CYFI Industry Note 1

Youth and Remittances: Implications for Policy

By Gerd Junne, Floor Elize Knoote, Daivi Rodima-Taylor & Daniëlle de Winter

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Prof. G. C. A. Junne, F.E.W. Knoote, Dr. D. Rodima-Taylor, & D. de Winter[1]

1. Introduction

There is growing recognition among policymakers that children and youth, here defined between the ages of 15 and 24, are important economic actors whose financial decisions will shape future economies. However, poverty, debt, and unemployment sometimes affect children and youth at greater levels than adults. Children still account for a staggering one third of those living in extreme poverty worldwide[2] and the global youth unemployment rate is projected to rise to 12,8 per cent. [3] They remain a vulnerable population confronted with difficulties in a landscape marked by economic instability and financial uncertainty. In order to overcome the marginalization of children and youth in the economic sphere, youth has to be equipped with the financial tools and life skills necessary to participate in this system and build a sustainable livelihood.

Research indicates that remittances may be able to play an essential role in improving the livelihoods of young people, in the form of inclusion[4], increased income [5] and youth self-employment. [6]. As remittances, financial inclusion and youth development appear to have a positive correlation, this Note aims to further explore these relationships, summarize the evidence and set out policy opportunities, while contextualizing a policy discussion on youth remittances.

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[2] World Bank (2013). Economic Premise. The State of the Poor: Where Are The Poor, Where Is Extreme Poverty Harder to End, and What Is the Current Profile of the World's Poor. Available at: http://siteresources.worldbank.org/EXTPREMNET/Resources/EP125.pdf

[3] International Labour Organization (2013). Global Employment Trends for Youth 2013. A generation at risk. Available at: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_212899.pdf

[4] Including Anzoategui, D. Demirgüç-Kunt, A. and Martinez Pería, M S (2011) and

[5] Braga, Michela (2009). When the Manna Comes from Abroad - Remittances and Youth Labor Market Behavior in Albania University of Milan - DEAS

[6] Partnership for Economic Policy. http://www.pep-net.org/themes/PAGE/pageproject-macedonia

2. The Impacts of Financial Remittances on Sustainable Livelihoods

"A livelihood is sustainable when it can cope with and recover from the stresses and shocks and maintain or enhance its capabilities and assets both now and in the future without undermining the natural resource base" [7] Moreover, "Sustainable livelihoods" have included a variety of terms such as entrepreneurship strategies; income generating activities; business plan development; management and business skills; technical/vocational skills; and opportunities for apprenticeships and on-the-job training. This paper will cover the impact of remittances of four different facets mentioned in the definitions of sustainable livelihoods, namely the effect on increasing their access to reliable financial services, and on employment and entrepreneurship.

2.1 Remittances, Financial Inclusion and Asset Building

Financial Inclusion and Youth

Financial inclusion involves access to basic financial services as well as provision of quality, affordable, and convenient services. Truly inclusive finance provides a secure place to keep money and accumulate assets and promotes a sense of dignity for all clients without regard to age, social standing, or economic status.[8] This issue has reached a prominent place on national and international agendas[9], as there is growing evidence that financial inclusion can have significant beneficial effects for households and individuals. These include the increase of new businesses, the increase in profitability of existing ones[10], economic self-sufficiency[11], and consumption[12],

[7] As defined by Chambers & Conway in 1991.

[8] Sherraden, M. S., & Ansong, D. (2013). Research Evidence on the CYFI Model of Children and Youth as Economic Citizens (CSD Research Report 13-04). St. Louis, MO: Washington University, Center for Social Development, p. 2.

[9] G20 Declaration: http://en.g20russia.ru/news/20130906/782776427.html, p 19.

[10] Banerjee, A., Duflo, E., Glennerster, R. and Kinnan, C., (2010). The miracle of microfinance? Evidence from a Ramdomized Evaluation. MIT. Mimeo.

[11] Karlan, D. and Zinman, J., (2010). Expanding credit access: Using randomized supply decisions to estimate the impacts. *Review of Financial Studies* 23 (1), 433-464.

[12] Ashraf, N., Karlan, D. and Yin, W., (2010). Female empowerment: Further evidence from a commitment savings product in the Philippines. *World Development* 28 (3), 333-344

as well as "a generally positive picture on well-being, as depression falls, trust in others rises, and female household decision-making power increases."[13]

The case for financial inclusion of children and youth is not only supported through increased economic and financial well-being or financial knowledge and skills, but also with psychological health, reproductive and sexual health, academic achievement and education attainment and expectations[14]. Formal-sector savings accounts appear to give young people a cushion from economic shocks[15] and protect children from resorting to informal money lenders or potentially abusive and exploitative situations. In a recent study by Innovations for Poverty Action (IPA) a link was found between children and youth who participate in savings clubs and lower school dropout rates.[16] Recent results on Child Development Accounts (CDAs) showed that building assets for children appears to have an effect on their reported socio-emotional development and if these results hold, the empowering effect that building assets has, can be more important than money itself.[17]

Remittances and Financial Inclusion

There is growing agreement that "a well-functioning payment and remittance ecosystem" plays a key role in enhancing financial inclusion and poverty reduction.[18] On the domestic economy level, remittances are seen to provide a source of foreign capital as well as form a buffer during financial crises. Especially on the household level remittances lift millions of people out of poverty by improving living standards, as well as decrease the demand on government services. They can help families on the road to financial independence, savings and investment. This is done through: a shift in transactions from "cash to cash" to "account to account," encouraging financial education, allowing for saving, permitting recipients' remittances to help establish credit, supporting recipients investment in assets such as small business, and reinvesting deposited funds in the local community.

