Strategic Alliances to Scale Up Financial Services in Rural Areas

By Bikki Randhawa and Joselito Gallardo (FSE), and Mike Goldberg (LCSFR)

Despite more than 25 years of large financial investments and technical assistance programs, access to financial services in rural markets has not expanded at the massive scale and on the financially sustainable basis that have been expected. Can strategic alliances be used to scale up financial services in rural areas?

A new piece of sector work aims to analyze the motives of selected rural finance institutions (RFIs) in the alliances they form with other commercial and non-profit organizations. It examines how constraints to access and delivery of financial services in rural markets are relieved through strategic alliances. The analysis points out the types of RFIs that are effective in helping formal sector entities to penetrate rural markets, highlights the new financial products (such as international remittances and micro-insurance services) that result from these alliances and the objectives of different models of strategic alliances. More on page 2

Migrant Labor Remittances in the South Asia Region

By Samuel Munzele Maimbo, SASFP

At a time of renewed international interest in remittances, four countries in the South Asia region stand out in terms of the volume of remittances they receive, the national policies in place to attract increased flows, and the efforts of formal financial institutions to deliver remittances faster and more cost effectively – Bangladesh, India, Pakistan and Sri Lanka. At the end of 2004, their respective remittances of US$3.4 bn (Bangladesh), US$23.0 bn (India), US$4.2 bn (Pakistan), and US$1.3 bn (Sri Lanka) were among the 20 largest recipients of remittances in the world, collectively making the South Asia region the second largest regional recipient of remittances in the world after Latin America and the Caribbean (Table 1).

The potential for remittances to reduce poverty and economic vulnerability, improve family welfare, and stimulate local economic development in the face of much lower, sometimes temperamental, foreign direct investment flows and declining overseas development assistance (ODA) is special interest to governments in the region. More on page 3
Strategic Alliances to Scale Up Financial Services in Rural Areas (continued from page 1)

Conceptual framework for strategic alliances and development partnerships in rural finance

What lessons can be drawn from the strategic alliances between firms? Business firms structure strategic alliances with other firms to achieve one of five specific objectives. These are (i) overcome a resource constraint, (ii) manage transactions costs, (iii) acquire new technical and management skills, (iv) build customer loyalty by enhancing product value, and (v) gain competitive advantage. One difference is that collaborations in rural finance may have a strategic or development orientation: institutional relationships can be grouped into strategic alliances at one end of the spectrum and development partnerships at the other end, as illustrated in Chart 1 below.

Chart 1. Spectrum of development partnerships and strategic alliances

| Objectives: access financial resources or infrastructure; manage costs; build technical capacity, improve client services; strengthen organizational status and position. |
| Benefits (including intangibles) not shared by RFI with development partner, no full recovery of costs |
| Development Partnership |
| Benefits and costs (including intangibles) shared between RFI and commercial partners and organizations |
| Strategic Alliance |

The experiences of the RFIs in the study show that objectives to scale up access to financial services in rural markets can be met by structuring strategic alliances or development partnerships with commercial or development organizations. The dynamics of access to financial services in rural areas has at least two important aspects: first, availability of a varied array of financial services other than credit and second, increasing numbers of rural market participants who make productive use of the financial products. Non-credit financial services such as saving deposits, remittances/money transfers, payments facilities (through ATMs, smart cards and check cashing), discounting of warehouse/storage receipts, input-supply and output-marketing contracts, and insurance products are important in rural markets. These products expand not only the range but especially the scale of access to financial services available to households and small-scale producers and businesses in rural areas.

Findings - strategic alliances and development partnerships in rural finance

The experiences of the RFIs in the study show that objectives to scale up access to financial services in rural markets can be met by structuring strategic alliances or development partnerships with commercial or development organizations. The dynamics of access to financial services in rural areas has at least two important aspects: first, availability of a varied array of financial services other than credit and second, increasing numbers of rural market participants who make productive use of the financial products. Non-credit financial services such as saving deposits, remittances/money transfers, payments facilities (through ATMs, smart cards and check cashing), discounting of warehouse/storage receipts, input-supply and output-marketing contracts, and insurance products are important in rural markets. These products expand not only the range but especially the scale of access to financial services available to households and small-scale producers and businesses in rural areas.

