketplace and inside the family and the household to ensure that women are well served by the policies and programs of financial inclusion.

COUNTING THE UNBANKED

The figures are stark, they vary across continents, and they are changing fast in some countries, given the impact of financial inclusion initiatives. It is important to grasp the extent of the problem. What is clear from the most recent data is that 2.5 billion people—that is, half the world fifteen years of age and above—are unbanked. In developing countries, the percentage rises to 59 percent. More than three-fourths (77 percent) of those who live on less than $2 a day do not have an account, with women being even more excluded. Financial exclusion, poverty, and gender and intertwined.[3]

The Global Financial Inclusion (Findex) database includes data collected in 2011 on more than 150,000 adults in 148 economies. This represents about 97 percent of the world's population. They asked more than seventy thousand people why they did not have an account in a formal financial institution. The most common answer (65 percent) was that they did not have enough money to use one. Other reasons were that banks or accounts were too expensive and that another family member already had an account. Banks were also too far away and/or customers did not have the necessary papers to open an account. Others did not trust banks, and yet others had religious reasons for not having a formal account.

Approaches to accounting for the financially excluded differ according to the perceived importance of different gradations of exclusion. The latest data from Africa separates those who are formally included—that is, those who have accounts in banks and other formal financial institutions—from those who are informally served and those who are financially excluded from formal and informal financial services. With this approach, those who are financially excluded even from the informal sphere vary from 27 percent in South Africa in 2011 to 78 percent in Mozambique in 2009. If we include those who are only informally served among the financially excluded, the figures go up to 32 percent for South Africa and 87 percent for Mozambique. If we take being banked as the marker for financial inclusion, the figures for the unbanked are 37 percent in South Africa and 88 percent in Mozambique and Tanzania (personal communication, Kammy Naidoo, September 6, 2012). In all the countries surveyed, women are more financially excluded.[4]

There are also significant percentages of people who are financially excluded to varying degrees in high-income countries. These pockets of inequality and marginalization have been difficult to address, as financial inclusion is not the central plank of government or regulatory policies. A

Federal Deposit Insurance Corporation survey done in 2011 found that in the United States 8.2 percent of households are unbanked. This translates to one in twelve US households. This is a 0.6 percent increase since the first survey in 2009—that is, an additional 821,000 households. The figures would most likely be higher if measured according to individuals.

In addition, one in five households (20.1 percent) is underbanked. The underbanked belong to households that have a checking and/or a savings account and had used alternative financial services such as nonbank money orders, nonbank check-cashing services, nonbank remittances, payday loans, rent-to-own services, pawnshops, or refund anticipation loans (RALs) in the previous twelve months.[5]

The Australian picture is minimally better than the United States in that 17.2 percent of the adult population is financially excluded. Only 1.1 percent of Australians do not have a transaction account with a formal financial institution, as all government benefits have to be paid into such an account. But another 16.1 percent are financially excluded because they only had one financial services product. The factors leading to financial exclusion include the high costs of using these services, distance from a bank branch, language and literacy difficulties, and problems related to providing identity documents. Low income, low education, being born overseas, living in a large rural or remote area or the inner-city areas of major capital cities, being eighteen to twenty-four years of age, plus unemployment increase the chances of being financially excluded. Thirty-nine percent of the population does not have any mainstream credit products. Indigenous consumers are overrepresented among consumers who are unbanked and underbanked. The percentage could be as high as 43.1 percent.[6] They face additional barriers with difficulties in obtaining birth certificates because of cost and lack of awareness. Without this basic identity document, it is difficult to access government and financial services.[7]

TECHNOLOGY, REGULATION, AND FINANCIAL INCLUSION

The social, economic, and regulatory challenge is to ensure that people have access to formal financial services. Financial inclusion for most policy makers has meant that people have bank accounts where they can save and access credit. The major push is economic, but the passion behind financial inclusion is to encourage people to develop their capabilities and live a life where they have the freedom of choice.

There is a strong push by governments in the global South to address financial exclusion. The coming together of international institutions, philanthropic bodies, national governments, telecommunications operators, and financial institutions has made for some success in increasing financial inclusion.

In order to increase financial inclusion, a balance has to be struck between regulation that is flexible enough to allow for innovation, while at the same time providing trust in the system and maintaining consumer protection. Regulators have to be conscious of "enablement."[8] They need to strike the balance between enabling new models and markets to emerge and protecting customers who must entrust their money to new providers. Technology is an important component for solutions, for it is not feasible to extend the branch and ATM network to every part of the country. This has led to the search for branchless solutions, whether it be mobile money services, banking correspondents, or mobile ATMs.

The issue often discussed between regulators in the South is whether the regulatory strategy should be payments led or bank led. Should we see financial inclusion as being banked, or should the emphasis be on providing the poor with formal payment services and safe storage of savings? These formal payments may in turn become a bridge to being banked.

Stephen Mwaura Nduati, head of the National Payment System of the Central Bank of Kenya, says the Central Bank sees access to formal payment services as being part of a broader push toward financial inclusion (personal communication, August 29, 2012). The Central Bank of Kenya sees its role in relation to payments as one of monitoring existing payment systems and, "where necessary, inducing change."[9] This approach has contributed to the resounding success of M-PESA, Kenya's mobile money service, which has enabled the poor to move to formal payment services. A 2012 survey of Kenyans at the base of the pyramid showed that more than four-fifths (84.4 percent) now use M-PESA.[10]

For the Central Bank of Kenya, M-PESA has become a central plank in what Maurer calls the "empowerment story."[11] M-PESA allows the transfer of money via mobile phone without the need for a bank account. Mobile money has extended the reach of formal payments, leading in time to people becoming banked and using credit for economic growth. The Central Bank of Kenya's focus is on financial inclusion while balancing it with the need for security, safety, and efficiency. It argues that banking and payments need to be regulated for different kinds of threats. The focus is on banks and mobile network operators

(MNOs) "integrating," rather than allowing for interoperability of different MNO networks.

Some of the regulatory challenges for mobile money were summarized well after a meeting in Malaysia between regulators from Asia Pacific countries, providers, and international organizations.[12] Issues of consumer protection, privacy, and fraud needed to be addressed. Policies needed to be in place to fulfill "Know Your Customer" (KYC) guidelines, which identify the customer and guard against money laundering and financing terrorism. But perhaps the greatest challenge was to allow "an appropriate balance of competition and cooperation in retail payment systems in order to promote a certain degree of interoperability."[13] This meant preventing monopolies that would be against the customer's interests while providing incentives for new players to invest in branchless banking.

Everybody agrees that the future of financial services in Kenya and perhaps elsewhere is mobile. There has been a significant increase in formal access to payments in Kenya since M-PESA. The Global Findex database (2012) shows that 43 percent of those who used M-PESA in the last twelve months have no bank accounts. The banks have also expanded their network and customer reach in terms of bank branches, particularly in rural areas, and their ATM network. But according to the Global Findex database (2012), only 42 percent of adult Kenyans aged fifteen years and above have an account with a formal financial institution. This compares with 26.47 percent in 2006 according to the FinAccess survey. It is still short of the 60 percent needed to achieve the targets of Kenya's vision to become a developed country by 2030.[14]

Despite M-PESA's success, questions continue to be asked of the Central Bank of Kenya. Have they enabled a level playing field for the operation of mobile money and mobile banking? In pushing "integration" of the banks and mobile operators, are they forgetting the importance of the interoperability of mobile networks? Has the Central Bank put M-PESA on such a pedestal that they have allowed it to become uncompetitive, unregulated, and unsustainable? Does M-PESA provide the poor with the financial intermediation that is needed? Why do banks have to pay M-PESA's monopoly rates to use its network even when the bank partners with M-PESA? Are banks partners or competitors? The question that at least some banks may be asking themselves is, will we become the back-room boys for the storage of money while payments come to center stage? Behind these questions lies a potential conflict of interests, for Safaricom is owned partly by the government of Kenya.

The accusation that the Central Bank's policies are uncompetitive strikes a nerve, especially when they are seemingly supported by the World Bank. A 2012 World Bank report notes that there needs to be greater regulatory attention to issues of competition and interoperability. Safaricom, which has 68 percent of the mobile subscribers market, is in a position to dictate the terms of M-PESA, which can only be used by Safaricom customers. The Central Bank needs to avoid introducing premature competition that may suppress the growth of mobile money services. At the same time, if anticompetitive practices are not curtailed in a timely manner, there will be financial and social costs.[15]

The report cites the example of Nigeria where interoperability between MNOs, between banks, and between banks and MNOs is mandated to prevent one player from dominating the market. But it has to be noted that mobile money services in Nigeria have hardly taken off.