Overall, studies show positive effects of remittances on different components of financial inclusion. For example, a study from Mexico shows that municipalities where a higher proportion of households receive remittances have a higher number of bank branches and accounts per capita, and a larger share of deposits to GDP[19]. A second study, using panel data for households in Mexico, investigated the effect of remittances on access to formal and semiformal financial services and found that remittance receipt is strongly associated with the ownership of savings accounts, but less with the availability of borrowing.[20] Moreover, evidence from Sub-Saharan Africa shows that remittances have a direct poverty-mitigating effect, and promotes financial development.[21] Similar results are found for Uganda, where remittances have a positive impact on households that are educated (and thus likely financially literate households). Specifically, internal remittances have the potential to promote formal savings account ownership.[22]

Internal remittances show a positive impact on credit use and this effect is stronger for formal and semiformal compared to informal institutions. Furthermore, the impact of internal remittances on financial inclusion differs from that of international remittances, which are found to have a positive effect on formal account ownership and a less clear effect on access to credit.[23] Additionally, researchers investigate the relationship between remittances, use of financial services and 'financial literacy' among remittance-receiving households using household survey data from a study of migrants' remittances in Azerbaijan and Kyrgyzstan. While they find evidence of a positive relationship for Kyrgyzstan, in Azerbaijan, the relatively more financially developed economy, they uncover a strong reversed relationship. Remittances appear to deter use of formal banking services. The authors conclude that in Azerbaijan, it is not ignorance of financial services offered by banks, also referred to as

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[13] Angelucci, M, Karlan,D. and Zinman, J. (2013). "Win Some Lose Some? Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco." NBER Working Papers 19119. Cambridge, Mass.: National Bureau of Economic Research, May.

[14] Sherraden, M. S., & Ansong, D. (2013). Research Evidence on the CYFI Model of Children and Youth as Economic Citizens (CSD Research Report 13-04). St. Louis, MO: Washington University, Center for Social Development, p. 7.

[15] Deshpande, R., „What Do Youth Savers Want: Results from market research in four countries", Save the Children Federation Inc. and MasterCard Foundation, 2012, p. 1; open PDF at http://youthsave.org/sites/youthsave.org/files/YouthSave%20Market%20Research%20Report_FINAL.pdf.

[16] Karlan, D & Linden. L.. (Results forthcoming). Smoothing the Cost of Education: Primary School Saving in Uganda. More information on this study can be found on: http://www. poverty-action.org/project/0079

[17] Nam, Y., Kim, Y., Clancy, M., Zager, R., & Sherraden, M. (2011). Do Child Development Accounts promote account holding, saving, and asset accumulation for children's future? Evidence from a statewide randomized experiment (CSD Working Paper 11-33). St. Louis,MO: Washington University, Center for Social Development and As presented by Michael Sherraden (2013) at theCYFI Research Conference and Working group Meeting. November 14-15, 2013. Meeting Report. Available on: www.childfinance.org

[18] CGAP (2014). Topics. http://www.cgap.org/topics/paymentsremittances

[19] Demirgüç-Kunt, A., López Córdova, E., Martínez Pería, M.S., and Woodruff, C., (2011). Remittances and banking sector breadth and depth: Evidence from Mexico. Journal of Development Economics 95(2), 229-241.

[20] Ambrosius, Christian (2012a): Are remittances a "catalyst" for financial access? Evidence from Mexican household data. Berlin: Freie Univ., Fachbereich Wirtschaftswiss (School ofBusiness & Economics Discussion Paper Economics, 2012/8)

[21] Gupta, S., Pattillo, C., and Wagh, S., (2009). Effect of remittances on poverty and financial development in Sub-Saharan Africa. World Development 37(1), 104-115. Also look at: Aga, G.A. and Martinez Peria, M.S (2014). International Remittances and Financial Inclusion in Sub-Saharan Africa. Development Research Group
Finance and Private Sector Development Team, July 2014

[22] Ibid

[23] Gross, E.and Ntim, R. (2013). Evaluating the Impact of Internal Remittances on Financial Inclusion Evidence from Ugandan Household Data. Available on: www.ael.ethz.ch/downloads/2014/Papers/Gross_and_Ntim.pdf

financial illiteracy, but a mindful preference for the use of non-bank transfer channels, and informal transfers. The authors suggest that it is likely that factors associated with the institutional, and regulatory landscape are at play, especially when it comes to migrant households.[24] The opportunities and challenges that role that regulation may bring to this relationship will be discussed in 3.1 .

Remittances can be of particular importance in conflict-affected and post-conflict contexts, where they frequently constitute a major resource for national reconstruction and peace-building. Forced migration is at its peak since World War II (currently affecting over 51 million people)[25] and remittance flows have been frequently observed to be among the highest in the aftermath of recent conflicts and mass displacement[26]. In post-conflict environments that are characterized by an endemic breakdown of institutional and material infrastructure (that often includes formal banking systems), migrant remittance transfer networks have demonstrated a unique capability of building upon local innovation and entrepreneurship, and encouraging synergies between diverse local financial institutions of different degrees of formality.[27] In the communities of destination, sending remittances often constitutes an entry point for recent migrants to the formal financial system. Remittances can therefore function as a gateway to broader financial inclusion for both remittance senders and receivers.

