

# Moving Up the Economic Ladder:

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

Carlos Serrano Herrera and Rafael Fernández de Castro

Editors

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

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

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

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

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

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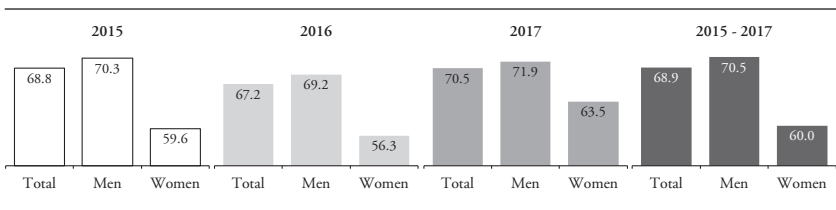
<sup>1</sup> Denise Jiménez's support was essential for this chapter.

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

### Remittance Sending by Surveyed Migrants

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

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



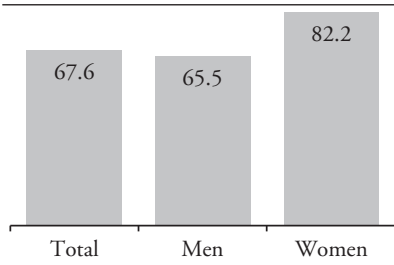
Note: In 2015, 5,833 of the respondents were men (85.7%) and 970 were women (14.3%). In 2016, 10,158 were men (84.4%) and 1,872 were women (15.6%). And, in 2017, 10,661 were men (84%) and 2,027 were women (16%).

Source: Cervantes González, 2018.

### Financial Inclusion of Remittance Senders and Recipients

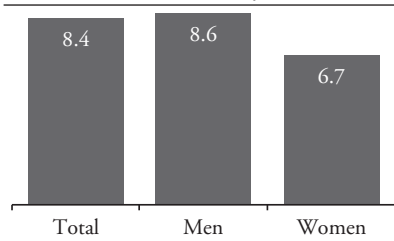
The survey also included financial inclusion indicators of remittance senders and recipients. In this context, it should be noted that the migrants who responded to the survey most likely have a documented or authorized status in the U.S. or Canada, considering that the survey was collected at Mexican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

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



Source: Cervantes González, 2018.

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



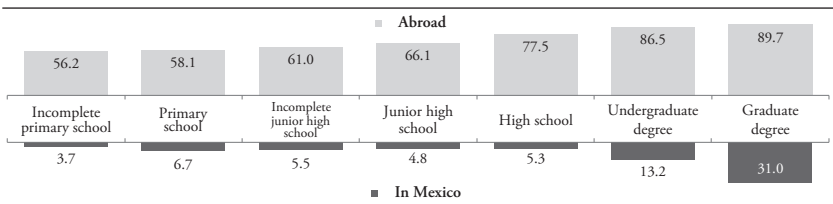
Source: Cervantes González, 2018.

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

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

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

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

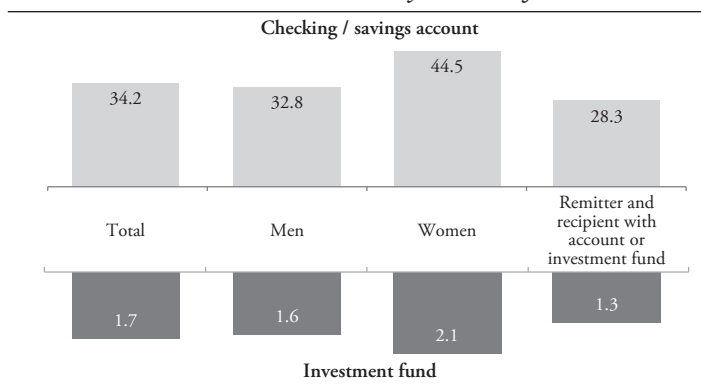


Source: Cervantes González, 2018.

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

a checking or savings account in Mexico. This percentage rises with the level of schooling, reaching 31.0% among those with graduate degrees (see Chart 4).

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

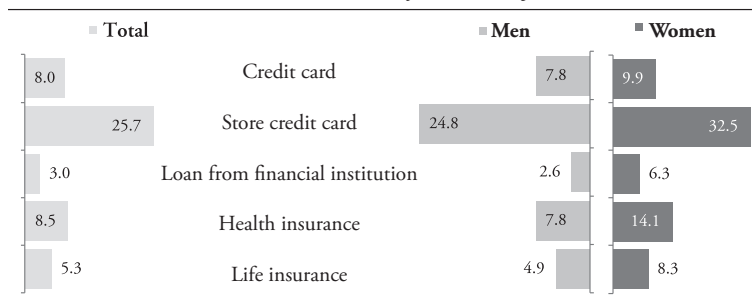


Source: Cervantes González, 2018.

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

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

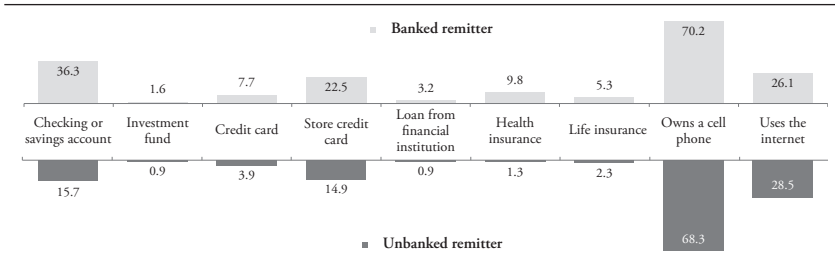
*Chart 6: Percentage of Remittance Recipients Who Use Financial Tools or Products by Gender of the Remitter*



Source: Cervantes González, 2018.