a. Development partnerships of RFIs with commercial and development organizations are aimed at one or a combination of the same fundamental objectives driving strategic alliances. In some cases, these objectives are access to financial resources and infrastructure, expanding the menu of services for clients and enhancing organizational status. In other cases, the development objectives are mainly to penetrate into rural markets at manageable costs and build up technical knowledge of rural-based microfinance. Another key objective in development partnerships is securing long-term funds to backstop the development of a critical mass in operations and market areas to establish market share.

b. Engaging rural finance institutions in strategic alliances. RFIs that are effective in expanding the range of products and pushing the boundaries of access comprise credit unions/ cooperatives and development organizations, agricultural banks, non-bank rural/microfinance institutions and rural banks with a well-established presence in rural markets. Postal financial service networks have also been reported in other studies to have the...
potential and the capability to help expand the delivery of financial products and services in rural communities. The commercial alliances and development partnerships are determined principally by the strategic goals and the new or additional financial products and services that the RFIs focused on.

C. Financial products with established market demand and dependent on strategic alliances for retail delivery – such as delivery of international remittances, various insurance products, payments and transfer facilities (check-cashing, access to ATM networks, money transfers) are the focus of RFIs’ strategic alliances with commercial and financial institutions with the legal charter and organizational capability to provide the product or service. The alliances are indispensable because the RFIs may have the legal charter to offer the products (international remittances and insurance), or have the technology and infrastructure to provide the additional services (check-cashing, access to ATM networks, money transfers).

Operational implications for the World Bank

(a) Necessary conditions for strategic alliances. Certain conditions must be present for strategic alliances to be formed and generate synergistic economic benefits. First, there should be a range of informal and semi-formal institutions serving rural markets, complemented by formal financial institutions that have the legal status to offer a range of financial products and services such as commercially priced credit lines, check cashing and affinity-based ATM facilities, domestic correspondent banking services for money transfers and payments, and international remittances. Second, the legal and regulatory framework must clearly establish the types of services that each institution can provide, and the business collaborations that are permitted. As strategic alliances to scale up access to financial services in rural areas is a new theme in rural finance, it is important to understand the process by which strategic alliances contribute to outreach to new clients and markets and the introduction of new products.

(b) Questions to address early in project preparation. A basic requirement to be addressed early in project preparation is the collection of relevant information on rural markets, RFIs and the demand for financial services from households and businesses. These sources of key information in specific countries include Household Income and Expenditure Survey data, Living Standards Measurement studies, periodic reports and surveys of microfinance network associations, postal financial services, banks, and credit union federations.

Additional information can be derived from the World Bank’s Economic and Sector Work that can contribute to understanding the barriers to strategic alliances in rural financial markets. Data and information collected and analyzed early in the project preparation phase will be instrumental in addressing a number of important questions, including the legal and regulatory framework, the existence of registries for movable assets, credit information systems, factoring and warehouse finance systems, the extent of client demand for new financial and other products, determining if there is a presence of well performing RFI and MFIs and the existence of technologies that could decrease transaction costs.

(c) Critical operational issues. If the conditions are right for strategic alliances in rural finance, the World Bank and its partners can raise interest and awareness by sponsoring seminars, workshops and other events to bring likely partners together, to identify key legal and regulatory constraints, institutional capacity needs, and technological challenges. World Bank projects, grants and counterpart funds can be used to disseminate examples of successful strategic alliance experiences and encourage experimentation. Since this is a new approach to rural finance and other services, many institutions may not be aware of the options, advantages, and limited risks that exist in strategic alliances with experienced RFIs. This awareness-raising work should take an inclusive approach, inviting urban-based financial services providers, insurance companies, credit card providers, health service providers, money transfer operators and others who might consider strategic alliances in rural markets.

Strategic alliances require time to be established, and often last much longer than the typical World Bank project cycle. Standard investment loans of three to five years can resolve some of the roadblocks to strategic alliances and promote greater outreach in rural markets. There are also at least two principal World Bank products that help to surpass the time limitations often imposed by the loan project cycle. Learning and Innovation Loans (LILs) can encourage experimentation that could result in improved coverage of rural financial markets. Adaptable Program Loans (APLs) which can be structured in phases for a total of 12 to 15 years are indispensable in fleshing out the long-term vision for the developmental results of a particular World Bank sectoral intervention.