Remittances, Youth and Inclusion

Between 15 and 25% of those people receiving and managing remittances are under the age of 25.[28] The African Development Bank, among other institutions, has highlighted the role that remittances can play in the empowerment of the less privileged in society, specifically highlighting the importance of access to finance in creating opportunities for African youth.[29] Research on Africa reveals that youth definitely receive remittances and use remittance services. Specifically, 67% of young migrants under 25 remit, compared to 75% of migrants over 25 years of age.[30] Data on remittance channels segmented by different age groups in Africa expose that most young migrants send remittances through informal channels (couriers, personal delivery or friends or relatives). Informal channels can be more risky and expensive than formal channels but may be the only option for young people and poorly educated youth who cannot access formal banking systems, due to illiteracy, or lack of documentation and official identification. There is thus a serious need for youth friendly remittance mechanisms.[31]

Several projects have been initiated to catalyze the savings of young remittance recipients. The Multilateral Investment Fund and Red Katalysis have recently initiated a project in Honduras which will aim to increase the use of savings by remittance recipients through financial products and services tailored to their needs and references. It will create a savings product targeted to young people who benefit from remittances. In the long term, the project hopes to see the benefits of a focused strategy on the young remittance recipients, and to achieve a savings business model that is both profitable and simultaneously makes advances in financial inclusion for the region.[32]

Even though there is limited evidence on the impact of remittances on youth financial inclusion specifically, a number of studies have indicated the positive impact that remittances can have on financial inclusion of general populations. Factors that appear to impede the positive effects of inclusion are the level of education and financial literacy and the level of formality of the financial institution that is used to receive the remittance. However, several outcomes associated with financial inclusion of young people appear to be positive, so there is a case to be made for the promotion of remittances among youth.

Questions that remain untouched include usage of young remitters' accounts, the dynamic behind the impact of informal transfers versus the impact of formal remittances on young people, and the role that of financial education or financial literacy plays to catalyze access to savings products for youth relative to how and whether this plays a role for adults.

2.2 Remittances and their Impacts on Employment

Countries across the globe are confronted with a growing young population and related high youth unemployment rates. The African Development Bank's 2012 African Economic Outlook estimates that Africa's young people

[24] Brown, R., Carmignani, F., and Fayad, G. (2011). Migrant's Remittance and Financial Development: Macro and Micro-level Evidence of a perverse relationship. Prepared for conference on ―Economic Development in Africa, 2011,‖ CSAE, Oxford, 20-22 March, 2011. Available on± http://www.csae.ox.ac.uk/conferences/2011-edia/papers/280-Brown.pdf

[25] Migration and Development Brief 23, October 6, 2014, The World Bank

[26] Lindley, A. (2009). Between 'Dirty Money' and 'Development Capital': Somali Money Transfer Infrastructure under Global Scrutiny. *African Affairs* 108: 519-539.

[27] Rodima-Taylor, D., Harris, J., Terry, D. (2013) Remittance Flows to Post-Conflict States: Perspectives on Human Security and Development. Boston University .

[28] Youth, Migration, Remittances and Development: a needed policy approach1 Manuel Orozco, August 12, 2013, briefing presented to the 'Youth Migration: Moving Development Forward', at CSIS

[29] AfDB Stresses Importance of Remittances and Microfinance for Financial Inclusion, 30/05/2012

[30] Orozco, Manuel. Tasting Identity: Trends in Migrant Demand for Home Country Goods, microNOTE #56, USAID, 2008.

[31] Remittances, development and youth. http://www.globalmigrationgroup.org/sites/default/files/uploads/documents/2014-challenges-opportunities/Chapter-9.pdf

[32] Multilateral Investment Fund (July, 2014). Catalyzing the savings of remittance recipients in Honduras.

will be “a billion strong in the labor market by 2040”.[33] Especially developing countries are characterized by high unemployment rates among its young, and the consequential risks of a restless young population. Michela Braga argues that “labor market disadvantages of young people are an important policy issue. The delay in the entry into the workforce has severe implications in terms of poverty, human and social capital depletion, participation in the informal sector and social instability.” [34] Of concern is the realization that employment has been identified as one of the top reasons for youth migration during consultations for the UN World Youth Report of 2013.[35] “Migration is seen by youth as a strategy to cope with limited employment opportunities, particularly in rural areas.” According to the FAO migration is often chosen as a strategy in contexts of lack of social safety nets and weak capital markets, which often reflect rural areas. Significantly, the organization finds that those youngsters who engage in such “distress migration” may lack required resources that migration necessitates, such as economic assets like savings or an active bank account. [36]

There is a higher propensity of rural youth to resort to internal migration, as is shown through earlier contributions to the preparations of the GMG Joint Thematic Report on Youth and Migration by the FAO in 2011. The World Bank comes to similar conclusions, arguing young people are 40 percent more likely to move from rural to urban areas or across urban areas than older individuals. “The most important [contributing factor] is undoubtedly the lack of decent employment opportunities for youth in rural areas, and the high incidence of vulnerable employment and poor working conditions among youth.”[37]

Another concern is that receiving remittances increases dependency, and thus reduces the incentive to seek employment. [38]According to the UN, “financial transfers from family members living abroad improve the social and economic welfare of migrants’ children when they are used for education, clothing, health care and other basic needs. However, remittances can also promote dependency among youth […] left behind.”[39] Remittances could thus lead to a neo-classical income effect on labor supply argues Braga, “raising individual reservation wages, remittances could decrease labor supply especially in countries with low labor demand”.