The World Bank report led to a limited debate in Kenya and among mobile money intellectuals. The report was interpreted as criticizing the Central Bank for being uncompetitive. Kevin Donovan reiterated in his blog that the World Bank recognizes that "the appropriate form of regulation is still emerging" and that the benefits of mobile money should be sustainable and have a broad reach.[16] Monopoly concerns have heightened with M-PESA using its agents to service its M-Shwari savings and microloans service exclusively with the Commercial Bank of Africa.[17]

The Central Bank of Kenya has followed Brazil and Colombia's banking agents model and in May 2010 permitted banks to expand through banking agents. The tension between the MNOs and the banks lies in the fact that M-PESA's agent network is exclusive in practice, while banking agents, by regulation, cannot be exclusive. Banking agents are required to have an eighteen-month business track record compared to the six months for mobile money agents. Banking agents also are not allowed to sign clients to bank accounts, though M-PESA agents can open bank accounts for their customers, admittedly with lower transaction and deposit limits. Banks are liable for agents' actions. The liability of telecommunications companies for payment agents is not explicit.

The nonexclusivity of banking agents has given later players an advantage, for they have a free ride on Equity Bank's initial investment in the network in order to identify and train agents with enough liquidity. Almost every Equity Bank outlet is co-branded with five or six other commercial banks, Airtel Money, Orange Money, and co-op banking agents.

The banks are being heard. Matu Mugo, assistant director of bank supervision at the Central Bank of Kenya has recommended that banks be permitted to have payment agents—that is, "cash merchants"—as well as full-fledged banking agents. As cash agents would incur less risk in that they would provide basic payment services only, there needs to be a review of the guidelines covering exclusivity and institutional liability.[18]

Nduati acknowledges that developing appropriate regulations to safeguard consumers and the banking system is "tricky."[19] But the main task before the Central Bank is to raise the level of the banked to 60 percent by 2030. This means getting an additional twenty-one million people in the banking system between 2010 and 2030, particularly from rural areas. This will be possible only with lower costs for banks and consumers. And that translates to mobile. There also needs to be a wide range of locations and channels for customers to "deposit and withdraw cash in exchange for electronic value."[20]

It also remains to be seen how far the Central Bank of Kenya will go toward reducing the effects of the dominance of Safaricom. In May 2012, Safaricom's share of Kenya's total mobile money market of 19.7 million customers was 77 percent, and in June 2012 it had 67 percent of the mobile money agents in Kenya. This dominance has been one of the factors in M-PESA's stellar success in increasing one aspect of financial inclusion in Kenya. Moreover, most people in Kenya are besotted by M-PESA. I did not hear anyone say they wanted to return to the pre-M-PESA days. Ignacio Mas relates in a blog how the perception that he was not giving sufficient weight to the success of M-PESA was enough to get him a hostile reception.[21]

Brazil has taken a different route and succeeded in introducing business correspondents to extend the reach of banks. They were first introduced in the 1970s. Their number has grown. Business correspondents are used by governments for the payment of social benefits. For consumers they are the most-used channel for the payment of utility and other bills and for credit transfers. As a result, access to financial services has improved in every region and municipality.

This success has come through gradually expanding the services of business correspondents. In 1999, business correspondents were allowed to receive and refer applications to open demand, fixed-term, and savings deposit accounts. They could also take receipts and payment for these accounts, as well as investment funds. At first business correspondents could only operate in areas where there was no bank branch. But in 2000, this restriction was removed. It led to an increase in access and greater competition for banking services. In February 2011, business correspondents were also allowed to engage in foreign exchange business. This was up to a limit of $3,000 per transaction or the equivalent in other currencies. The principal bank remains solely responsible and liable for these services provided by its affiliated business correspondents.[22]

Getting the right balance around mobile money and financial inclusion troubles many central banks in the global South. Bank Indonesia is reflecting whether its bank-led regulation has prevented mobile money from taking off. T-Cash, the first mobile money scheme in Indonesia, was launched in 2007, the same year as M-PESA. Telkomsel, like Safaricom, is the country's biggest MNO. But only 3.8 percent of its mobile phone subscribers use mobile money. Siti Hidayati, senior payment system overseer at Bank Indonesia, said the Central Bank was concerned that "Know Your Customer" requirements were fulfilled, as they were essential for anti–money laundering (AML) efforts and combating the financing of terrorism (CFT). So it asked for each agent to individually apply to be a money remitter. This has resulted in there being only five thousand outlets for T-Cash in the big cities compared with Telkomsel's five hundred thousand airtime dealers. She recommended that "cash-out activities should not be considered money remittance activities because they only exchange electronic value to cash, in real time."[23] Mobile money providers should, however, be required to train their agents regarding AML/CFT and be responsible for their agents' misconduct.

India is moving toward mobile money, mobile banking, and financial inclusion. Progress has been slow, with India experimenting with mobile money services, banking correspondents, and mobile ATMs. As Ignacio Mas, formerly of the Bill and Melinda Gates Foundation, told David Wolman in Seattle, "Because it's so massive, and the need so pronounced, India is the ultimate proof of principle for mobile money."[24] India has a large unbanked population of 65 percent, near universal telephone coverage with low costs, and a culture of remittances. Sending money home is a feature of family life, both for urban–rural and international remittances.

Senior officials of the Reserve Bank of India (RBI) speak often and passionately about financial inclusion. Since 2006, the Reserve Bank has permitted and liberalized banks' use of third-party business correspondents. It has relaxed its "Know Your Customer" guidelines for small-value accounts. RBI, however, allows mobile money to be offered only in partnership with banks.[25] There is a growing recognition that banks have not been chasing the unbanked market. Even when the number of accounts opened is impressive, a large percentage of the accounts have no transactions. The RBI is offering new banking licenses expected by March 2014, with one of the conditions being that the banks open 25 percent of their branches in rural areas.[26]

Ensuring that the population can be identified for the opening of bank accounts is itself a massive operation. An ambitious national identity scheme being implemented by the Unique Identification Authority of India (UIDAI) has been under way since 2009. By the end of April 2013, UIDAI had issued over 320 million Aadhaar (identity) cards. A million Aadhaar cards are issued every day. But this still leaves many of India's 1.2 billion people without an identity card.[27]

New mobile money initiatives are continually being announced in India. Some of them seem to have a lot of potential, though none of them have reached the proportions of M-PESA in Kenya. Progress is slow and difficult to measure. The State Bank of India (SBI) has been in partnership with Eko since 2009. Some accounts of this partnership are glowing, with the focus on the increasing number of customers, the volume and value of transactions, and the profitability for business correspondents and their customer service point (CSP) agents.[28] A survey of 814 Eko customers showed that the Eko partnership with SBI is reaching the unbanked. Thirty-nine percent "had not used any form of financial services before and only 48 percent had previously had a bank account."[29]

SBI and Eko's most popular "Tatkal" (instant) service offers a simple way of sending money in real time to an SBI bank account anywhere in India. The sender gives the cash, the mobile numbers of the sender and receiver, plus the receiver's bank account to the agent. The agent dials a short sequence of numbers for the money to be deposited into the account. An SMS (instant message) is sent to both the sender and the recipient verifying the transaction, the time, and the fees levied. The recipient can go to any ATM and withdraw the money with no fee payable. Each of Eko's three hundred most active agents in Delhi complete 150 to 200 transactions per day. Most transactions are around $80, though they are capped at $200. These transactions yield some $20 in fees for the agents. This is higher than the usual $1 to $5 earned by agents in India.[30]

Other more localized accounts reveal that the model of agent banking in India has yet to become sustainable. In Canning, a small town about two hours away from Kolkata, a local bank agent enrolled one hundred ɔeople for the State Bank of India. Six months later, their accounts still ıave not been activated. This is similar to the findings of a national sur-'ey by CGAP and the College of Agricultural Banking, which shows that .pproximately a quarter of the bank agents are either "unavailable or un-.ble to transact."[31] The survey also shows that being a bank agent brings vith it an elevated status within the community. But in most cases, bank .gents' income is low. Agents are dissatisfied by the lack of support from he business correspondent who hires the agents. But overall, 51 percent ıf the customers are satisfied with their experience.[32]

The latest push is coming from the Indian government's decision to ɔegin transferring some subsidies, benefits, and scholarships in cash di-ectly to bank accounts. Brazil's Bolsa Familia, a conditional cash transfer cheme that was launched in 2003, is quoted as the inspiration behind ndia's scheme. Bolsa Familia is credited with a positive impact on the lleviation of poverty, an increase in education and health welfare for the ɔoorest families, and greater financial inclusion.[33]

The scope of India's cash transfer scheme has been shifting in terms ıf the number of districts to be covered, the kinds of subsidies, and the xpected date of completion. It is hoped the move toward cash transfers vill block leakage of government funds, ensure that the money is with he recipients, increase financial inclusion, and lead to more votes for the ɔresent United Progressive Alliance (UPA) government in the elections nost likely to be held in 2014.