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

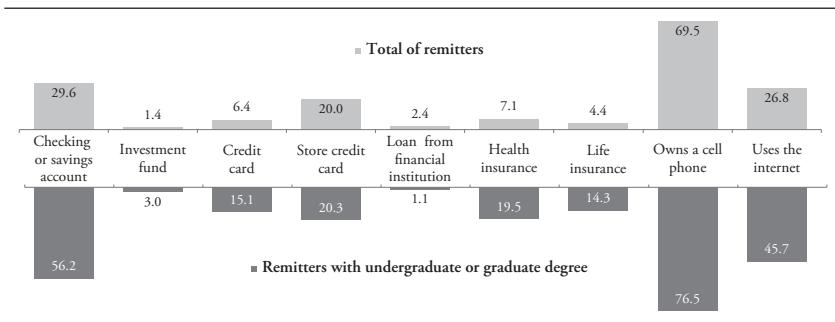
*Chart 7: Indicators of Financial Inclusion or Use of Financial Services of Remittance Recipients According to Whether the Remitter is Banked in the Country of Residence (percentages)*



Source: Cervantes González, 2018.

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

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



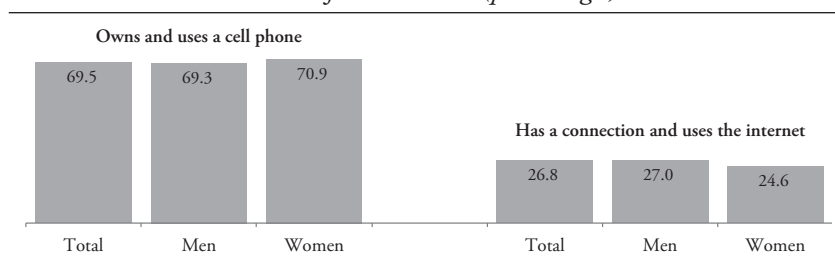
Source: Cervantes González, 2018.



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

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

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



Source: Cervantes González, 2018.

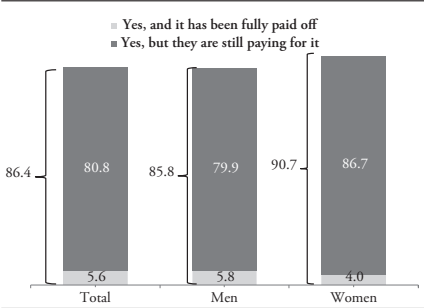
## **Indicators of Homeownership and Interest in Buying a Home with Housing Finance**

Homeownership represents the main asset of households in most countries, and generally such ownership is achieved through a gradual process of accumulation of resources in which the financial sector participates actively, either as a depository of household savings or as a provider of mortgage loans. The survey included four questions on the housing of the

remittance sender and the recipient: 1) whether the recipient owns the home they live in and whether it is still being paid for or has been paid off; 2) whether the home in which the respondent resides abroad is owned and paid off; 3) whether the migrant owns a home in Mexico, and 4) whether they would be willing to purchase a home in Mexico if they were to obtain long-term credit for that purpose.

*Remittance Recipients' Homeownership*

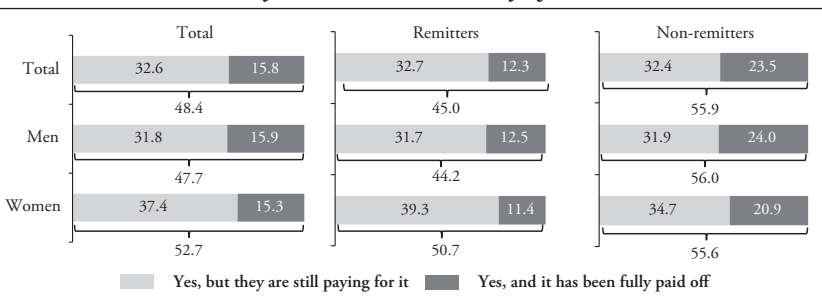
*Chart 10: Percentage of Remittance Recipients Who Own the Home They Live in by Gender of Remitter*



Source: Cervantes González, 2018.

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

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



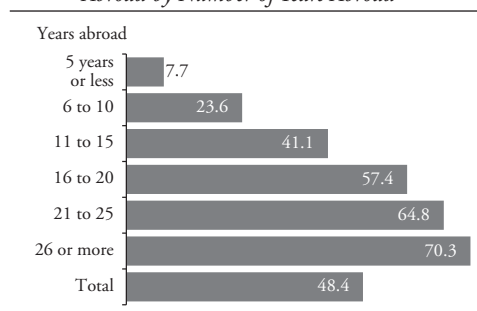
Source: Cervantes González, 2018.

*Homeownership of the Remitter in Their Country of Residence*

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

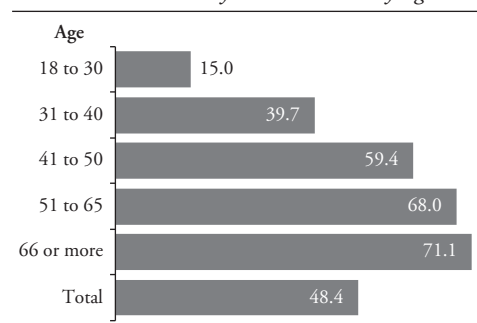
Survey (U.S. Census Bureau, 2022), which indicates that in 2016 the percentage of Mexican migrant households that owned their home was 46.2%. Additionally, the percentage of homeownership was higher in the group of migrants who did not send remittances than in those who did. As to whether such homes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

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



Source: Cervantes González, 2018.

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



Source: Cervantes González, 2018.