Research findings thus far however show mixed results whether this correlation between remittances and labor supply actually exists. Dilip Ratha concurs that little evidence exists of the phenomenon that large remittance receipts reduce the supply of labor in the 2011 World Bank publication “Leveraging Migration for Africa. Remittances, Skills, and Investments”. [40] Clearly, different macro-economic contexts will produce different employment conditions for young populations, and thus will influence results on potential remittances dependency. Few studies have been conducted so far specifically on the impact of remittances on (un)employment effects, though a short selection has been offered by Ratha.

It is fair to say that to date limited attention has been given to the relation between migration, youth, entrepreneurship and employment. Still, a growing number of (rural) youth is migrating to cities that can only offer limited job prospects. With a growing young population and the worrying examples of the Arab Spring in the back of our minds, it is essential to understand better what factors could contribute to creating a more conducive environment that stimulates youth employment. Questions that remain untouched relate to the factors contributing to rising unemployment rates under youngsters when receiving remittances, what financial products could be developed to support rural youth in their internal migration activities, specifically related to remittances, and what are the conditions for young mobile users to have access to mobile payment systems.

2.3 Remittances, Migration and Youth Entrepreneurship

There is a case to be made for migrants being more entrepreneurial than the average population of the home country as they have been exposed to different environments, have seen new products, have experienced new ways of doing things - and have already revealed their inclination for entrepreneurial ventures when they leave their country. They take initiative, are not afraid to do something new, and find their way in unknown environments. In addition, the activity abroad can remove obstacles that may have prevented entrepreneurship before: accumulated savings can make the initial investment possible, and the skills acquired abroad increase the chances of success. In setting up new businesses, migrants rely not only on kin-based networks,

[33] African Development Bank Group (2012). Youth Employment in Africa: Migration, Remittances and the Informal Sector highlighted http://www.afdb.org/en/news-and-events/article/youth-employment-in-africa-migration-remittances-and-the-informal-sector-highlighted-9992/
[34] Braga, Michela (2008) When the Manna come from abroad. Remittances and Youth Labor Market Behaviour in Albania. Bocconi University
[35] UN (2014). www.unworldyouthreport.org (accessed 18 September 2014)
[36] FAO (2013) Rural Youth and internal migration. Inputs to the United Nations World Youth Report 2013 – Youth migration and Development. Prepared by the Decent Rural Employment Team, ESW, FAO, March 2013
[37] ibid
[38] Based on the works of Lucas 1987; Azam and Gubert 2006; Bussolo and Medvedev 2007; Chami and others 2008.
[39] UN (2014) www.unworldyouthreport.org (accessed 18 September 2014)
[40] Ratha, D. et al (2011) Leveraging Migration for Africa. Remittances, Skills, and Investments. The World Bank, Washington, DC.

but also on relationships developed while abroad with other migrants.[41]

A study on Egyptian migrant workers by McCormick and Wahba indicates that "time spent working abroad and total amount of money saved abroad, have a positive and significant effect on the likelihood of a return migrant becoming an entrepreneur."[42] The role of each component depends on whether or not the migrant was literate. Not only do the migrants benefit, but those that receive their remittances also gain from the process.[43] Studies conducted in El Salvador and Sri Lanka indicate "that children of remittance-recipient households have a lower school dropout rate and that these households spend more on private tuition for their children."[44] Moreover, other studies prove that remittance "provide capital to small entrepreneurs, reduce credit constraints, and increase entrepreneurship."[45] This is essential because often countries that receive a large amount of remittances have citizens that have inadequate access to credit.[46]

Mixed results are visible regarding the role that remittances can play for increasing entrepreneurship of youth. Related to the youth segment, "[c]autionary results emerge from the findings of the Child Health and Migrant Parents in South-East Asia (CHAMPSEA) project, where researchers found that remittances were mainly used for basic needs, with little evidence of investment in businesses."[47] A good deal of remittances comes from young migrant workers, who send back a great deal of their earned money to their families or to save and pay for, e.g. a dowry to be able to marry and settle. While most remittances are used to pay for family consumption,"[m]any migrants use part of their earnings to set up businesses in their home country."[48] This may involve sending goods to a family member or transferring money. Examples of such businesses include communication centres (telephone kiosks, Internet points, etc), small hotels and restaurants, trade in second-hand goods, and commercial transportation.[49] Although there is controversy regarding the share of remittances used for family consumption or entrepreneurial investment, there are many examples that remittances result in entrepreneurial ventures, either by the receivers or the migrants themselves. More information is needed on the inclination of students who study abroad to start a business upon their return – and how this could be facilitated by home and host countries.

Questions that remain untouched regarding the youth segment include how remittances be used to finance young entrepreneurs instead of financing their migration abroad.

3. Cross-cutting Themes in Youth Remittances

3.1 Regulation

Financial Regulation and Youth

Regulatory reform is a key enabler for the financial inclusion of young people. First, regulation relates to *saving itself*. In the current regulatory framework of most countries, minors are not allowed to open a savings account without parental supervision. Regulatory reform can have a significant impact on allowing for savings and help youth build their savings on their own. This relates to the second issue at hand; *the autonomy of the child*.