Summary based on an upcoming publication, “Strategic Alliances to Scale Up Financial Services in Rural Areas, by J. Gallardo, M. Goldberg and B. Randhawa (World Bank).

Table 1. Estimates of recorded Workers’ Remittances (US$ Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Bangladesh</th>
<th>India</th>
<th>Pakistan</th>
<th>Sri Lanka</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>14.0</td>
<td>1.8</td>
<td>11.1</td>
<td>0.1</td>
<td>1.0</td>
</tr>
<tr>
<td>2000</td>
<td>16.0</td>
<td>2.0</td>
<td>11.7</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>2001</td>
<td>15.9</td>
<td>2.1</td>
<td>11.1</td>
<td>1.5</td>
<td>1.2</td>
</tr>
<tr>
<td>2002</td>
<td>21.4</td>
<td>2.8</td>
<td>13.7</td>
<td>3.6</td>
<td>1.3</td>
</tr>
<tr>
<td>2003</td>
<td>25.9</td>
<td>3.2</td>
<td>17.4</td>
<td>4.0</td>
<td>1.3</td>
</tr>
<tr>
<td>2004</td>
<td>31.9</td>
<td>3.4</td>
<td>23.0</td>
<td>4.2</td>
<td>1.3</td>
</tr>
<tr>
<td>2003 (per capita US$)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>67.7</td>
</tr>
</tbody>
</table>


To encourage higher flows, governments in all four countries have established public infrastructure to support the search for employment abroad, the migration of successful applicants, and their subsequent remittances. The public infrastructure includes emigration legislation, government departments, and a plethora of fiscal incentives.

- **Legislation**: Legislation such as the Emigration Act of 1983 (India) and the Emigration Ordinance of 1979 (Pakistan) form the legal basis for today’s migration practices and influence the ease and convenience of dealing with the resulting government ministries and departments.
- **Government departments**: The Bureau of Manpower Employment and Training (Bangladesh), the Bureau of Emigration and Overseas Employment (Pakistan), and the Bureau of Foreign Employment (Sri Lanka) provide a range of pre- and postmigration services and facilities notably premigration training, and work permit processing.
- **Incentives**: Incentives that have been announced in successive budgets targeting migrants include special access to public educational institutions; generous duty-free import limits for items of personal convenience; eligibility for special lotteries for prime plots in public housing schemes at attractive prices; and tax exemptions.

While dedicated public institutions and incentives aimed at facilitating and providing support for temporary migration and remittance inflows has helped the region address some of the basic challenges of facilitating large employment migration flows, and encouraging remittances back to the region, there remain more serious long term challenges.
First, the specific development impact of remittances is still unclear and many questions remain, including: What proportion of remittance monies is spent on consumption versus investment? Does the proportion vary with the income and educational level of the remittance-receiving family? What kinds of productive investment activities are remittances spent on? How does this vary by setting (urban or rural), and by district, region, or country?

Second, the region has a large state bank branch networks with immense potential for a more effective and efficient remittance financial market. How can public policy encourage a more active use of the formal remittances infrastructure and, how can the formal sector compete effectively with the trade-related informal remittance channels used by both legal and illegal migrants?

The recently published Migrant Labor Remittances in South Asia makes a start at addressing some of these questions. Its authors, Samuel Munzele Maimbo, Richard Adams, Reena Aggarwal and Nikos Passas, emphasize that this publication is only a start, as many research challenges remain with respect to understanding the development impact of remittances, and identifying ways in which to strengthen the remittance infrastructure.

**Development impact of remittances**

Addressing the first set of questions is methodologically challenging because of three factors. The most important of these is that remittance income is fungible which makes it very difficult to associate remittances with any specific changes in household patterns of consumption or investment. Second, remittances have multiple effects on the local economy. For example, an increase in the volume of remittances in a community may lead to higher spending on housing, which in turn helps to generate more income and employment opportunities for unskilled construction workers. Third, a robust theoretical and analytical framework for determining the development impact of remittances is largely absent. Because remittance research is often based on data collected at just one point in time, it is difficult to measure how remittances change patterns of investment over time.