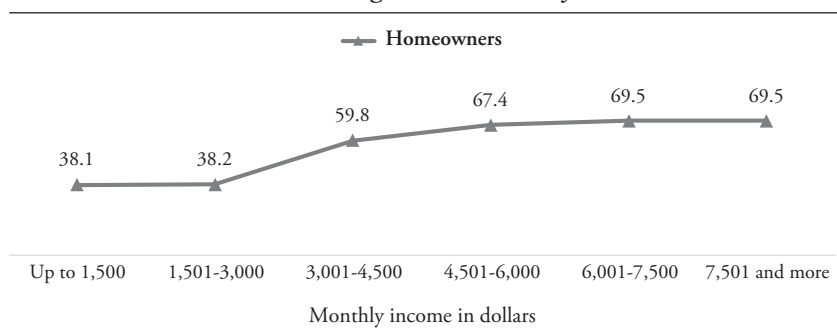
As might be expected, the percentage of homeownership increases with the migrant's time spent abroad. Time favors their knowledge of the mortgage market in the country of residence and facilitates the accumulation of resources. It also strengthens the creditor's confidence in the potential borrower.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

homes owned, as well as the percentage of homes already paid for. Also, as would be expected, the percentage of migrants who own their homes abroad increases with the age of the respondent (see Chart 13).

There is a positive correlation between the monthly income level of the remittance senders surveyed and the percentage of those who own the home they live in abroad. The percentage of homeowner remitters

gradually increases from 38.1% among those with an income of up to \$1,500 dollars per month to reach 69.5% among those with a monthly income of more than \$6,000 dollars (see Chart 14).

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

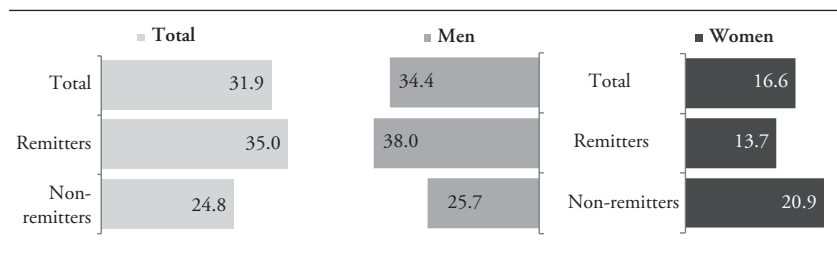


Source: Cervantes González, 2018.

### *Migrants' Homeownership in Mexico*

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

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



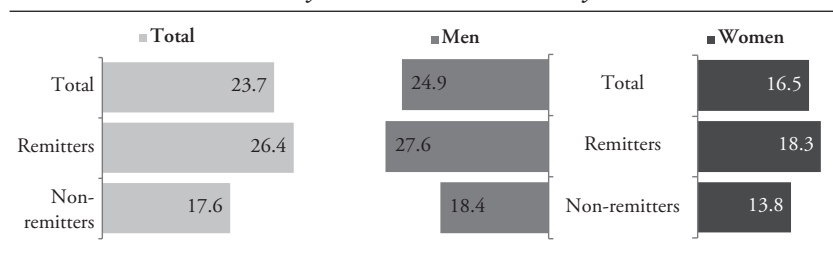
Source: Cervantes González, 2018.

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

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

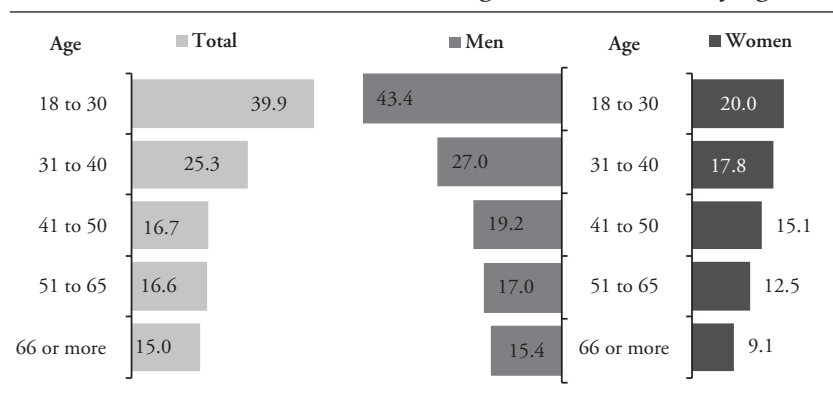
Likewise, this percentage was significantly higher among respondents who send remittances than among those who do not, for both men and women. This shows that there are differences in the profile of Mexican migrants who send remittances and those who do not, and perhaps in their expectations of returning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

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



Source: Cervantes González, 2018.

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

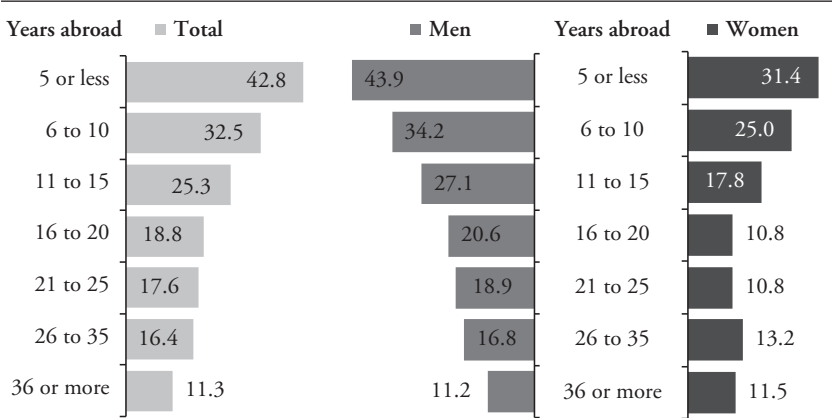


Source: Cervantes González, 2018.