Currently, the majority of global regulatory frameworks relating to finance do not allow for children to operate an account before the age of 18. This fact not only has implications for the cultural perception of the autonomy of a child, but has direct practical implications as well. Around the world, there are young people heading households, providing the main income for their families or working their way through school. The provision of more autonomy for children and youth within the financial system, and being able to control one's own finances within certain conditions, could provide a significant benefit and additional means of survival for a great number for minors. Subsequently, this relates to a third issue: *consumer protection*. Regulated financial institutions are obligated to strictly comply with the know-your-customer (KYC) rules

[41] Smith, I. and Mazzucato, V. (2003). Houses, Businesses & Urban Livelihoods: The influence of transnational networks on economic activities in Accra, Ghana Available on: http://www.fao.org/docrep/007/j2815e/j2815e03.htm

[42] McCormick, B. and J. Wahba (2001) 'Overseas Work Experience, Savings and Entrepreneurship Amongst Return Migrants to LDCs', Scottish Journal of Political Economy, 48: 164–178.

[43] Adams, R. H.. "International Remittances and the Household: Analysis and Review of Global Evidence." *Journal of African Economies* 15.Supplement 2 (2006): 396-425. Print.

[44] Hollifield, J. F. , Orrenius, P. and Osang, T.. "Migration, Trade and Development- Leveraging Remittances for Development." *Dallasfed*. Federal Reserve Bank of Dallas, Tower Center for Political Studies, and Department of Economics at Southern Methodist University and Jno E. Owens Foundation, 6 Aug. 2006. Web. 1 Aug. 2014. <(http://www.dallasfed.org/assets/documents/research/pubs/migration/migration.pdf#page=171

[45] *Ibid.*

[46] Woodruff, C M. and Zenteno, R. (2001). Remittances and Microenterprises in Mexico. UCSD, Graduate School of International Relations and Pacific Studies Working Paper. [Online] Available from:http://ssrn.com/abstract=282019 or http://dx.doi.org/10.2139/ssrn.282019. Accessed: October 1, 2014.

[47] McLoughlin, S. and Münz, R Bünte, R. Hultin, G. Müller., W and Skeldon, R. (2011). Temporary and circular migration: opportunities and challenges,

[48] Cotula, L. (2004). Exploring The Linkages Between Remittances And Access To Land: A Conceptual Framework. Available on: http://www.fao.org/docrep/007/j2815e/j2815e03.htm

[49] Based on the works of Kabki et al, 2003; Smith and Mazzucato, 2003; de Haas, 2003; Black et al, 2003.

that require financial institutions to conduct client identity checks and verification. Most banks require individuals to provide some type of government-issued identification, typically a birth certificate or a passport, in order to comport with regulations related to combating the financing of terrorism or for money laundering. Even though these requirements and procedures are meant to guard against abuse and fraud, for youth, they often are obstacles to financial inclusion. In sum, the key regulatory obstacles in creating access for young people include the minimum age to access formal financial services, the control the child has in operating the account, and a lack of appropriate identification.

Financial education is on the agenda of most national authorities worldwide. This is in line with the current focus of creating a savings culture and creating saving habits. This focus indicates that there is, in fact, a demand for young savers. This situation suggests a clear imbalance between the status of regulation and the supply of youth products that provide the child with some level of autonomy and the demand for young savers. Regulation reforms can provide the balance between the supply and the demand side. Several countries have already adopted child and youth friendly elements in their financial regulations. These new elements have been fundamental – being in some cases drivers – to the development and implementation of the national strategy of financial inclusion and financial education for children and youth and reaching the objective of making every child and young person an empowered economic citizen.

Regulation and Remittances

Research by the World Bank has shown that reform to the legal and regulatory framework is one of the key areas for the efficiency and improvement of remittance markets. [50] The private nature of remittances flows means that regulation does not in any way address the allocation of remittances funds. Regulatory concerns on remittances are mainly focused on "facilitating the availability of formal remittances services at the lowest cost, to as many people as possible, while maintaining high levels of security in the system".[51] Multi-lateral efforts have been initiated to provide guidance to governments and regulators on how to deal with these issues, in the form of the General Principles for International Remittances Services. Principle 3, for example, indicates that Remittance services should be supported by a sound, predictable, nondiscriminatory and proportionate legal and regulatory framework in relevant jurisdictions. [52]

Reconciling the issues of costs, the reach of vulnerable populations, transparency and security, however, remains a major challenge. The Guidance report to the general principles therefore specifically highlights lessons around the prudential requirements for Remittance Service Providers, the different types of entities that are permitted to provide remittance services and the social and economic circumstances of many remitters. Barriers that are mentioned are regulations intended to prevent money laundering for senders to use regulated remittance services or discourage banks and other regulated financial institutions to offer remittance services. In addition, very stringent identification requirements for small transactions have shown to be a discouragement to offer or use official remittance services. The obstacles that general remittance users face therefore overlap with the obstacles that young people face in accessing regular formal financial services.