This study analyzes the impact of international remittances on poverty using a growth-poverty model. This model, which has been used by a host of poverty researchers, assumes that economic growth—as measured by increases in mean per capita income—will reduce poverty.

The results are interesting. The analysis finds that, when the estimated values for unofficial remittances are added to official remittance figures, total remittances (official and unofficial) reduce the level of poverty in South Asia. On average, the point estimates for the poverty headcount measure suggest that a 10 percent increase in total remittances (official and unofficial) will lead to a 0.9 percent decline in the level of poverty in South Asia. This means that for a “representative” country where exactly one-half of the population lives below the poverty line, a 10 percent increase in total remittances will bring the proportion living in poverty down to about 0.48 percent.

**Formal Remittance infrastructure**

The second set of questions pose less methodological hurdles, and commenting on the state of the formal remittance infrastructure, the authors find the following:

- **State banks:** The South Asian remittances market is unique for the presence of an extensive branch network of state commercial banks which have long dominated the official remittances business through monopolistic national foreign-currency legislation and large bank branch networks. Today, India has over 32,000 rural commercial bank branches; Bangladesh has four nationalized banks with at least 3,346 branches in total; and Sri Lanka’s largest state bank alone has 326 branches, 81 counter services, and 188 pawnning centers. Physically, the infrastructure for an active far-reaching remittance network is already present. The challenge lies in making it more effective and efficient.

- **Foreign Banks:** Foreign banks have also noted the huge remittance potential in the region. Previously reluctant participants, they are slowly investing in this business, albeit largely for the higher-income migrants—doctors, accountants, lawyers, and other professionals. Foreign banks have hitherto largely been inhibited by their limited branch networks, which are primarily centered in major cities. They have also been careful about heightened anti-money laundering and counter-terrorist financing standards.

**Local Banks:** It is largely the local banks that are taking the lead in the remittance service market. Investing heavily in various remittance application technologies—credit cards, debit cards, Internet banking, and expanding the ATM networks. In Sri Lanka for example, the number of ATMs increased to 705 (2003) from 622 (2002). But, the potential for the ATMs to act as remittance conduits is yet to be realized. Most ATM transactions are cash from ATMs of the clients own banks. Until this changes, the possibility of using the networks for remittance purposes will remain limited.

**Money Service Businesses:** The strongest remittance competition in the market comes from the emergence of licensed money service businesses (MSBs)—nonbank financial institutions that accept cash, checks, or other money instruments, or “stored value,” in one location and pay the equivalent amount in another. Leading MSBs such as Western Union and Money Gram have extensive agent locations in the region that support their operations. However, Internet-based businesses such as C-Sam, are having a positive impact on the way business is managed.

**Post Offices:** Long used to delivering money orders to rural families, post offices are now investing in electronic money orders, partnering with money service businesses, and investing in Internet-based technology. The potential benefits for postal involvement are substantial. With 154,149 postal offices and 554 sorting offices, India Post has the most extensive postal retail network in the world. Sri Lanka Post has 625 main post offices, 3,423 sub-post offices, and 632 agency post offices. However, as long as they remain plagued with operational losses, the absence of management information systems, limited access to funds for investing in technology, client demand and usage will remain low. Reliability, credibility, and efficiency are essential ingredients to a remittance business.

**Informal remittance infrastructure**

Informal remittance systems—courier services, in-kind remittances, and hawala systems (also referred to as hundi or chit, hawala systems)—have a long history in the region. Originally developed at a time when conventional banking instruments were either absent or weak, informal channels such as Hawala offered a speedy, low-cost, convenient, accessible, and (when necessary) anonymous option. The convenience of door-to-door collection and delivery services is invaluable to migrants working long shifts and recipient families in communities with absent or weak formal financial services. Unfortunately, the informal system’s success—speedy transactions with minimal or no documentation—has also been its undoing. The anonymity associated with such transactions has long raised concern with law enforcement communities. This has led some countries to issue an outright ban on these systems; others have proceeded to or are considering issuing new regulations in an effort to improve the transparency of the sector.