According to the responses, the percentage of Mexican migrants surveyed who are willing to purchase a home with a long-term loan in Mexico decreases gradually as the age of the migrant and the number of

years living abroad increase (see charts 17 and 18). This seems to indicate that, as the migrant's age and time lived in the U.S. increases, they acquire stronger family ties there. The responses also suggest that women do not intend to return to Mexico as much as men do.

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



Source: Cervantes González, 2018.

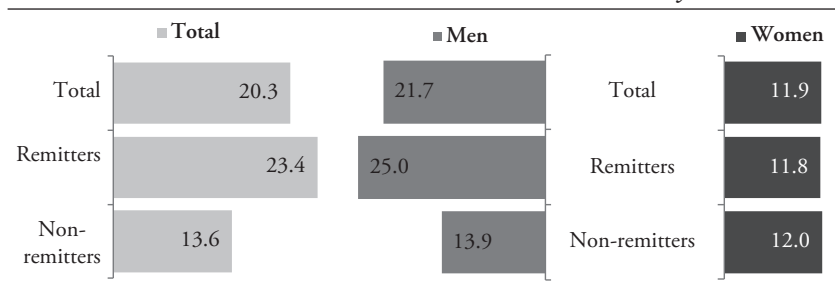
Migration has allowed migrants to increase their wealth, either by acquiring real estate in the U.S. or in their country of origin. Survey results show that the percentage of Mexican migrants who own real estate both in the country where they reside and in Mexico is significant, and that the percentage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

### **Interest of Migrants in Making Pension Contributions in Mexico**

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

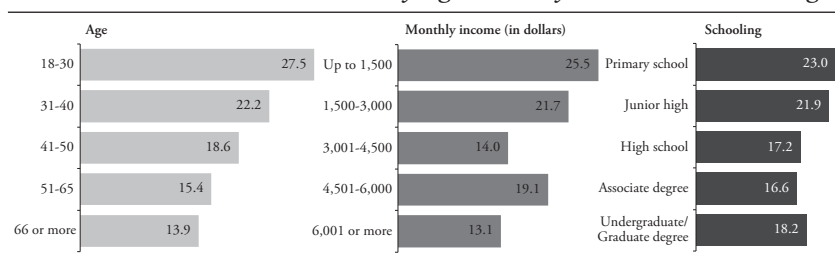
(see Chart 19). The percentage of migrants surveyed who were willing to make such contributions tended to decrease with age, income, and schooling (see Chart 20).

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



Source: Cervantes González, 2018.

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



Source: Cervantes González, 2018.

## Means of Sending and Receiving Remittances

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

It was noted earlier that the degree of banked remittance senders surveyed is relatively high, considering that 67.6% of them have a checking or savings account in a bank or credit union in their country of residence (see Chart 2). Likewise, the responses from remittance-sending migrants show that the percentage of recipients who have a checking or savings account is significant (34.2%; see Chart 5). However, 95.1% of respondents

indicated that they send remittances through wire transfers that are paid in cash by banks, stores, supermarkets, drugstores or, in general, remittance companies (see Table 1). This reflects that remitting migrants consider this way of sending remittances advantageous, as discussed in the chapter on the cost of remittance services to Mexico.<sup>2</sup>

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

Source: Cervantes González, 2018.

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

<sup>2</sup> See Cervantes González in this book, pp. 79-98.



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

## **Concluding Remarks**

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

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

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

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

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

Regarding homeownership, 86.4% of the remittance recipients surveyed own the home they live in. The percentage of migrants surveyed who own the home they live in abroad is also high (48.4%) and increases

with their age, the time they have been living abroad, and their monthly income levels.

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

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

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

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# The Cost of Remittance Transfer Services to Mexico

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

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

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<sup>1</sup> I wish to thank Denisse Jiménez for her support in writing this chapter.

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

## **The Cost of Remittances on the International Agenda**

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

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

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

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

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

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

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

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

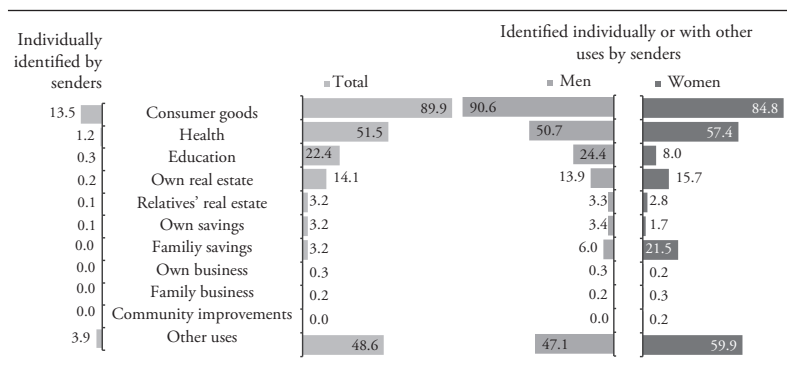
It should be noted that the United Nations has joined the international agenda on the cost of remittances through its Sustainable Development Goals (SDGs). The SDGs aim for the worldwide fee to be 3% by 2030, and that remittances can be transferred for 5% or less in all corridors.