3.2 Technology

Financial inclusion policies seek to achieve a more inclusive financial system for the unbanked and underserved. Two global phenomena work together to make this possible: global remittance transfers and high adoption of mobile phone subscriptions. Recently, the use of mobile phones has greatly increased, particularly among the youth. The rapid increase of mobile technology is transformative for the financial inclusion of adolescents.[53] Recent data shows that m-money services in many countries are most frequently used to send or receive remittances as part of regular financial support to or from family members living in different households. Mobile technology allows the transfer of remittances without the hassle or anxiety of using banking facilities. This hassle free method is important to individuals residing in developing countries, as banking facilities are not easily accessible. For example, "an estimated 30 to 40 percent of remittances to Africa are sent to rural areas where banking facilities are generally non-existent."[54] In such scenarios mobile technology provides a simple solution for sending and receiving money, particular for the youth as they are typical more tech-savvy. This process is best shown through the initiatives taken by for example Safaricom, which created

[50] Worldbank (2012). Guidance Report For The Implementation Of The Cpss-World Bank General Principles For International Remittance Services, p. 17. http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/282044-1360600536890/WB2012_CPSS.pdf

[51] Cirasino, M, Guadamillas, M. ,and Salinas, E. (2008). Facilitating Remittances Flows and Security ion the System. , p. 299. http://books.google.nl/books?id=sCxYC-0ErIC&pg=PA299&lpg=PA299&dq=regulation+and+remittances&source=bl&ots=GThq1bxXrV&sig=dmWWAxlOz0U5VdlmUbQ-LdKcNkE&hl=en&sa=X&ei=jSAPVNXaMYWVO9figfAL&ved=0CDIQ6AEwAg#v=onepage&q=regulation%20and%20remittances&f=false

[52] Worldbank (2007). The General Principles for International Remittances Services. http://siteresources.worldbank.org/INTPAYMENTREMMITTANCE/Resources/New_Remittance_Report.pdf

[53] Global Migration Group (August 2014). "Remittances, Development and Youth.".<http://www.globalmigrationgroup.org/sites/default/files/uploads/documents/2014-challenges-opportunities/Chapter-9.pdf>.

[54] African Development Bank (October 2014) "Harnessing Remittances for Africa's Development." <http://www.afdb.org/en/blogs/afdb-championing-inclusive-growth-across-africa/post/harnessing-remittances-for-africas-development-11565/>.

the M-PESA service. This service "works as a mobile phone-based electronic fund transfer; a user purchases credit at a Safaricom kiosk and transfers his credit in the form of a remittance to a family member or friend, who then can exchange this transferred credit for hard currency at a local kiosk."[55] Several added services beyond basic money transfers have proven useful recently in expanding financial inclusion through mobile remittance services, such as the loan and savings product M-Shwari that was launched by Safaricom in Kenya in 2012. Such initiatives are key for the financial inclusion of the youth, and can help bring them simple solutions for their financial queries.

3.3 A Note on Youth and Social Remittances

In addition to financial remittances, "social remittances" may be equally important. Social Remittances are "the flows of ideas, knowledge, attitudes, identities, behaviors and social capital from migrants to their families, friends and beyond in the sending (or home) communities." Social remittances have received limited attention in research and policy.[56] A study of Dutch-based Ghanaian diaspora organizations has shown that their support "does not come exclusively in the form of finance. Social remittances also play a big role in the lives of communities and families. Issues-based diaspora organizations and hometown associations also transfer experience, skills and knowledge, material goods, project ideas, thus empowering local populations by sharing information and practices with them. […] They have introduced new types of services in certain institutions, such as care for the elderly and people with dementia. In terms of education, diaspora organizations target the upgrading of school facilities and the expansion of schools, vocational training centers and research facilities. Finally, Ghanaian diaspora organizations also impart new values and practices, teach new skills and raise cultural and civic awareness, which can be positive if compatible with the local reality."[57]

There is probably some discussion among young migrants and folks at home (in the receiving country) about dealing with money, saving, debt etc. – via social media or in face-to-face discussions during visits. Which values are imparted in this interaction? Do young migrants in the host country serve as role models for those who do not migrate? What is the impact, for example, of young migrants that spend their holidays in the country of origin and show off there by throwing money around? What is the impact of young migrants who are tired of the consumption patterns of family members in the country of origin and would like them to invest instead in some productive activity?

The interaction with family and relatives in the home country does not only have an impact on people there, but also on the young family members in the host country: Youngsters in migrant families witness discussions at home on remittances to be sent to relatives in the country of origin. On the one hand, this can increase their sense of obligation - it could also have an opposite effect: some alienation of relatives who receive money that cannot be spent by the household of which the young people are part. It would be interesting to know in how far young people are involved in (or at least exposed to) such discussions and decisions, and what the impact of such discussions is on their own perceptions and priorities.

While the worries about the brain drain dominated politics and literature for a long time, more recent studies have underlined that the impact of migration on education in the country of origin is much more complex. One aspect is the use of remittances to pay for school fees, school uniforms, books etc. of family members, allowing more people to receive education (including higher education) than would be possible otherwise.[58] Another aspect is the impact on aspirations. The knowledge that skilled workers would have a much larger chance to land a decent job when going abroad incites many students to continue training and education, who otherwise would not have done so, because the domestic labor market does not offer enough chances for skilled labor. Furthermore, "remittances also tend to increase the participation of children in education and help to improve their health, but these trends are most obvious among the poorest remittance-receiving households."[59] As an example, the CHAMPSEA project compared household that did and did not receive remittances, and the results "showed that children in remittance-receiving households benefited in terms of increased funds for schooling and housing…" [60]

55 Napolitano, C. M. . ""MiXing it up": How African adolescents may affect social change through mobile phone use ." Wiley Online Library. N.p., n.d. Web. 1 Aug. 2014. <http://onlinelibrary.wiley.com/store/10.1002/yd.380/asset/380_ftp.pdf?v=1&t=i0rxrzop&s=35b6fc79cc1a5a95fa960c01048d234cf9bf8a05>