The first reactions to the announcement have been mixed. There re fears its failure may lead to people being worse off. If this initiative vorks, and banks and post offices work with the government, it will nean that financial inclusion will be fast-tracked. The real payoff will ɔe that most of the people will then have a place to securely place their avings, as well as access to credit and insurance. Banks and the econ-ɔmy as a whole will benefit from the savings coming into the banking narket and from some cash transactions becoming electronic. This will ɔecome especially true when another suggestion is implemented, that is hat information in bank accounts can be accessed via mobile phones by lialing *99# at no charge.[34]

There have been a few muddles since the announcement of the scheme nd its beginning in January 2013. At present, most people in India do not ave an Aadhaar card or a bank account. The bridging mechanisms are nclear between banks and the Aadhaar numbers. It is feared that people nay be excluded from this cash transfer scheme. Though the subsidies

originate from the center, it is the states that hold the databases which will need to be digitized. The politics behind this move will no doubt play a part in the scheme's success or failure.[35]

The use of technology and enabling regulation together with adequate consumer safeguards is part of the mix for a successful assault on financial exclusion. There are different roads to this success, and many countries are still finding their way. Success, however, will come when the solutions address customers' needs. And for that it is essential to know how the poor manage their money.

HOW THE POOR MANAGE THEIR MONEY

The traditional notion has been that the poor have too little money to have a financial life. It is only recently that this approach has been over-turned by an empirical focus on how the poor manage their money. The star turn in this literature is *Portfolios of the Poor* by Collins, Morduch, Rutherford, and Ruthven in 2009.[36] The book focuses on the complicated ways in which the poor actively manage money, how they manage the peaks and troughs of their income and expenditure by frequently saving and borrowing small amounts of money, and how they do this in a way that connects them to their family, kin, and neighborhood. This book suc-ceeded in bringing these insights to the consciousness of the development and philanthropic community. Though anthropologists have focused on money, livelihood, and family through more intensive engagement, Col-lins et al.'s comparative study, covering India, Bangladesh, and South Af-rica, succeeded in connecting the perspectives of the poor to the language and frameworks of the communities trying to address financial exclusion.

Collins et al.'s insights are based on fortnightly interviews over a year, written up as financial diaries. Their data improved after the sixth diary visit, partly because they were trusted more, and partly because they were able to note the informal saving, lending, and borrowing they had missed earlier. It is this detailed picture built up over a year of continued interac-tion that makes their study insightful.

Their study shows that because of the uncertainty, irregularity, and smallness of incomes, the poor have to actively save to spend later, and borrow to spend before money is earned. They found that even the poor-est households living on less than a dollar a day divert a large proportion of income into savings or use it to pay down loans. They save in multiple ways by storing savings at home, keeping them with others, or depositing n with banking institutions. They join different kinds of savings clubs, ıetimes savings and loans clubs. They also borrow from neighbors, ıloyers, moneylenders, relatives, or financial institutions. They say, any one time, the average poor household has a fistful of financial tionships on the go."[37]

ıt the beginning of the book we meet Hamid and Khadeja who live one-room home in a Dhaka slum. Hamid is a reserve driver of a mo-zed rickshaw, while Khadeja stays at home to look after their child run the household. She earns a little from taking in sewing. In all, n average month they make $70. It is unpredictable, depending on ːther Hamid has work or not. After paying a fifth for rent and much ıe rest for food, they have $76 in a life insurance savings policy, $30 : for safe keeping to his parents, $40 lent to a relative, $16.80 in a rofinance savings account, $8 saved with a money guard, $2 kept at ıe in case money is needed, and $2 in Hamid's pocket so that he has ıey on the road.

They manage their money by borrowing interest free from family, ;hbors, and Hamid's employer. This comes to $24. In addition they : a loan of $153 from a microfinance institution and owe money to r grocery store and landlord. Khadeja holds $20 as a money guard for neighbors who are trying to keep their money safe from their hus-ıds and sons, and Hamid also stores $8 with his employer while waiting ːnd money to his parents in the village.

They are able to manage their debts, which were $48.54 more than r financial assets, though negative net worth was fairly rare in their ple of 250 households across urban slums and villages in Bangladesh, a, and South Africa between 1999 and 2004. It is cash flow and the ʃh" and "pull" of savings and loans, rather than their balance sheet, ːh reveals how Hamid and Khadeja managed their money every day. r a year, the couple "pushed" $451 into savings, insurance, or loan yments and "pulled" $514 out of savings by taking loans or agreeing ːt as a money guard for others.

Nomsa's story in South Africa shows much the same push and pull ıoney as that of Khadeja and Hamid in Bangladesh. In South Africa, ıgh, for the accumulation of larger amounts, saving-up clubs and RoS-, the rotating savings and credit associations, are important. Nomsa ːventy-seven years old and lives with her four grandchildren in the ge of Lugangeni in South Africa. Nomsa's daughter died of AIDS, and ısa's two youngest grandchildren arrived just before the research year.

She has a government old-age grant of $114 a month that is deposited into her bank account. She takes out all the money and keeps some spare cash in her home. She supplements this grant by selling produce from her garden, which brings in an average of $6 a month. Even then she had to borrow from moneylenders. Her daughter's funeral came after she had already borrowed to rebuild her traditional round hut. She has been able to keep the repayments current.

Food, home maintenance, and the purchase of household products take up $55 of her $120 monthly income. She also pays $4 in church fees and $10 to pay back her loans. But $40, a third of her monthly budget, is saved in the savings clubs. One saving-up club consists of a group of women in the neighborhood. Each deposits $9 at the monthly meeting. The secretary keeps the money in her home. In the twelfth month, each woman takes back $99. Nomsa prefers to save here rather than in the bank because she feels compelled to contribute her monthly payment so that she does not let down her friends.

Nomsa's second savings club is a RoSCA with three close friends as members. Each of them puts in $31 every month. When it is Nomsa's turn to take the money, she takes away $93. Both her savings clubs require regular payments within a social context and predictable savings amounts at the end of a stipulated period. Collins et al. note that this "slow and steady" schedule is similar to Khadeja's microcredit loan. They say that "a key difference between saving and borrowing is *when* the large sum is received; at the very start with a loan, or at the very end through saving."[38]

As Collins et al. studied the poor, their perspective changed on world poverty and market responses to the needs of poor households. They came to understand that money management is important for the poor. If the poor had reliable access to better financial tools, they could most likely improve their lives. But "at almost every turn poor households are frustrated by the poor quality—above all the low reliability—of the instruments that they use to manage their meager incomes."[39] Collins et al. argue that the poor need but seldom receive three key services required for managing their money. The first is to help them "manage money on a day-to-day basis." The second is to help them "build savings over the long term." And the third is to help them "borrow for all uses."[40]

In this effort to help the poor, the focus needs to be not only on some of the big issues—making banks more accessible and designing suitable bank and payment services—but also on the small marketing interventions that make the management of money through banking more amenable. These nclude thinking of using default measures for direct deposits of benefits nd savings. Simpler forms, giving information in small discussion groups mphasizing the losses from not opening a bank account rather than the enefits, also make a difference. It is also important to frame banking by ocusing on a person's identity as a family member and money manager ather than as somebody who is poor.[41]

FREEDOM, CAPABILITIES, AND DEVELOPMENT

'he fourth story in the unbanked space is that of freedom, capabilities, nd development articulated by Amartya Sen and Martha Nussbaum. en's perspectives on development combine human agency with society's nstitutional structures and value systems. He says the "expansion of free- om is viewed . . . both as the primary end and as the principal means of evelopment."[42] The key is to increase people's capabilities and remove he institutional obstacles that hinder such an expansion of freedom and ake away people's opportunity to exercise choice.

Development seen as a matter of freedom and capabilities shifts the mphasis in poverty analysis from the means to the ends that people pur- ue. By focusing on the freedoms needed to satisfy these ends, the focus hifts to people's capabilities to do things and the freedom to live in ways hey value. This approach to development is central to financial inclu- ion and the empowerment of the poor and the marginalized. Providing uitable financial tools that answer the needs of the poor will give them reedom and help them develop the ability to manage money as a means o better lives.

Sen's concept of development in terms of freedoms and capabilities oes beyond seeing development only in terms of a rise in the gross do- iestic product (GDP). He says income is one indicator, but ensuring that eople have the freedoms of health and education does more for their rell-being than a general indicator of income. A story did the rounds in ndia when he visited after he was awarded the Nobel Prize for Econom- :s. Ministry of Finance officials and economists hovered, hoping for a iathematical mantra for economic growth. He told them to invest more 1 health and education.