## **Importance of the Low Cost of Remittance Transfers to Mexico**

The importance of making the cost of sending remittances to Mexico inexpensive stems from the fact that this resource is important for millions of recipient individuals and households. Remittances alleviate the budget constraints of these households, allow them to improve their standard of living, reduce poverty, and reduce the gender income gap. The results of a survey collected by Banco de México among Mexican migrants during the 2015 holiday season show that the number one response to the question on the use of remittance income are consumer goods, followed by health and education expenses (see Chart 1). In addition, one out of every seven responses indicated that the remittance was also used to pay for

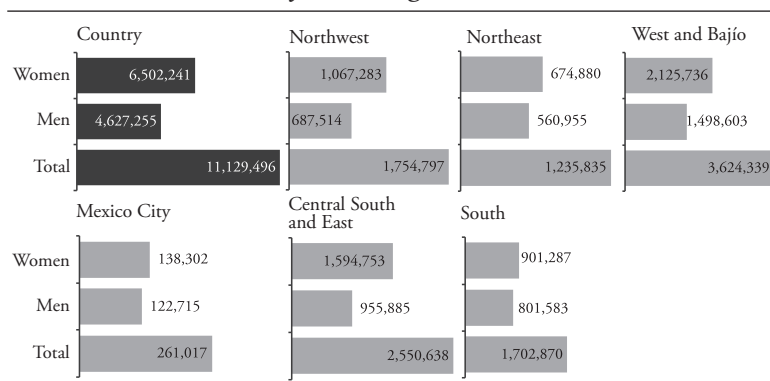
the migrant's real estate. With the exception of education and savings, no significant differences were observed in the use of remittances by gender.

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



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

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



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

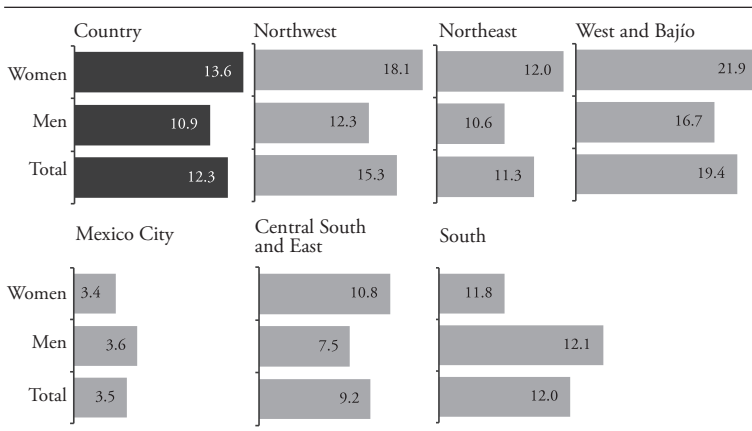
### How Many People Receive Remittances in Mexico?

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

### Percentage of Remittance-Receiving Adults

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

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



Source: Cervantes González & Ostolaza, 2022.

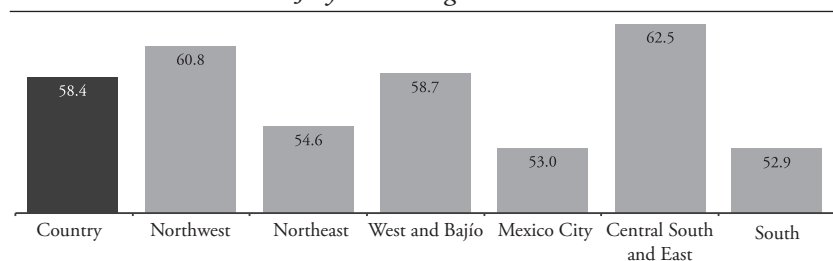
### Remittance-Receiving Women in Mexico

Of all remittance recipients, 58.4% are women, and in all regions of the country women make up the majority of beneficiaries. The results



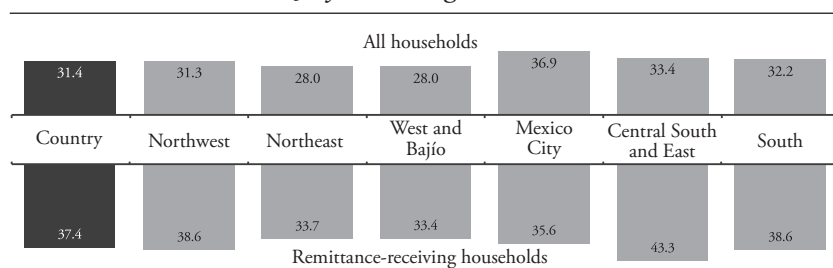
of the ENIF 2021 (CNBV & INEGI, n.d.) show that of the 36,134,561 households of the country, in 11,357,940 a woman is head of household, that is, in 31.4% of households. However, when considering only households that receive remittances, 37.4% of them are headed by women. In the Central South and East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

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



Source: Cervantes González & Ostolaza, 2022.

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

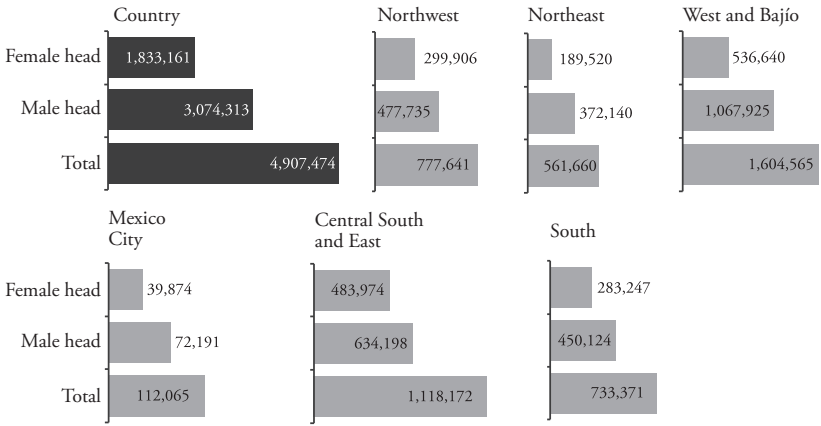


Source: Cervantes González & Ostolaza, 2022.