[56] ACP Observatory on Migration (2014) – Sending Ideas Home: Exploring the potential of South-South social remittances in the United Republic of Tanzania, Research Report ACPOBS/2014/PUB02, p. 1

[57] Ong'ayo, A. O. (June 2014) - How can the EU and member states foster development through diaspora organisations? The case of Ghanaian diaspora organisations in the Netherlands, European Centre for Development Policy Management (ecdpm), Maastricht, Discussion Paper Nr. 162, p. 18-19 http://ecdpm.org/wp-content/uploads/DP-162_How-EU-member-states-foster-development-diaspora-2014.pdf

[58] Recent research in Bangladesh has shown that there is not much difference between migrant and non-migrant household in schooling their children, but that international migrants spent 37 percent more on private tutoring compared to non-migrants. http://forumblog.org/2014/09/remittances-multiplier-bangladesh-migration-labour/?utm_content=buffer6985c&utm_medium=social&utm_source=facebook.com&utm_campaign=buffer

[59] McLoughlin, S. and Münz, R Bünte, R. Hultin, G. Müller., W and Skeldon, R. (March 2011). Temporary and circular migration: opportunities and challenges. p, 59.

[60] Ibid

4. Best Practices

National authorities need to take the lead to achieve legal and regulatory reform for financial inclusion and access to remittances. In the Philippines, Nigeria, Bangladesh, Uruguay, and Colombia reforms have been implemented to support this change for young people and are worth mentioning. These may be used as a good example for other national practices. They are outlined in the boxes below.

NIGERIA

Nigeria plans to equip citizens with an ID card, which combines identity functions with other applications including the MasterCard prepaid payment functionality, starting with the new-born. Under this plan, the Nigerian National Identity Management Commission plans to introduce more than 100 million cards to Nigeria's 167 million citizens.[61] This will not only facilitate remittances payments through formal channels, it will also provide more young people with a formal identification document that would make it easier to open a bank account and to engage in other financial transactions.

BANGLADESH

The central bank of Bangladesh (Bangladesh Bank) signed an agreement in March 2014 with the Bangladesh Youth Leadership Center (BYLC). The Bank will finance BYLC's signature Building Bridges through Leadership Training program. The financial sector is a top choice of employment for many BYLC alumni. Through this collaboration, BYLC hopes to create a pipeline of young leaders who will drive growth across private, public and nonprofit sectors in the country.[62]

URUGUAY

In 2010, Uruguay's parliament passed legislation modifying the Banco de la Republica Oriental del Uruguay (BROU, Uruguay's commercial national bank) Articles of Incorporation. The modified Articles allow children and youth to open and manage savings accounts at BROU. This reform allows "the bank to open savings accounts for… children and adolescents… who may privately make deposits and withdrawals." In addition, "…legal representatives [such as parents] are not allowed to make withdrawals… without the account owner's consent." As a result, these accounts are the sole property of the children and youth that open them, and these children are the only ones authorized to conduct transactions on the account. This important reform is an example to other governments worldwide. One result of this legislation has been the development of "XmiCuenta" by BROU: a savings account directed at children between the ages of 14 to 17. The account has no minimum balance and no administrative charges. The account includes a debit card and online banking services at no extra charge. The account also offers the option of saving in both the local currency and indexed foreign currencies.

[61] More information on: http://www.technologytimes.ng/mastercard-parleys-jonathan-cashless-nigeria/.
[62] More information on: http://www.bylc.org/news/2014/03/bylc-inks-deal-with-bangladesh-bank-712

PHILIPPINES

In the Philippines, by virtue of Presidential Decree No.734 June 25, 1975, minors are authorized to deposit and withdraw money from banks. These account holders have complete control over their accounts, without the intervention of any adults. Minors at least 7 years of age who are able to read and write, and who are not disqualified by any disability, are empowered to make savings or time deposits in their own names, withdraw money, and receive interest (where applicable) from banking institutions – all without the assistance of a parent or guardian. Adding another dimension that expands the possible reach of financial inclusion of young people in the Philippines, the country also enjoys one of the lowest average remittance costs in the East Asia and the Pacific region. The low cost is primarily driven by the active approach of the Bangko Sentral ng Pilipinas (BSP) to lower remittance cost, large volume of remittances, and the level of competition among local service providers. BSP has actively required banks and non-banks to disclose items related to remittance charges to allow consumer scrutiny on costs, as well as allowing smaller microfinance institutions to offer remittance services, therefore increasing the number of players[63]. Finally, the pressure to lower costs were further stressed by the competition among local bank and non-bank remittance operators, which are allowed to have multiple branches all over the Philippine archipelago[64].