**Conclusion and Recommendations**

The study concludes that remittances from migrant workers are increasingly important and are a stable source of financing for development related activities. With an extensive state and private bank network already in the region, a key component of the requisite building blocks for an effective remittance industry is already in place. However, much more needs to be done to maximize the network’s full potential. The study makes the following recommendations:

- **Shared payments systems platforms:** Greater investment in open architecture payments system information technology is required. Recipients should increasingly be able to receive remittances from any state or private bank branch or ATM machine, whether or not they hold an account with that institution be it a bank, post office or other non-bank financial institution.
**Public-private partnerships**: Strategic partnerships between the public and private sectors across infrastructure, products, and services are necessary for countries in the region that seek the types of gains attained elsewhere.

**Cross-selling**: As the profitability of the conventional formal financial sector remittance business model continues to decline, formal financial institutions invest in cross-selling complementary financial services and products. Encouraging recipients to open and maintain bank accounts that might lead to short- and long-term auto and housing loans, for example, should be part of a business strategy for banks.

In the long run, strengthening the formal financial sector for remittance purposes will facilitate the move away from informal remittance systems, which, though beneficial to the direct users, may not have as effective an impact on the macro level as formal remittance transfers. High transaction costs, long delays in transferring remittances, foreign currency controls, and overly bureaucratic polices and procedures for simple money transfers have no place in a vibrant and still-growing remittance industry.


**NEWS**

**Unleashing Investment by Encouraging African Savings**: Africa has the world's lowest savings rate, with little capital for banks to lend to grow productive enterprise. South Africa is changing the rules by bringing the poor into the banking system. The South African Institute of International Affairs, July 6, 2005. http://www.saiia.org.za/modules.php?op=

**Improving Mexico's Financial Services to The Poor**: The World Bank approved a $64.6 million loan to strengthen Mexico's non-bank financial intermediaries and to expand financial services to the poor. The World Bank, July 5, 2005. http://web.worldbank.org/WEBSITE/EXTERNAL


**EVENTS**

**Upcoming**:

2005 World Credit Union Conference. This conference will focus on International Governance Principles for CUs, asset liability management –from the basics to the big - global regulatory trends, innovative cross border services and the evolution of European co-operative banks. Organized by WOCCU. Rome, Italy, July 24-27, 2005. https://www.woccu.org/docs/Italybrochure11205sm.pdf

Towards an End to Global Poverty: Empowering Communities and Individuals through Financial Inclusion -- International Year of Microcredit Conference. The Conference will provide an opportunity to share the practical lessons and discuss the wider issues such as how business, community and government organizations can develop strategic partnerships to promote inclusive financial services. Organized by the United Nations Association of Australia. Australia, August 29 – 30, 2005. http://www.icms.com.au/microcredit2005/

"Integrating Microfinance into Formal Financial Markets". The conference objectives are to introduce the theme and start the thinking, discussion and action around the theme. This conference will be a planning platform for the 2007 conference. Sponsored by MFRC, GTZ, SIDA, the University of Pretoria, the Association of Microfinance Institutions of Uganda, the Bank of Uganda. Cape Town, South Africa, August 29 – September 1, 2005. http://www.microfinancegateway.org/files/

**PUBLICATIONS**


A Decade of Pro Poor Institution Building in Nepal – Innovations and Lessons Learned from the Small Farmer Cooperatives Ltd. (SFCLs). This paper presents the most significant innovations that emerged from the SFCL system and attempts to outline the most important lessons learnt from a decade of institution building. Rural Finance Nepal (RUFIN), by Eckart Koch, Ram Chandra Maharjan, Jalan Kumar Sharma, & Ulrich Wehnert, October 2004. http://microfinancegateway.com/files/


HBS-ACCION Program on Strategic Leadership for Microfinance. The HBS-ACCION program will address a variety of issues confronting microfinance leaders. Some of these issues include: succeeding in highly competitive markets and maintaining a social focus in a commercial context. Organized by Harvard Business School and ACCION International. Boston, USA, April 17-22, 2006. http://www.accion.org/hbs.asp

EVENTS

Past:


Workshop on Regulation and Supervision of Financial Cooperatives/Credit Unions: The “Delegated” Supervision Model. This event focused on legal and regulatory framework and key issues on the “delegated” supervision model such as mechanisms, costs and resources. Organized by the World Bank in collaboration with Developpement international Desjardins (DID), Washington D.C., June 7, 2005. http://wbin0018.worldbank.org/html/FinancialSector