### *How Many Households Receive Remittances in Mexico?*

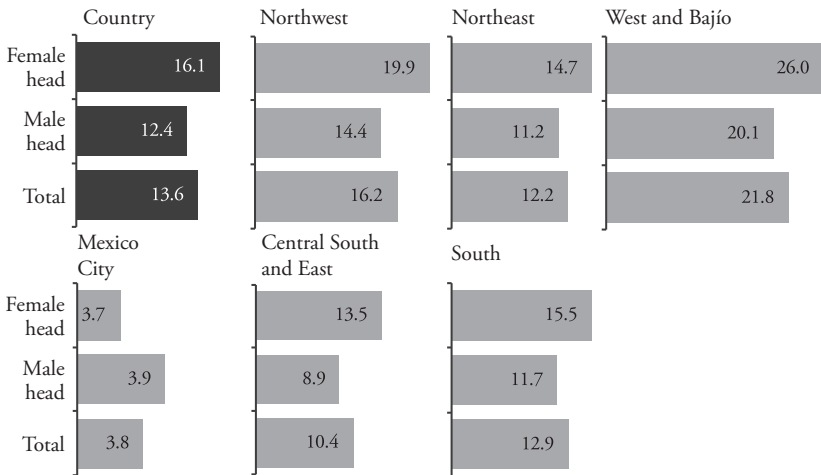
The ENIF 2021 microdata indicates that, during the survey period, 4,907,474 households were remittance recipients and in 1,833,161 of them the head of household was female (CNBV & INEGI, n.d.). The main region with households receiving remittances is the West and Bajío region, which includes, among others,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

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



Source: Cervantes González & Ostolaza, 2022.

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



Source: Cervantes González & Ostolaza, 2022.

*Percentage of Mexican Remittance-Receiving Households*

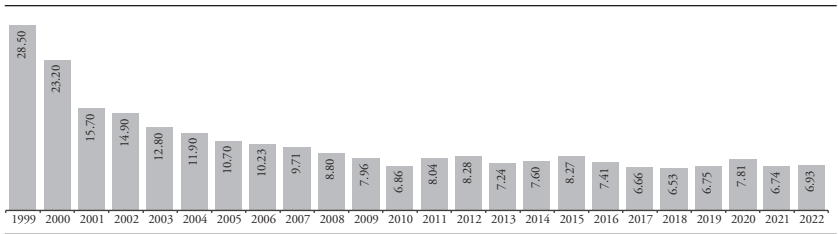
In Mexico, 13.6% of households receive remittances, that is, 1 out of every 7.4 households, but the percentage was 16.1% in those where the head of

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

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

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

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



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

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

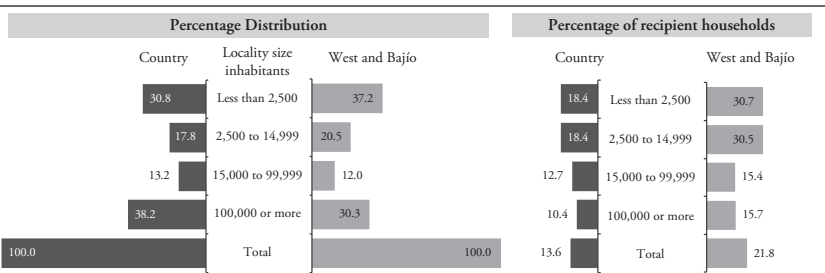
The sharp decline in the cost of remittance transfers to Mexico from the U.S. is explained, as discussed in detail below, by a more competitive

market. It should be recognized that the lower cost of remittances does not necessarily lead to greater financial inclusion of remittance senders and recipients, as this requires an additional effort by the financial segment of the remittance industry.

*Cost of Remittance Collection and Size of the Locality*

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

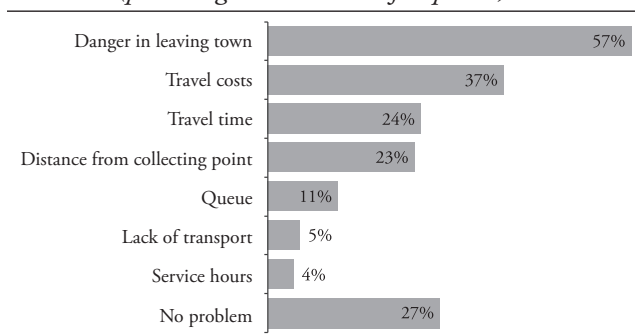
*Chart 9: Remittance Recipient Households by Location Size (percentages)*



Source: Cervantes González & Ostolaza, 2022.

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

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



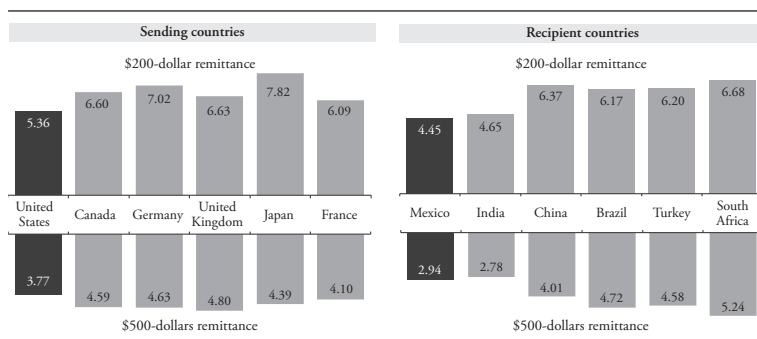
Note: Percentages add up to more than 100 because more than one option could be selected.