COLOMBIA

In Colombia, the age at which individuals can contract legal obligations is 18 years old. However, the law recognizes that children from the age of 14 are considered young adults and therefore can contract certain legal obligations. A clear example is their legal capacity to manage a savings account under their name. It is important to clarify that for opening such accounts, the individual under 18 years old, even with the established legal capacity, has to be accompanied by parents or legal parents to do so. What is innovative in this particular legislation is that this legal autonomy for managing the savings accounts, allows children who comply with the requirements, to have access to money transfer services and remittances transfer services as well. A model such as this one, may be an example to other national authorities, who are looking to increase access to remittances for young people, but may not be willing to adapt regulation to full autonomy over accounts by the child. [65]

[63] Nicolas, I.M. (2012). Reducing the cost of remittances and channeling remittances towards development: the Philippine experience. *Speech delivered in the 2nd ADBI-OECD Roundtable on Labor Migration in Asia: Managing Migration to Support Inclusive and Sustainable Growth, 18-20 January 2012, Tokyo, Japan*. Retrieved October 2014 from http://www.cfo.gov.ph/~comfil/images/stories/pdf/japanfinalfinalspeechasofjan16at5pm.pdf

[64] World Bank (2014). Migration and Remittances: Recent Developments and Outlook. *Migration and Development Brief Issue 22, April 2014*. Retrieved October 2014 from http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1288990760745/MigrationandDevelopmentBrief22.pdf

[65] The regulatory authority has released several concept notes on this topic, including No. 2004013344-1 from April 14th, 2004

5. Conclusion, Policy Implications and Research Gaps

This feature has tried to summarize the available evidence on remittances and their role to improve youth's sustainable livelihoods. While several exemplary policies have been implemented, overall, governments should focus on implementing policies that make access to remittances for youth easier. For those living in rural areas traveling to banking facilities can firstly, be dangerous. Secondly, it can be expensive due to the transportation costs and because it may cut into work hours. Therefore, easy, accessible and user friendly options should be introduced as a part of a comprehensive national strategy, in order to facilitate the transfer of funds. Below we summarize some detailed, key recommendations for policy makers, which may further contribute to the impact of remittances on youth.

POLICY RECOMMENDATIONS

- Remittances must be integrated into the overall migration management policy and development strategy. The youth segment should be an integral focus of these policies.
- As financial access in rural areas is limited, rural youth can specifically be supported by developing innovative financial products (i.e. branchless banking, mobile money, e-transfers), including those offering (internal) remittances services that would reduce risks of travelling with cash (safety), costs of sending (often by informal courier), and increase speed of delivery. Making use of the widespread access of youth to mobile phones could extend youth's access to financial services via mobile services. Attention should also be given to developing related youth-oriented financial products that can enhance financial inclusion of youth through mobile money use.
- Development of regulation and legislation is necessary to ensure youth have access to institutional and legal options, gain more autonomy by ensuring maximum control over their transactions and that youth accounts are tailored to the needs of youth and have the necessary consumer protection. Child and Youth Finance International's (CYFI) Child Friendly Banking Principles[66], for example, could be used.
- Policy should allow for the use of wider variety of IDs to open an account, this could significantly increase general financial access for youth as well as use of remittances. An example such as Nigeria could be modeled.
- Because of constantly increasing forced and refugee-based migration flows, particular attention should be paid to facilitating the access of youth to remittance services and related financial products in the contexts of forced and voluntary displacement.
- High remittance costs are an unnecessary constraint to maximizing remittances' contribution to sustainable development: Parallel reduction of remittances and transaction costs could significantly increase youth usage of the channel. Social media could be instrumental in stimulating web-versatile youth to become familiar with new low-cost remittances services and to pass this knowledge on to other family members (which would make them more finance-savvy and reduce remittances costs for their families).
- Address the interest among second and third generation migrants in education and investment in the home countries of their parents and develop links, which can lead to transnational enterprises by young people from home and host countries.
- As part of a broader framework of financial inclusion, youth remittances should not be treated as separate from issues such as health, gender, education and environment. Both social and economic empowerment goals should be considered when leveraging remittances for broader financial inclusion and economic development of young people.

[66] CYFI and UNICEF (2013). Beyond the Promotional Piggybank; Towards Children as Stakeholders. A Discussion Paper on Developing Child-Friendly Financial Products and Services

Remaining Gaps in Knowledge:

Despite the large number of studies discussed in the paper, there remains a dearth of rigorous or quasi-experimental studies on the impacts that remittances can have specifically for youth. In box 8, we summarize some remaining gaps in research regarding this topic.

- Statistics on senders and users of remittances sometimes distinguish between male and female remitters and receivers, but they do not distinguish sufficiently between different age groups. More research on these differences is warranted.
- How do young remittance recipients that have accounts use those accounts to save and manage their money?
- What is the dynamic behind the impact of informal transfers versus the impact of formal remittances on young people? What factors contribute to the increase of credit use on formal accounts by young people? What features encompass a formal youth friendly remittance account and how can the financial sector contribute to creating these?
- Furthermore, what role can financial education or financial literacy play to catalyze access to savings products for youth relative to how and whether this plays a role for adults?
- What factors contribute to rising unemployment rates under youngsters when receiving remittances?
- What financial products could be developed to support rural youth in their internal migration activities, specifically related to remittances?
- What conditions can facilitate access for young mobile users to mobile payment systems, and what kind of value-added mobile financial products can broaden financial inclusion of young people?
- What is the inclination of students who studied abroad to start a business upon their return – and how could this be facilitated by home and host countries?
- How can remittances be used to finance young entrepreneurs instead of financing their migration abroad?
- Do financial issues play a role in the conversation between members of the diaspora of different countries and their families and friends at home, and if yes, what kind of ideas are shared and conveyed?
- Which special remittances channels for financing education exist, and what is the experience with these channels?
- What kind of assistance can diaspora organizations and governmental institutions provide to encourage contributions to the development of their countries of origin by second and third generation migrant youth?

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