Martha Nussbaum[43] develops this framework of freedom and devel- pment in a narrative context. She gives greater detail to capabilities nd the cultural values and institutional frameworks that enable people) exercise these capabilities. The capabilities approach begins with the

questions, what are people actually able to do and to be? and what real opportunities are available to them?

Nussbaum tells the story of Vasanti, thirty, in Ahmedabad, India. Vasanti left her abusive husband and went back to live with her brothers and their families. They welcomed her back, though Vasanti could not have taken this for granted. In time, her brothers gave her a loan to get a sewing machine that rolls the edges of a sari so that it does not unravel. She was grateful though insecure, because her brothers had growing families and could ask for the money back when they needed it. Through the Self-Employed Women's Association (SEWA), she got a loan. SEWA helps develop "the ability of women to control and plan their own lives."[44]

Vasanti was able to pay her brothers back. Several years later, she has repaid most of the loan. She has a friend with whom she is combating domestic violence in her community and is planning to learn to read and write.

Nussbaum examines the cultural values and institutional structures that led to Vasanti's poor quality of life and the lack of basic social justice. Gender is an important focus for this approach to development via freedoms and capabilities. Poor nutrition, unequal access to family resources, illiteracy, and few choices for an independent and rich connected life led her to be unable to live the kind of life she might have chosen. In going beyond national income to a study of the freedoms and capabilities that individuals can enjoy and use, the focus moves to people who constitute the family and household. This is when it becomes apparent—as in Vasanti's story—how gender bias reduces the freedoms of women.

POVERTY-REDUCING MECHANISMS GO GLOBAL

When globalization includes the unbanked and the poor, the focus moves to successful global strategies to help the poor. Microfinance has overturned the long-held belief that lending to women is risky, and lending to poor women is impossible. It uses the social and community context of money management by lending to groups of women. Nomsa spoke of not wanting to let her friends down in relation to her saving-up club and RoSCA. The same sentiment also comes into play with credit.

Microcredit programs are seen as friendly to women in a way that banks are not. When Muhammad Yunus tells the story of the success of Grameen Bank lending to women in Bangladesh, it is inspirational because it is unusual. Microfinance brings together lending small amounts of money to groups of women for setting up a microenterprise. Women together get trained to use and manage the loan and are responsible for paying it back. Yunus found that the social context of borrowing and repaying meant there was a lower percentage of nonperforming loans. The stories most often told are of women who had bettered the fortunes of their household and were empowered as a result.

Microfinance loans are small, and interest rates can be high. Random control trials of microfinance show that it is possible to lend to the poor. It is difficult to say whether and to what extent microfinance loans have transformed the lives of the poor. But it is a remarkable achievement that microfinance loans have achieved their present scale. However, the factors that make the program succeed with the poor are also those that prevent it from being used to finance larger businesses that may develop.[45]

The microfinance model has been followed in many parts of the world. Niall Ferguson writes of stopping at a coffee shop in a street market in El Alto in Bolivia and discovering that the indigenous woman owner had taken a microfinance loan from Pro Mujer to enlarge her coffee stall. Her coffee shop was now helping put her daughters through school.

The Association of Cambodian Local Economic Development Agencies (ACLEDA), set up in 1992 as a microfinance nongovernmental organization, has now become a bank in Cambodia and will begin operations in Myanmar in 2013.[46] Women's World Banking, the world's largest network of microfinance institutions and banks, provides technical services and strategic support to thirty-nine leading microfinance institutions and banks in twenty-seven countries in Africa, Asia, Eastern Europe, Latin America, and the Middle East.

This "public transcript" of microfinance has been challenged by anthropological studies that show that the majority of women handed over the loans to their husbands to control. These studies also found increased instances of male violence against women. Yet when women themselves were asked to evaluate the impact of the loans, they said the loans have increased their ability to negotiate management and control over some sections of household money.[47] Participation in microfinance groups in West Bengal has led to women taking action against domestic violence and sexual transgressions by men and to organizing festivals and the repair of roads. Women's increased agency and social capital resulted from participating in a group focused on economic ties, the structure of the groups, participation in regular group meetings, and exposure to new perspectives through training and information.[48]

Self-help groups that use some of the principles of microfinance and work within a network of social ties have also empowered women. The popularity of RoSCAs in South Africa rests on many of the same factors. Anuja Cabraal's study of microfinance in Australia found the empowerment of women to be one of the most positive effects of low or no-interest financial programs.[49]

The Grameen Bank has remade itself based on lessons learned. The key messages from the first version of microfinance were that the success of the program depended on the group solidarity of women. Money was lent to set up microenterprises. However, responding to the needs of the poor for more flexible loans linked to savings, Collins et al. (2009) say the second version of microfinance concentrates on providing broad banking services, including savings. Its loans are less tied to microenterprises and are more flexibly aligned to the use of credit as a way of evening out cash flows and responding to emergencies. It offers the Grameen Pension Savings, with good long-term interest. The program is moving from lending money to groups of women for microenterprises to positioning itself to provide comprehensive money management services to poor households.

Microfinance straddles the mission of the not-for-profit organizations but has to exist in a commercial world. Any suspicion that microfinance is seen as a profit-making device, as happened in India, hurts the brand. Where different microfinance lenders compete for business, leading to multiple loans and overcommitment, the nightmare scenario is the one that unraveled in Andhra Pradesh in India. It was alleged that farmers indebted to multiple microfinance institutions (MFIs) committed suicide. The state government reacted by retroactively waiving loans and tightening up repayment conditions and the registration of MFIs. It sparked massive defaults in the state accompanied by a loss of MFI capital. This led a group of intellectuals working with the poor to remonstrate that the state's attempts at destroying microfinance would leave the poor with little recourse but to go back to informal sources of credit at higher interest rates and no regulation. They agreed that microfinance had its problems, particularly stemming from rapid growth. But the poor borrow mainly from informal sources and moneylenders. Only 11 percent had a loan from an MFI. They suggested that regulators should address the problem of high interest rates by focusing on institutional reform that enables MFIs to lower the cost of their products. This in turn will encourage MFIs to charge reasonable rates.[50]

Microfinance in India is turning around. In 2012, $144 million of equity was injected into microfinance groups. Microlenders' loan books outside Andhra Pradesh rose by 33 percent in value in the third quarter of 2012 when calculated year on year. This renewed confidence is due to India's central bank releasing national guidelines at the end of 2011. It set up a national licensing system. Microlenders are not allowed to lend to anyone with more than one outstanding loan. Microlenders' annual interest rates were capped at 10 to 12 percentage points above their borrowing costs. Most microlenders now charge 23 to 27 percent compared to the 40 percent some charged during the boom.[51]

Another approach that specifically addresses Muslim poverty and financial exclusion is Islamic microfinance. The primary characteristics of Sharia-compliant banking are that no interest should be given or received and that money should be used for productive purposes. Combining this approach with the principles of microfinance can be empowering particularly for the Muslim poor.[52] About 72 percent of people living in Muslim-majority countries do not use formal financial services. A number of surveys of low-income respondents in Syria, Jordan, Yemen, and Algeria show that 20 to 40 percent of respondents say they do not take conventional microloans for religious reasons. Microfinance practitioners say that in Afghanistan, Indonesia, Syria, and Yemen, borrowers who have taken conventional microfinance loans switch when Islamic products become available.

Despite the empowering potential of Islamic microfinance, a global survey in 2007 revealed that Islamic microfinance accounts for only one-half of 1 percent of the total microfinance outreach. This is despite government support and regulatory structures. Islamic microfinance is concentrated in Bangladesh, Pakistan, and Afghanistan. Bangladesh is the largest market with over one hundred thousand Islamic microfinance clients and two active institutions. But in comparison, Bangladesh has nearly eight million who use conventional microfinance products.[53]

What has gone wrong? Part of the answer is that Islamic microfinance has not come up with a new business model that can reach millions of poor and unbanked Muslims. Religious leaders who have influence over their poor Muslim congregations see that Islamic microfinance has just been "rebranded." It has copied and pasted from conventional microfinance, adding a few products.[54] The inclusion of the Muslim unbanked via Islamic microfinance is still waiting to happen.

The late C. K. Prahalad went the market route to show multinational corporations that the poor can be profitable customers. Prahalad's *The Fortune at the Bottom of the Pyramid* (2005) has an evangelical tone, citing the success stories of firms that succeeded by selling to the poor.[55] He argues that we must see the poor as value-conscious and entrepreneurial customers who need to be served. But business practice has to change in order to serve the bottom of the pyramid (BOP). Of the nearly seven billion people on earth, there are four billion who earn less than US$2 a day. There are profits to be made, for the combined spending power of the BOP is immense, if the products and services suit their needs and ability to pay. Prahalad says BOP markets are brand conscious and connected. BOP consumers readily accept advanced technology. But the marketing has to create their capacity to consume by making unit packages small and affordable. The low margin per unit and high volume delivers a high return on capital.