Source: Elaborated by the author with data from a survey collected by CEMLA in April 2022, in the community of Las Tortugas, municipality of Puruándiro, Michoacán.

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

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

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



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

## **Factors that Contributed to the Declining Cost of Remittance Transfers**

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

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

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

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

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

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

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

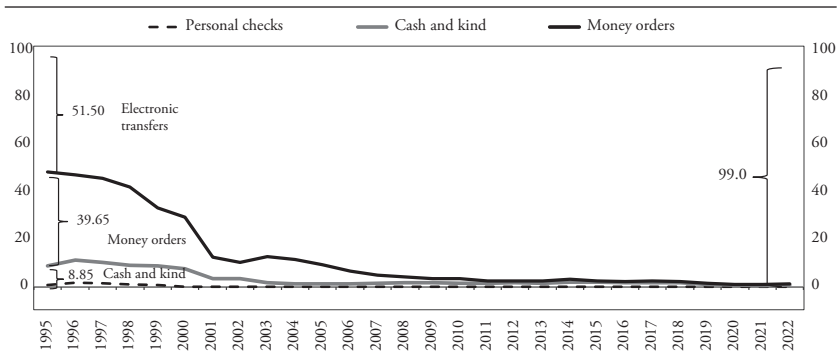
5) An important step towards making remittances cheaper was the gradual disappearance of exclusivity agreements, i.e. agreements whereby the remittance company required the disbursing entity to operate only with them. Such agreements restricted competition and facilitated high charges for remittances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

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

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

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

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



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

*“Directo a México”*

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

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

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

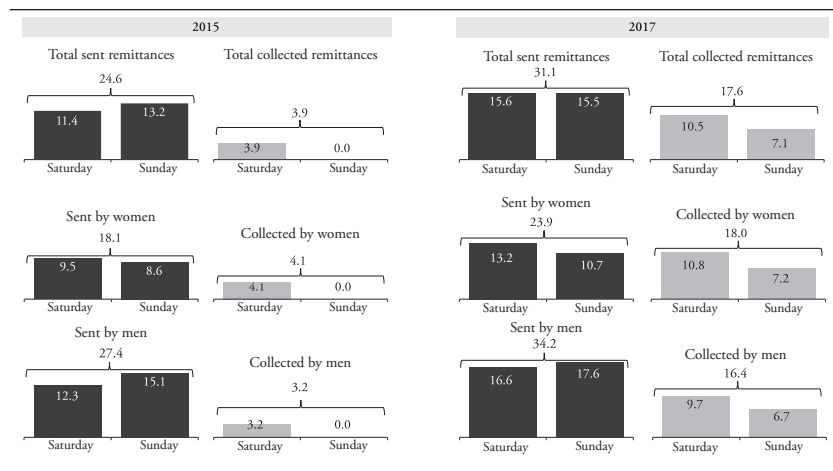
### **Remittance Industry Services and the Needs of Remittance Senders and Recipients**

Over time, the remittance industry has shown flexibility and capacity to adapt to the needs of remittance senders and recipients. An example of this



is the possibility of sending and collecting remittances on weekends, when financial institutions are generally closed in both the sending and receiving countries (see Chart 13).

Chart 13: Percentage of Remittances Sent and Collected on Weekends



Note: Refers to remittances paid in cash.

Source: Cervantes González, 2015 (for 2015), and Cervantes González, 2021 (for 2017).

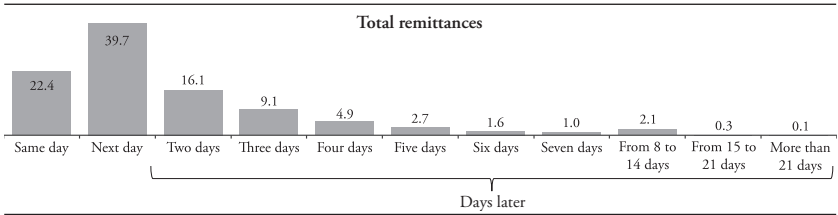
### Speed of Remittance Collection

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

It was noted that 22.4% of remittances are collected the day they are sent, but if we consider only those sent Monday through Friday, 23.1% are collected the same day they are sent, and an additional 43.0% the following day, such that almost two thirds of those transfers were already

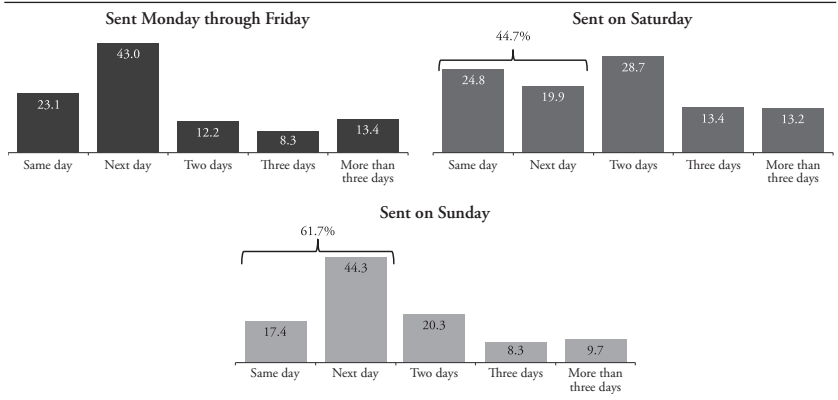
collected the day after they were sent. An important change in the remittance industry is that 44.7% of remittances sent on a Saturday are collected that same weekend. In fact, 17.4% of those sent on Sunday are collected that same day (see Chart 15).

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



Source: Cervantes González, 2021.