NEWSLETTERS

ADB Finance for the Poor. A Quarterly Newsletter of the Focal Point for Microfinance by the Asian Development Bank (ADB). http://www.adb.org/Documents/Periodic/Microfinance

CGAP PORTFOLIO. A bi-monthly newsletter issued by CGAP with the latest microfinance trends. http://www.cgap.org/portfolio/


Microfinance Matters: Building Inclusive Financial Sectors. This newsletter shares effective practices and expertise on building inclusive financial sectors in the context of UNCDF’s designation by the General Assembly as joint coordinator with UNDESA for the International Year of Microcredit 2005. http://www.uncdf.org/english


LINKS

Development Gateway. This site includes resources on the provision of financial services to entrepreneurs and micro business in developing countries. http://topics.developmentgateway.org/microfinance


Good and Bad Practices in Microinsurance. This site hosts a series of case studies developed by the ILO’s Social Finance Programme on behalf of the CGAP Working Group on Microinsurance. http://www.ilo.org/public/english/employment

How to Improve Access to Finance for Small Firms? This online discussion was moderated by Thorsten Beck and Asli Demirguc-Kunt of the World Bank. The discussion focused on the obstacles that small firms face in getting bank loans and other formal sources of external financing; and best practice examples and proposals to effectively expand access to formal financing for small firms. December 6 - 20, 2004. http://ru.worldbank.org/Discussions/topics/topic57.aspx


Microfinance Gateway. Information for and about the microfinance industry, including research and publications, specialized resource centers, organization and consultant profiles, and the latest news, events, and job opportunities in microfinance. http://www.microfinancegateway.org

PlanetFinance. The mission of Planet Finance is to support microfinance programs in countries with operations of Planet Finance. http://www.planetfinance.org/EN/index.php

Rural Finance Learning Centre. This website is dedicated to providing access to the best materials for capacity building in the field of rural finance. http://www.ruralfinance.org/index.jsp

The Journal of Microfinance. The Journal's purpose is to influence practice by focusing on experiences and lessons learned from the field, published every 6 months. http://www.microjournal.com/


The MicroFinance Network. The MicroFinance Network (MFN) is a global association of leading microfinance institutions committed to improving the quality of life of the poor through the provision of credit, savings, and other financial services. http://www.mfnetwork.org/

The Microfinance Regulation and Supervision Resource Center. CGAP and IRIS Center site to bring together a growing collection of data, legal texts, key references, opinion pieces, and relevant links on the financial sector policy framework and the microfinance environment for 50 countries. http://microfinancegateway.com

The SEEP Network is an organization of private and voluntary organizations that support micro and small business and microfinance institutions in the developing world. Its mission is to advance the practice of micro and small enterprise development among its members, their international partners, and other practitioners. http://www.seepnetwork.org/section/programs
CREDIT REPORTING

NEWS

New Forms of Credit Scoring. New Opportunity or New Set of Problems? Many "nontraditional" models of credit scoring have been put into practice by lenders, emphasizing rental and utility payments, as a way of gauging a customer's ability to pay their debts. ConsumerAffairs.com, June 8, 2005. http://www.consumeraffairs.com/news04/

Asia Pay Announces Launching of Beijing Credit Bureau Pilot program with Beijing Purple Starts Appraisal (BPSA). Asia Payment Systems, Inc. today announced the launch of its six-month pilot program with Beijing Purple Stars Appraisal Co., Ltd. The BPS/Asia Payment Systems Credit Bureau is a joint venture that will collect and provide credit file information in support of businesses and consumers in the greater Beijing area. KeepMedia, May 17, 2005. http://www.keepmedia.com/pubs/PRNewswire

RECENT PUBLICATIONS


EVENTS

Upcoming:

Credit Scoring and Credit Control IX. Upcoming conference will focus on issues ranging from Basel II to the latest statistical research findings. Organized by the Credit Research Centre. Edinburgh, September 7-9, 2005. http://www.crc.man.ac.uk/conference.html


NEWSLETTERS


LINKS

Credit Reporting Systems. Latest publications, events, analysis, surveys and more from official institutions, academia and others. http://econ.worldbank.org/programs/credit_reporting/