Prahalad writes of Casas Bahia in Brazil. It was founded in 1952 and is now one of the largest retailers in the country. It has been able to give consumers with low and unpredictable income streams access to high-quality appliances and furniture. This is done through a sophisticated credit-rating system coupled with counseling to ensure that consumers are not overstretched. There is also a culture of serving the poor as valued consumers who aspire to a better life. Once the customer has paid off 50 percent of the loan, cross-selling becomes possible. Having to repay the loan installments brings the customers back to the store. The default rate is low at 8.5 percent, compared to over 15 percent for competitor firms. Giving BOP customers choice and dignity and building up trust ensures that the firm has a pool of repeat customers.

The story of CEMEX in Mexico, which sells housing solutions rather than cement to the poor, is equally inspiring. CEMEX works with groups of three women with a record of saving for five weeks and then advances them materials worth another five weeks of savings toward building a room in the house. With it goes architectural expertise and training in building methods, if desired. ICICI Bank in India also works with groups of women from the same village—twenty in this case—to encourage monthly savings of INR 50. They are then encouraged to lend to each other—short-term loans at 24 percent per annum. One year later, the group can submit a proposal to the bank manager who then lends them Rs 12,500 at 18 percent each to invest in a business, home or land, or livestock.

Prahalad's approach has been much admired and criticized. It is seductive to make profits while doing good. He is admired for his recognition of the BOP as an important market and his challenge to corporations to be innovative in order to serve and profit from this market. Prahalad is criticized for connecting profit from consumption by the BOP while also arguing that this reduces poverty.[56] Others have questioned Prahalad's definition of poverty, the size of the BOP market, and the relevance of the examples cited. An exclusive emphasis on increasing the consumption of the poor devalues the role of the state in trying to enhance people's freedoms and capacities by investment in education, health, and infrastructure.

The average customers of Casas Bahia earn twice the minimum wage and thus are not part of the BOP. It is difficult to find examples where a decrease in unit cost has been achieved without loss of quality, unless technological innovations are involved. The examples cited by Prahalad are more often of small enterprises and nonprofit organizations rather than multinational corporations (MNCs).[57]

Prahalad's achievements may be more modest than his examples suggest. But his lasting contribution is that he pointed to the BOP as a large possible market. Organizations need to understand the needs of the poor to be able to service them. In the process, there is the possibility of providing better education, health care, and financial services to help increase poor people's choices and capacities. But this approach is more attuned to developing an MNC's corporate responsibility agenda, which may indirectly build brand rather than be a direct path to greater profits.

Placing the broader social concept of money at the center of globalization recognizes that half the world is unbanked and poverty is a global problem. Enabling regulation and technology will be part of increasing financial inclusion. But any solution has to accept that the poor have specific and challenging needs for managing their money. They use irregular flows of income to save for future emergencies and life-stage events while paying for everyday subsistence needs. Microfinance offers solutions to the global problem of poverty and financial exclusion. But as Sen says, development is a matter of increasing people's freedoms and their capacities to live the kind of lives they would like to choose. In the next chapter, we see how these issues connect with women, money, and globalization.

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Appendix 2: Supriya Singh and Liliya Gatinya (Unpublished). Migrant Money Flows Two-Ways between Australia and India.

Migrant Money Flows Two-Ways between Australia and India

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Migrant Money Flows Two-Ways between Australia and India

Remittances conceptualised as 'sending money home' are now being replaced in middle-income countries by 'migrant money' that flows two ways between source and destination countries. This concept relates closely to the International Monetary Fund's new definition of remittances which includes capital transfers between households. Focusing on migrant money flows between India and Australia, the best available quantitative data show that almost three and a half times more money comes from India to Australia than goes from Australia to India. Migrant money reflects the increased mobility and circularity of current middle-income migration from Asia. Qualitative data reveals that migrant money involves family remittances, money that is sent for education, housing and business. The enumeration of migrant money can potentially move migrant policies and debates towards a greater valuing of migrants and transnationalism.

Keywords: migrant money, remittances, Australia, India, transnationalism, capital transfers between households

Introduction: Changes in the nature of international remittances

Money sent home by migrants has been recognised in the last decade as one of the largest international flows of funds to developing countries. The larger part of international remittances is money sent home by migrants working overseas to their country of destination. Hence ‘sending money home’ captured the directional and emotional flow of money. However, in 2009, the International Monetary Fund broadened the definition to include ‘current and capital transfers in cash or in kind between resident households and nonresident households’ (p. 274). (International Monetary Fund 2009). Though many countries have begun to use this broader definition, but data is difficult to obtain. Hence almost all countries report it as missing (Ratha, Eigen-Zucchi et al. 2013).

Including capital transfers between resident and nonresident households leaves open the option that money flows two-ways between the countries of origin and destination. The methodological challenge to classify, enumerate and compare one-way remittances is writ larger when one focuses on two way flows. This is because of the fluidity between investment and remittances in the country of origin on the one hand, and the crossover between trade and investment in the country of destination on the other.

Difficulties of measurement need to be addressed because of changing patterns of migration. Measuring the one-way flow of remittances was sufficient when migration was mainly from lower income to higher income countries. Two decades ago, migration was mainly for settlement, if it was a permitted option. But today much of the migration is from middle income to high income countries. Moreover, the focus has shifted from settlement to mobility.

Australia is an important case study for around half of Australia's population are either migrants (24 per cent in 2006) or Australian born children of migrants (26 per cent) (Hugo 2012). Student and skilled migrants from middle-income countries in Asia have become a greater part of migration inflows. In 2006-2007, the India and China-born were the third and fourth largest group settling in Australia. The majority of these settlers arrive as skilled migrants, with India as the second largest source country and China as the fifth. India and China also account for the largest number of international students who arrive as temporary migrants but then may apply for permanent residence (Hugo 2008).

The pattern is shifting from permanent settlement to mobility (Hugo 2012). 'The migration relationship is best depicted as a complex migration system involving flows in both directions and circularity, reciprocity, and remigration' (Hugo 2008: 267). Using data on Indian and Chinese migration to Australia over the last two decades Graeme Hugo (Hugo 2008; Hugo 2012) illustrates there has been increasing mobility and circularity of migration among the Chinese and Indian migrants to Australia. This includes migrants who return to India or China and those who migrate onwards to other countries.

Understanding the broader concept of remittances

The increased importance of mobility in migration and the growing economic importance of India and China signal the need to work out ways to measure the broader two-way flows of remittances. This will enable us to capture the full gamut of *migrant money* in both the source and destination countries. It will complete the picture in two ways. Firstly, it will capture the money middle-income students and skilled migrants bring to the destination country or receive for education, settlement and investment across life stages. Secondly, it will attempt to measure migrant related money flows in business, trade and foreign direct investment (FDI), recognising the importance of 'social remittances' involved with the transfer of ideas, expertise and personal networks.

When the broader definition of migrant money is taken into account, China ranks higher than India. India received an estimated $US71 billion in 2013 compared with China's $US60 billion (Ratha, Eigen-Zucchi et al. 2013). However, if we include migrant related Foreign Direct Investment, it is Chinese migrants who send the largest amount of money home (See Table 1). The disparity is even greater than the figures suggest for about two-thirds of China's cumulative FDI is migrant related, originating from Hong Kong, Taiwan, Macau, and Singapore (Tsai 2010). The Indian diaspora, on the other hand, contributes only 1.3 per cent of FDI (PTI 2011).

Place Table 1 about here

Measuring migrant money

Measuring migrant money faces some of the same problems as one-way remittances in that the money can come through formal and informal channels. Fifty to 80 per cent of the total remittances go through informal money transfers (Development Prospects Group 2007). Taxes on formal remittances can lower the figures of formal remittances. Moreover, sending and receiving countries often differ in the values of remittances sent by and received from each other. Another reason for difficulty with measuring migrant money is that there are multiple ways of characterizing money flows. For instance, some parts of trade, bank deposits and investment may also be classified as family and community remittances. Family money sent for international students may be classified as the export of educational services and will be seen as part of trade data, rather than family remittances.

Difficulties with measuring remittances increase with the broader concept of migrant money. As many governments and international organisations have not begun to ask about migrant money, money brought in or received by migrants, particularly skilled migrants for settlement may not be measured. Understanding migrant money requires qualitative research covering families across borders. Measuring migrant related trade, business and FDI requires targeted surveys and data systems that can capture the migrant relationship together with money flows. In order to get the full measure of migrant money, trade, business and investment figures need to be collated with those relating to remittances.