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

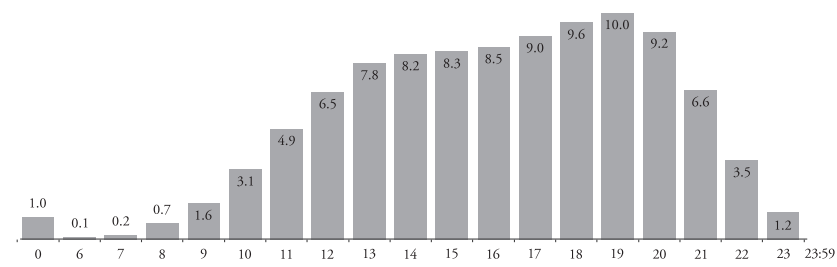


Source: Cervantes González, 2021.

*Time of Day Remittances Are Sent*

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

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



Source: Cervantes González, 2021.

### Factors Considered in the Selection of Remittance Transfer Services

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

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

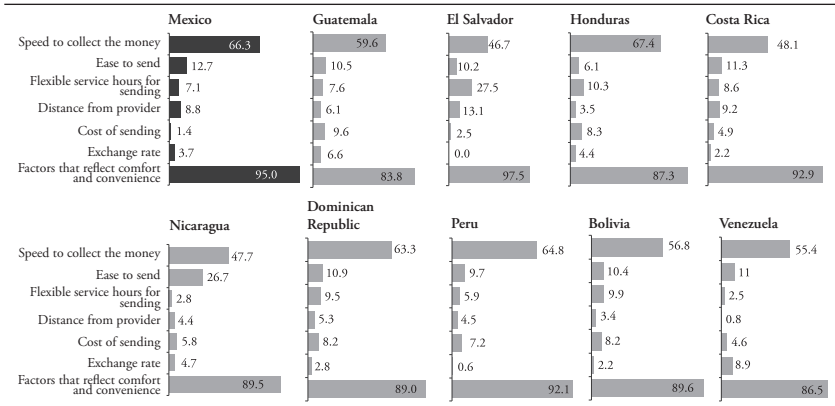
Remittance sender by gender	Speed to collect the money	Service hours to collect the money	Distance from the provider	Ease of transaction	Cost of remittance sending	Exchange rate	Factors reflecting comfort and convenience for sending remittances	Total
	(1)	(2)	(3)	(4)	(5)	(6)	(7= 1+2+3+4)	(8)
Total	66.3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

Source: Cervantes González, 2018.

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

the remittance. Overall, the variables reflecting the comfort or convenience of sending the money absorbed close to 90% of the responses in most of the surveys.

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



Source: Cervantes González, 2022.

*Perception of Remittance Costs*

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

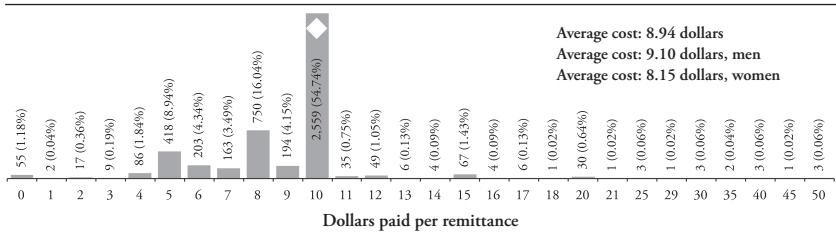
Remittance sender by gender	The cost of sending remittances is (percentages):				
	Very low	Low	Expensive	Very expensive	Total
Total	5.6	76.7	16.3	1.4	100
Men	5.7	76.9	16.0	1.4	100
Women	4.7	76.0	18.1	1.2	100
Dollars paid per remittance					
Total	7.04	8.97	9.92	12.57	8.94
Men	7.18	8.99	10.00	12.31	9.10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

Source: Cervantes González, 2018.

It is possible that the costs actually paid are slightly under those obtained from the responses to the Banco de México survey, since there was a tendency for respondents to round the cost, for example, to \$5, \$10, \$15 and \$20 dollars, possibly rounding upwards (see Chart 18). It should be noted that the costs captured by the survey do not take into account

the exchange margin. The costs in relation to the value of the average remittance were 3.17% for total remittances, 3.11% for men's remittances and 4.12% for women's remittances. The higher percentage paid by women, despite the lower average amount paid, is due to the fact that men's average remittance of \$293 dollars was higher than women's average remittance of \$198 dollars.

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



Source: Cervantes González, 2018.

## Final Considerations

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

The decrease in the cost of sending remittances to Mexico has been due to several factors, but mainly to the fact that this market has become more competitive, partly because the large volume of remittances has led to an increase in the number of remittance service providers; remittance senders have gained information about the costs and different methods of making such transfers; the disappearance of exclusivity agreements that

gave monopoly power to some remittance companies, and remittances have become more homogeneous, with cheaper electronic remittances predominating. In fact, there was a structural change in remittance instruments, with the virtual disappearance of money orders and the reduction of cash and in-kind transfers to almost nothing.

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

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

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

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# Moving Up the Economic Ladder:

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

Convinced that financial inclusion can help improve the quality of life of Mexican families in the United States, the Center for U.S.-Mexican Studies at the University of California San Diego, Sin Fronteras IAP, the Financial Education department at BBVA México and BBVA Research joined efforts for this publication.

In fourteen chapters, we evaluate the state and main initiatives for the financial inclusion of this population in the last 20 years from a transnational and multisectoral approach. We hope that our analyses and recommendations contribute to generating actions, programs and policies, both public and private, to achieve better access to and use of financial services and products for the Mexican community in the United States and their families in Mexico.

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