LISIM. Lisim is a consulting firm, based on Bogotá, Colombia, that offers scoring solutions to micro and other financial institutions. http://www.lisim.com/

PAYMENT SYSTEMS

NEWS

Reserve Bank of India Plans National Settlement System. The Reserve Bank of India said it will set up an institution to own and operate all retail payment systems of the country. BS Banking Bureau in Mumbai, May 4, 2005. http://www.rediff.com/money/2005/may/04rbi1.htm

Mexico Banks to Invest in Payment Systems. Mexico’s banks plan to invest 1.6 billion pesos ($150 million) to enable 300,000 small stores to accept debit or credit card payments. ABC 7 News, July 4, 2005. http://www.wila.com/news/stories/0705/240621.html

Japanese Edy E-Money Transactions to Top 10 Million in June. The number of purchases each month using the Edy e-money system is expected to surpass 10 million evidence that the use of electronic money is catching on in Japan, the Nihon Keizai Shimbun reported. Forbes.com, June 23, 2005. http://www.forbes.com/finance/feeds


Tech Industry abuzz over 'Google Wallet' - Potential Expansion into Online Payments would have Huge Impact. Google Inc. is believed to be developing an online payment system that would pose a stiff challenge to online auctioneer eBay Inc.'s industry-dominating PayPal service. The Associated Press, June 21, 2005. http://www.manbcs.msn.com/id/8293763/

Reaching the Unbanked: Learning from South Africa's Financial Institutions. Financial institutions throughout the world have only recently begun to take notice of the unwanked. Because the majority of the unbanked are typically low-wage earners with few assets, FIs didn’t see much upside in pursuing their business. ATM MarketPlace News, April 25, 2005. http://www.atmmarketplace.com/news

RECENT PUBLICATIONS


General Guidance for Payment System Development. This report aims to give assistance in and advice on the planning and implementation of reforms in the payment system as a whole. It underlines that the central bank is always a driving force in the development of the national payment system. The Committee on Payment and Settlement Systems (CPSS), May 2004. http://www.bis.org/publ/cpss69.htm


EVENTS

Unbanked Financial Services Innovation 2005. This conference will discuss some of the most promising developments in the unbanked market, ranging from new remittance and payment services for the unbanked population to prepaid card providers and pawnshop/payday lenders. Organized by Financial DNA, September 14, 2005. http://www.financialdna.com/fdna/site/fdna

Antitrust Activity in Card-Based Payment Systems: Causes and Consequences. This conference will present research on the causes and effects of antitrust actions and address the need for better information on the efficacy of the different remedies. Sponsored by the Federal Reserve Bank of New York and the Review of Network Economics, September 15-16, 2005. http://www.newyorkfed.org/research


EVENTS Past:

The contribution of payment infrastructures to the European financial integration and to the establishment of the Single Euro Payments Area (SEPA) - 20th Anniversary of the European Banking Association (EBA). This conference assessed the importance of the development of efficient and safe payment infrastructures for European financial integration and presented the progress made in this field since the launch of the euro. Speech by Mr. Christian Noyer, Governor of the Bank of France, Paris, 23 June 2005. http://www.bis.org(review

WHF (Western Hemisphere Payment & Securities Settlement Forum) Payments Week 2005. Regional payment system authorities and IAC members gathered to assess WHF progress, discuss the most important issues and trends in the field of payments and securities settlement, and agree upon next steps. Hosted by the Banco de España and sponsored by CEMLA, the Committee on Payment and Settlement Systems (CPSS) and the World Bank, Madrid, Spain, June 20-24, 2005. http://www.ipho-whpi.org/payments


SWIFT regional conference in Latin America, Brazil. Explored key issues in the payment system industry such as how payments clearing and securities settlements market infrastructures improve market efficiency and risk management and trends and solutions. Sao Paulo, Brazil, June 13-15, 2005. http://www.swift.com/index.cfm?item


NEWSLETTERS

Dialogue, ‘the voice of the SWIFT community’. The dialogue that takes place each year at Sibos inspired this magazine. It is designed to keep SWIFT’s conversation going throughout the year. http://www.swift.com/index.cfm?item_id=43230


The ePaynews.com Weekly Newsletter. Published every Friday, this newsletter summarizes the top payments news of the week, as covered on ePaynews.com. http://www.epaynews.com/newsletter