In this paper we focus on two-way migrant money flows between India and Australia. We base our examination on two qualitative studies and available quantitative data on two-way remittances, trade and investment. The first qualitative study was conducted between October 2009 and June 2010 of 35 Indian student migrants who came to Australia in 2005 or later, and 13 leaders and representatives of the Indian community in Australia. This focus on Indian students was part of a wider study of 86 persons from the Indian diaspora in Australia from 2005 to 2010. The Indian students differed from earlier migrants in that they paid to study and possibly migrate. It alerted us that family remittances were coming from India to Australia rather than the earlier pattern of sending money home. Though these students may have chosen to settle, there was a large element of mobility for they could have moved to a third country or return to India.

The first author followed the initial student study in 2009-2010 with interviews with 13 transnational families in India and Australia between November 2011 and August 2012. Nine of them were matched samples in that the author interviewed family members in both countries. The aim was to understand the biography of migrant money. The focus moved from the first and second generation Indian migrants to the families of Indian international students and skilled migrants who had come from the mid-90s onwards. It was the parents and siblings of migrants in their 20s to 40s, who were available for the visit and interview in India. There were individual or group interviews, lunches, dinners, coffees and email contact with 51 persons. Seven of the 13 families supported international students. The remaining six had their children come as skilled migrants.

In order to measure migrant money flows between India and Australia, we examined the available data on two-way remittances and migrant related trade and investment. There are two major gaps in data needed for measuring migrant money. Firstly, the Reserve Bank of Australia does not collect data on remittances to and from Australia. The Australian Transaction Reports and Analysis Centre (AUSTRAC) tracks amounts over $AUS10,000 chiefly to discover money laundering and funding for terrorism. Their data are not publicly available. Philanthropic contributions in Australia according to a person's country of origin are not available. The World Bank noted that in 2011 outward remittances from Australia were $US 3.8 billion whereas inflows in the same year were $US1.6 billion (Ratha, Mohapatra et al. 2011). The incoming remittances are from emigrants who are sending money back to the source country. They do not refer to migrants receiving money from their source countries. Hence, we do not know how much goes from Australia to India in family and community remittances. There is no comparative data available on the relative proportions of incoming and outgoing remittances of transnational families.

The second gap in the data is that we do not know the migrant-related parts of trade and investment between the two countries. There are however, comprehensive data available in Australia measuring trade flows between Australia and India. The amount contributed by international students is also known. There are also some data on foreign direct investment gleaned from data sources in both countries.

Given the paucity of data on two-way remittances, the Longitudinal Survey of Immigrants to Australia (LSIA) is valuable. It gives limited data on financial transfers relating to new migrants in their first two years. It was managed by the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA). The survey aimed to provide data for monitoring and evaluating immigration and settlement policies, programs and services. LSIA was a longitudinal study of newly arrived offshore immigrants with skilled, family or humanitarian visas. It excluded New Zealand citizens and immigrants under special eligibility visas. There were three surveys between 1993 and 2005. LSIA1 covered 5,192 Primary Applicants (PAs) who arrived between September 1993 and August 1995, LSIA2 covered those who arrived between September 1999 and August 2000 (3,124 PAs), and LSIA3, the last survey, included migrants who arrived between December 2004 and March 2005 (9,865 PAs). Primary Applicants for Australian residency are defined as individuals whose characteristics served as the basis for the granting of visas to them and any eligible accompanying family members.

We focus on the second LSIA survey for it is the latest to ask about money and financial assets sent overseas by new migrants. Though the data are dated, it is the only information available showing the extent of two-way remittances between Australia and India. It remains relevant because skilled migrants remain the largest group of migrants from India as was the case with the LSIA data. The offshore Principal Applicants were also asked about money and financial assets brought when they arrived in Australia and financial support subsequently received from overseas.[1] The participants in LSIA2 were surveyed twice. The first survey was between February 2000 and January 2001, within six months of arrival, and the second, between February 2001 and March 2002.

Families fund Indian international students

Indian families remitted an estimated $1.6 billion to the Australian economy and generated 15,681 full time equivalent jobs in 2012. This figure is based on Access Economics (Access Economics Pty Limited 2009) estimates that for 2007-2008 ‘Each international student (including their friend and family visitors) contributes an average of $28,921 in value added to the Australian economy and generates 0.29 in full-time equivalent (FTE) workers’ (p. i). In December 2012, there were 54,074 Indian students enrolled (down from 99,490 in December 2010) (Australian Education International (AEI) 2013).

The decision to study in Australia is often made together with the parents. Options for further study in India and a job that enables a middle-income wage are weighed against going overseas and the possibility of migration. In the student and transnational family qualitative studies, in all but one case, it was the families who provided the money out of their savings or retirement funds. When needed, the family borrowed from banks.

Charan and Chitra [2], one a retired academic and one a continuing one, talk of their decision to send their son, Chand to Australia. Chand's father, Charan says,

> We could afford to give him the money for his studies. After all, what will we do with the money? If it is not used at the proper time, what is the use of that money?.. .If he is settled and has a good life, that will be our satisfaction.

In the first year they took out a loan, but Charan said the 14 per cent interest was excessive. So they paid it out, most likely from Charan's retirement payout. The investment was larger than anticipated as the 18 month graduate course expanded to three years when Chand changed halfway from a Masters in Computer Science to a Diploma of Hospitality. He wanted to stay in Australia, and he thought hospitality would maximize his chances of getting permanent residence. Chand is working long hours in a hotel, while waiting for his visa application to be processed. He wants to send money home, but his mother says he should keep the money, for she is still earning. Charan says, the last year 'he has not demanded any money from us. It's as good as sending money to us'. He speaks fondly of the mobile phone Chand brought for him and his wife and the special wine he bought 200 kms from Melbourne.

Charandeep's father also used his provident fund to pay for part of the Australian education. Charandeep is 31 and the only living son of a retired policeman in India. They have a home in the city and agricultural land, and are a middle income family. He says his father spent $15,000 from his provident fund and borrowed $35,000 from the bank when Charandeep came to study in Australia in 2005. That was the last bit of his provident fund for he had spent some of it sending the eldest son to Canada.

Charandeep doesn't know the details of the loan but says the interest rate was very high. He arrived with $AUS 4,000 in hand. He knew his father was willing to send him money if he needed it. But Charandeep says, 'Exactly after 40 days, I found a job'. He worked as a kitchen hand in a chocolate factory. His shifts sometimes finished after 1am. He then had to stay overnight with friends. When his mother heard that on those nights he would go to sleep without dinner and just a glass of milk, she asked her husband to send him money for a car. Charandeep's father sent him $AUS 4,000.

Charandeep says, his father told him he was

> ..even willing to pay me whatever was the living and lodging expenses. He told me it would be $AUS 24,000 over two years. I asked him "Where would you get the money from?" He said, "You don't need to worry. I'll arrange it". I understood he would sell some part of the property to do that.

Charandeep says, unlike his friends, he would tell his parents when he needed money. 'Sometimes I would call and tell him I cannot work next month because my exams are coming. So he would send me $AUS1,000 or $AUS800… I knew there was a trade-off. If I don't study…I would not get sufficient skills and education'.

Charandeep began paying off the loan when he started working four years ago. He is hoping to pay the last Rs3.5 lakhs (roughly $AUS 7,000) in one go. He bought a car for his father – a Suzuki Alto on installments. He remembered his mother wore no jewelry, for she had sold it 40 years ago to buy the house in which they live in India. He asked his mother, 'Do you want to buy any jewelry now? She said, "No". But she is very fond of buying suits and shawls, so now whenever I go back, I buy her five, six shawls'. He also gives her $AUS 1,000, separately from his father.

When he goes to visit, he gives money and gifts to the old and needy women in his village. It is about $AUS200 worth, and that is his donation, rather than giving it to the gurdwara, the Sikh temple. He takes gifts for his extended kin. He also takes $AUS4,000 in cash or sends money through friends who are going to India.

Money for housing in Australia and India

Parents' giving at times continues even after the child has completed his or her education. The need to give to the son was particularly strong for Fateh, 61, whose son is working in Australia. Fateh lives in an apartment in a wealthy locality and comes from a business family. His son went to study around 2003. After the son completed his studies, he worked in a large corporation for a while. He then went into business and got into debt. Fateh said he knew something was wrong. He visited him in Australia and used his credit card to pay off some $AUS40,000 in debts. In 2009, Fateh saw a model house and the plans for a developing suburb. He says, ‘I saw there was a highway running by, a mall close by, a rail station and a view of the lake and it was two kilometers from the sea’. He scrounged up $AUS1000 to book the quarter acre block that was selling for $AUS 450,000 after he checked with his son and daughter-in-law whether they wanted to continue staying in Australia. He decided to pay for the construction of the house. In the end it was a gift of $AUS650,000.

Fateh says he sold some shares and a parcel of land in India to pay for the house via bank transfer. He says he kept aside what he thinks he and his wife will need for the next ten years. ‘I am glad I liquidated some shares three years ago. I would have lost 70 per cent of their value anyway. And two years ago it was INR30 to an $AUS, compared to INR53 today. Of course in the last year I have had to pay higher exchange rates’. His wife and son-in-law told him not to pay for the whole house. He says, ‘My wife told me “*Na bap bara, na bahai, Sab se bara rupiah*” (Neither father nor the brother is big. The biggest is the rupee.)’.

Fateh asks, ‘What is the point of giving after you are dead? As they say, ‘In plenty you can feel empty. In empty you can feel plenty’. I want to see how you can find a sense of plenty (in giving)’. He says he believes in giving equally to his son and daughter. His house, valued at between INR 8-14 crores (INR 80 million to INR 1.4 billion) depending on whose valuation you believe, will go to his daughter. At present, the daughter and her family live in a rented house. Some adjustments will be made so that both children get equal amounts. He enters into calculations about money spent on his daughter’s lavish wedding, money lent to his son-in-law’s father’s business. ‘What about giving in a timely fashion?' the first author asks. He says, 'I hope my daughter is not waiting for me to die'.

In another business family interviewed, the father, again, was thinking of buying a home for his only son in Australia. In this case, the son had a substantial inheritance in India from his grandfather, so it was the father's need to give that was foremost. Interestingly in both cases it was the father's idea to buy the house. In both cases, father and son do not have an easy relationship. We do not know what the young men thought of their fathers' generosity. Both sons in Australia did not respond to a request for an interview.

None of the families interviewed said they had helped with the children's businesses in Australia or received money for business. They told of other people who had received money for a business in Australia. The second father who wanted to buy a house for his son, said he had heard of one rich man who had sent crores (tens of millions) of rupees via informal channels to help his sons set up a business.

Money flows in different directions in the transnational family according to life stage. Now that Charandeep's parents have decided to settle in Australia and live with their only son, Charandeep says they will probably sell half their property in India, keeping their house in the city. With this $AUS 500,000 or so, the family will buy one house outright in an outer suburb and perhaps an investment property in Australia. In four to five years, they might sell their city house in India as an unoccupied house invites squatters. Then they will buy a flat in that city, so the option of coming and going remains. Charandeep says his choice is to invest in the flat, rather than shares. He needs a sense of belonging, he says. His family networks in India have diluted with the death of his grandmother and his mother's sister in India. He also feels rooted in Australia with his work and his community activities at a Sikh temple. When his parents move here, it will strengthen his comfort with Australia. But he still would like the flat to have a feeling of continuity with his city of birth.

Girish and Gori have already built a house in India. This has come about because when Girish was turning 50, he combined work and diaspora philanthropy in India. Now, he spends three weeks every month in India. So this house in India gives the family options to visit when they can.

Girish and Gori migrated to Australia in 1994 as skilled migrants. Girish says his passion for making a difference, to give something back, does not come from the Christian ethic for him, but from a human ethic. He is at a life stage when he is financially secure in Australia. They have a home in Australia. Their son is in university. The daughter is 13 so still has a way to go. But his family is not doing without, while he follows his dream. With this project, he is in India three weeks out of every four. His mother and sister see more of him, but back in Australia, his wife Gori looks after their daughter and son. 'Why India?' the author asks. Gori says, 'That's where we were born'. Girish says, 'I know India, and I think I can probably be the bridge between here and there'.

He says nearly every Indian he knows sends money to family or receives it. But only two to three per cent have a passion to make a difference with the work, time and money that they devote to their country of origin. He says, 'When you have a passion to make a difference there is a whole separate flow of money that happens. If you are going to be involved in a big project, it requires planning. It is different from being moved by a cause when you visit and donating $AUS1, 000.' Girish has been planning such a move for 16 years, building his networks and working on projects in India. It is important to learn how 'what works in Australia is different from what works in India'. He says, 'If you want something to be sustainable, you have got to take the time to understand and be passionate [also] about the implementation'. He says, 'It's not something [that happens] all of a sudden one day. …the seed has to be at the back of your mind'.

This mixture of work and philanthropy is now flowing into investment and life choices. He and Gori have built a three storey house by the beach in India. He says with his work he also wants to ensure his family can come and visit. It is giving the family a long term option. They do not know whether the children will come. Gori says that for the present they are more in Australia than India.

When Girish goes to the next room to print out something for the bank transfer he has to make to Bangalore, Gori says the children asked her, 'Why did you spend so much money on the house in India? You could have bought another property in Sydney or a flat in the city that we could have used'.

Skilled migrants bring in money: The LSIA2 survey

The main finding from LSIA2 is that the Indian-born migrants who arrived between 1999-2000 brought and received 18 times as much as they sent to India in the first two years (See Table 2). This is despite the fact that nearly twice as many of these new migrants sent money to India compared with those who received.[3]

Among the 3,124 offshore Permanent Principal Applicants interviewed in LSIA2, there were 124 Primary Applicants born in India in the first round and 111 in the second round.[4] More than two-thirds (69.1 percent) were on skilled visas. The average Indian-born offshore Primary Applicant (1999-2000 data) was 35 years old, married, male, with post school qualifications and employed. Their average annual income was less than $AUS50,000. Most of the married PAs migrated with their spouses and children. Those who remitted had similar characteristics and differed only in that their household income was higher.

Place Table 2 about here

Extrapolating this data to the 6,105 offshore principal applicants from India to Australia from 1 July 2010 to 30 June 2011, we calculate that these new migrants sent $AUS 4.1 million to India (See Table 3). They brought with them or received from India $AUS 70.6 million. That is, just in terms of money and financial assets, they brought 17 times as much as they sent. David Smith, Director, Surveys & Reporting, Economic Analysis Unit of the Department of Immigration and Citizenship says,

> Intuitively, the main reason would be because the migrants disposed of assets prior to coming to Australia, and brought this money with them to help them with the settlement process and to help out while they sought work and didn't have a regular income stream. Individual

amounts can be quite large if people are disposing property or bringing in savings.[5]

Place Table 3 about here

The LSIA2 gives us the figures from the first two years of an Indian migrant's life in Australia. If we assume the same proportion of money and assets sent and received during the course of a migrant's period in Australia, then the values sent and received in 2011 by the 114,268 Indian primary applicants who settled in Australia between 1996 and 2011 [6] will be $AUS 76.8 million and $AUS460.3 million respectively, as reported in Table 4. These numbers do not include those who arrived under special eligibility program and non-program migration.

Place Table 4 about here

The figures in Table 4 may under or overstate the remittances sent and received. Given the paucity of information, the table is provided to show what the indicative figures may be. It is subject to the following caveats:

- We know from our qualitative work that the quantum of remittances changes over the years. Family remittances to the source country cease once the parents die or move country to be with their children. When family responsibilities in the source and destination countries are fulfilled, there is a greater emphasis on community remittances or diaspora philanthropy, and investment.

- It is also likely that family remittances from India would be higher in the early years of migrant settlement to help with investment in housing and business.
- At the same time, we know that remittances from the country of origin can increase when the migrants are buying a house or starting up a business in Australia. When parents come to reside permanently in Australia, they often bring resources with them from the sale of some of their property.

The literatures on trade, FDI and remittances continue to be separate, though there is an emerging literature which seeks to link migrants to direct foreign investment (Chami, Fullenkamp et al. 2005; Dickinson and Bailey 2007; Tsai 2010). There is evidence that migrants can stimulate FDI to their countries of origin (Javorcik, Özden et al. 2011). It is not easy to tell how much of the FDI is migrant-related, unless it is coming from countries which have large diasporic populations. Figures of incoming and outgoing FDI also do not always tally according to the databases of the two countries.

We do know that unlike China, the diaspora has not contributed greatly to India's incoming FDI. This is partly because of migrants' assessment that the investment is not as profitable as money invested elsewhere. It could also be due to the loosening of ties between the old Indian diaspora and the home country because of India's historical rejection of its emigrants to Africa, South-East Asia, Fiji and the Caribbean till the 1970s.

Migrant money has the same problem as remittances in that the money is subject to multiple classifications and is often misclassified. When Indian families remit money for international education, these remittances are classified under the export of services from Australia to India. However, families and the Indian international students see these as a huge family investment in the future of the child and of the family as a whole. This was money that came from India for the welfare of international students, most of whom saw themselves as potential migrants.

Quantifying investment in migrant-related business and housing requires specially targeted surveys. It is widely held that migrants have a special role in businesses that connect their source and destination countries. In many countries there are concentrated areas of migrant housing. But housing investment, as with business investment, in some ways can also be family remittances coming from the source country to help new migrants.