LINKS

Bank for International Settlements. The Bank for International Settlements (BIS) is an international organization which fosters international monetary and financial cooperation and serves as a bank for central banks. http://www.bis.org/index.htm

SWIFT. This website provides news and information about the SWIFT community. http://www.swift.com/

The electronic Payment Systems Observatory (ePSO). This site is updated regularly and provides useful links to articles, proceedings, data and other sources of information on electronic payments. http://epsio.intrasoft.lu/

Western Hemisphere Payment & Securities Settlement Forum. The Western Hemisphere Payments and Securities Clearance and Settlement Initiative (WHI) has become a regional forum to discuss relevant issues in the field of payments and securities clearance and settlement. http://www1.worldbank.org/finance/ (click on E-Security/E-Finance)

World Bank E-Security/E-Finance. This site acts as a clearing house for knowledge on how to better manage the risks associated with open network architectures; and to assist policy makers, supervisors, private market participants, and consumers of financial services become more educated about the complex trade-offs and actions needed to manage these risks and protect digital assets. http://www1.worldbank.org/finance/ (click on E-Security/E-Finance)

World Bank Payment Systems. Latest news reports, publications, events, analysis, policy notes and more related to this topic from official institutions, international organizations, academia and others. http://wbln1023.worldbank.org/html/FinancialSectorWeb

RECENT PUBLICATIONS


A Model of Migrants' Remittances with Human Capital Investment and Intrafamilial Transfers. This study provides an integrated theory of migrants’ remittances, human capital investment decisions, and intrafamilial transfers applicable to low-income countries with no official pension schemes and imperfect capital markets. The International Migration Review, by Brown, Richard P C and Poirine, Bernard, Jul 1, 2005. http://www.findsdp.com/focus/indonewsnarticle


REMITTANCES

NEWS

Fears that immigrants sap jobs are flawed, economic benefits high: IOM. GENEVA (AFP) - Concerns in Western countries that immigrant numbers are spiraling out of control, causing job losses and hikes in welfare spending, are not only flawed but contrary to the evidence, the International Organization for Migration (IOM) said. KeepMedia, June 21, 2005. http://www.keepmedia.com/pubs/AFP/2005
Remittances: International Payments by Migrants. The paper discusses how payments sent home are classified and estimated, how remittances from the United States compare with other international financial flows (such as exports or foreign direct investment) and with remittances from other countries, what channels are used to send remittances, and what effects remittances have on the United States and recipient countries. The Congress of the United States, May 2005. http://www.cbo.gov/ftpdocs/63xx/doc6366

EVENTS
Upcoming:

Conference on the Somali Remittance Sector, Washington D.C, Fall 2005. The UNDP and the World Bank plan to host a conference on Remittances to Somalia in the fall of 2005 in Washington D.C. The principle objectives of the workshop are: to discuss the development impact of remittances on Somalia as a conflict affected country; to familiarize remittance companies with the applicable financial laws and regulations of the US States in which they operate, as well as the recommendations of the FATF regarding money laundering, including terrorism and alternative remittances; and to launch the North American branch of the Somali Financial Services Association (SFSA). For information about this conference please email Melina Cholmondeley at the World Bank: mcholmondeley@worldbank.org.

EVENTS
Past:


Clearing the Path to Hemispheric Growth: Expanding Credit to Create Jobs and Alleviate Poverty -- Inter American Academic Dialogue at the OAS General Assembly. This event focused on banking and credit access and emigrant remittances in the Western Hemisphere. Sponsored by OAS Office of Education, Science and Technology and organized by Summit of the Americas Center, Miami, June 4, 2005. http://www.americasnet.net/events/OAS/presentations.htm


NEWSLETTERS
Migrant Remittances. Migrant Remittances is jointly supported by USAID’s Microenterprise Development office and DFID. http://www.livelihoods.org/hot_topics/docs/RemitAMAP3_05.pdf

LINKS
A Technical Guide to Remittances: The Credit Union Experience. Discusses the current operating environment for remittances, provides an overview of WOCCU's IRnet service and details how WOCCU has facilitated mass remittance distributions by partnering with money transfer operators. https://www.woccu.org/development/remittances