Enumerating migrant money flows

Drawing on the best data we can source and calculate – from India and Australia –the money flowing from India to Australia is almost three and a half times as much as that going from Australia to India (See Table 5). The calculations bring together the findings from LSIA2, figures from Australia on trade, including education, and investment, and figures from India on FDI.

Place Table 5 about here

Two-way remittances between India and Australia are a small part of the broader picture of migrant money – 1 per cent of the migrant money flows from Australia to India and 1.7 per cent from India to Australia. However it is this part of the money flows between the two countries that is the most personal and binds family and community networks across border.

More work needs to be done on quantifying two-way migrant remittances. The family and community remittances figures in Tables 4 and 5 only deal with offshore Indian migrants. This figure excludes onshore migrants and those who were settled in Australia, before 1996. A grocery shop owner who participated in the qualitative study, revealed that $AUS 5,000 a day is remitted to India from his grocery shop in Melbourne. This amount is divided across some 20 transactions, and is now going mainly to villages in India in amounts of approximately $AUS 200-$AUS250 each. This amounts to $AUS 1.8 million a year just from one grocery shop for Money Gram and Western Union. So, a survey of grocery owners could reveal a more realistic picture of one channel of remittance flows, as figures from formal money transfer organizations have been difficult to source.

The other three major categories of money flows from India to Australia are for investment, merchandise trade, and service trade. Indian investment in Australia is focused on energy resources. Half of the merchandise trade is accounted for by coal. Education comprises 73 per cent of Australia's service exports and is directly linked to the possibility of migration.

It would be useful to study how the networks fashioned through education in Australia add to the comfort in investing in the country. This point came up repeatedly in the interviews with business persons in India. The same kind of comfort is noticeable in Australian business investment in India, where small businesses are becoming more active in seeking out investment options. Where these small businesses are headed by Indian migrants in Australia, the migrant link becomes obvious.

Conclusion

The greater flow of migrant money from the source country to the destination country turns around the accepted understanding about remittances always going to the source country. The broader concept of remittances and migrant money begins to quantify the raw dollar value that migrants represent, even without considering their contribution to the economy of the country of destination in terms of jobs, taxes and money spent. Enumerating the dominance of money coming from India to Australia has the potential to change the narrative of migration from that of settlement and subordination to one of mobility and interdependence.

Policy debates around migration are broad in that they often revolve around cultural values, a national identity and achieving cohesive communities. But having a dollar figure for the migrant money that flows between the countries of destination and origin will give an immediate financial value to migrant ties. This will contribute to more effective policy making in the areas of migration, trade and investment.

Bringing together two-way remittances with trade and investment combines the flow of money, goods and services with the movement of people and labour. It makes transparent the importance of people, relationships and networks to the flow of global money. It recognizes migrants as important links and facilitators to increased trade and investment that countries now want with Asia. This picture of interdependence has the potential to move the migration policy debate from multiculturalism to transnationalism. Migrant money makes transparent the economic value of continuing ties to the country of origin while contributing to the country of destination.

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Notes

1. Money sent overseas is defined as money transfers to friends and family overseas since arrival or last interview. Financial assets include funds, personal effects and capital equipment arrived with, transferred to, and transferred from Australia. Financial help received from overseas could have come from friends, family, overseas government and other sources.
2. The names of the participants in both qualitative studies are pseudonyms.

3. We assume that the Indian-born migrants sent and received money and transferred financial assets to and from India, though this was not explicitly asked in the survey.
4. We tracked the remaining 13 applicants and found they had not mentioned their country of origin in the second round. They also had not given any information on financial transfers.
5. Personal communication 12 November 2012
6. Figures provided by the Department of Immigration and Citizenship in August 2012

Table 1: Remittances and FDI inflows for India and China

Flow of funds	**India**	**China**
Inward Remittances 2013 estimated	$US 71 billion	$US 60 billion
Net FDI inflows 2008	$US 41.8 billion	$US 147.8 billion
Total Migration Money	$US 112.8 billion	$US 207.8 billion

Source: (Ratha, Mohapatra et al. 2011; Ratha, Eigen-Zucchi et al. 2013)

Table 2: Average financial transfers per year of offshore Indian permanent migrants between Australia and India, 2000-2002[1] (n=117)[1]

Financial transfers	From Australia to India				From India to Australia			
	% who send	No. who send	Average amount per sending PA ($AUS)	Average amount sent per year ($AUS)	% who receive	No. who receive	Average amount per receiving PA ($AUS)	Average amount received per year ($AUS)
Money	19.78	22.5	2,067	46,500	10.29	12	4,375	52,500
Transferred financial assets (funds, personal effects, capital equipment)	9.67	11	2,727	30,000	10.84	12.5	29,080	363,500
Financial assets arrived with (only asked in the first year)					100	123	7,967	980,000
Grand total:				**76,500**				**1,396,000**

Source: (Department of Immigration and Citizenship 2002)

1. **Notes:** [1]This information is limited to Indian-born Primary Applicants who arrived in Australia as offshore immigrants on Skilled, Family and Humanitarian visas between 1999 and 2000. It is drawn from observations on 123 primary applicants between February 2000 and January 2001, and 110 primary applicants between February 2001 and March 2002. A business migrant was excluded in both rounds as an outlier for he reported bringing in $750,000 in money and another $750,000 in financial assets.

Calculation notes:

2. Total financial transfers are calculated for the 123 persons surveyed in 2000-2001 and 110 surveyed in 2001-2002. These are divided by two to get the average per year.

3. A business migrant was excluded in both rounds as an outlier for he reported bringing in $750,000 in money and another $750,000 in financial assets.

4. All amounts in the responses are rounded to the nearest thousand.

5. The average amounts are obtained by dividing the total amounts in each category by the total number of number of people in the category.

6. The question on the financial assets brought to Australia during migration was only asked in the first interview. Hence only first round data are used for calculation of the average value of assets arrived with to Australia.

Table 3: Financial transfers of offshore Indian permanent migrants between Australia and India who arrived 2010-2011 (n= 6,105)

	From Australia to India				From India to Australia			
Financial transfers	% who send	No. who send	Average amount per sending PA per year ($AUS)	Total amount sent ($A 000s)	% who receive	No. who receive	Average amount per receiving PA per year ($AUS)	Total amount received ($AUS 000s)
Money	19.78	1,208	2,067	2,497	10.29	628	4,375	2,748
Transferred financial assets (funds, personal effects, capital equipment)	9.67	590	2,727	1,609	10.84	662	29,080	19,251
Financial assets arrived with					100	6,105	7,967	48,641
Grand total:				**4,106**				**70,640**

Notes: Limited to 6,105 offshore primary applicants for Australian residency who arrived in Australia from India on Skilled, Family and Humanitarian visas between 01 July 2010 and 30 June 2011. Data provided by the Department of Immigration and Citizenship in August 2012.

Calculation notes: The calculations are based on the percentages and amounts arrived at in Table 1 multiplied by the number of offshore primary applicants for Australian residency who arrived from India in 2010-2011.

Table 4: Financial transfers of cumulative offshore Indian permanent migrants between Australia and India, 2010-2011 (n= 114,268)

	From Australia to India				From India to Australia			
Financial transfers	% who send	No. who send	Average amount per sending PA per year ($AUS)	Total amount sent ($AUS 000s)	% who receive	No. who receive	Average amount per receiving PA per year ($AUS)	Total amount received ($AUS 000s)
Money	19.78	22,602	2,067	46,711	10.29	11,758	4,375	51,442
Transferred financial assets (funds, personal effects, capital equipment)	9.67	11,050	2,727	30,136	10.84	12,387	29,080	360,204
Financial assets arrived with					100	6,105[1]	7,967.48	48,641
Grand total:				**76,847**				**460,287**

Notes: Limited to 114,268 offshore primary applicants for Australian residency who arrived in Australia from India on Skilled, Family and Humanitarian visas between 01 July 1996 and 30 June 2011. Data provided by the Department of Immigration and Citizenship in August 2012.
[1] The value of financial assets brought to Australia on arrival is calculated only for those primary applicants who arrived in 2010-2011financial year.
Calculation notes: The calculations are based on the percentages and amounts arrived at in Table 2 multiplied by the number of primary applicants for Australian residency who arrived from India in 1996-2011(excluding those who arrived under special eligibility program and non-program migration).

Table 5: Migrant Money Flows between India and Australia, 2011

	Australia to India	India to Australia
	$AUS billion	$AUS billion
Family & Community Remittances (2011)*	0.08	0.46
Investment (2011)***	4.30	10.95
FDI	NA	1.8 **
Merchandise trade (2011-2012)***	2.50	13.13
Service trade (2011-2012)***	0.81	1.93
TOTAL	**7.69**	**26.47**

***** Calculated from LSIA2 data for 2010-2011 for cumulative offshore Indian principal applicants who arrived between 1996- 2011. See Table 4.

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