

**REMITTANCE MARKET OF FINLAND: CASE STUDY OF PERSONAL REMITTANCE
TRANSMISSION**



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ABSTRACT

Migration of people either from rural to urban areas or from developing to developed country is now becoming associated with its economic output. The pattern of international migration from low income but also poor countries to advanced high income countries generates a lot of transfers and huge amount of personal remittances. These international tranfers continue to increase annually and therefore attracted the attention of academics for enquiry, undestanding and its impact. It is anssue of interest to politicians a concern of financial regulators and law enforcement agencies. International developmet institutions sunch as International Monetary Fund, World Bank and United Nations considered remittance as a vital souce of income for beficiary families and the receiving countries.

The study of remittances is new and very little is known about it in individual national economies. Therefore this study is one of first of its kind in Finland which looks it at some of the important element such as: Regulators, money transfer companies, the process of sending money and the size of remittance market of the country.

The outcome of the study shows that Finland receive more personal remittance that it pays out. This is very interesting because poor, developing or low income countries are generally the net remittance recipients. The reasons that makes Finland net receiver of personal remittances should be an interesting study. Further study of the net surplus of personal remittance in the country could give indication of potential employment opportunities especially for the highly skilled and educated unemployed segment of the country. Such an opportunity can create a kind of reverse migration by creating a national strategy which will enable the excess high skilled human resources to get employed in the developing countries and in other parts of the world.

Keywords Remittance, Money transfer, Alternative remittance, Personal remittance, Money Transfer market
Pages 78 pages including appendices XX pages

ABBREVIATIONS:

IMF:	International Monetary Fund
WB:	World Bank
CPSS:	Committee on Payment and Settlement Systems
FATF:	money or value transfer
ARS:	Alternative Remittance Systems
MTO:	Informal Value Transfer Systems
IFT:	informal funds transfer
CNN:	Cable Network News Television
BBC:	British Broadcasting Corporation
YLE:	Yleisradio (Finnish Broadcasting Company)
ECOWAS:	Economic Community of West African States
GDP:	Gross Domestic Product
ADB:	African Development Banks
FDI:	Foreign Direct Investment
UN:	United Nations
HDI:	Human Development Index
MS:	Member States
AC:	Accession Country
EU:	European Union
FIN-FSA:	Finland Financial Service Authority
SWIFT:	The Society for Worldwide Interbank Financial Telecommunications
IBAN:	International bank account number
BIC:	Bank Identifier Code
EEA:	European Economic Area
NPISH:	Non-profit Institutions Serving Households
HCI:	Human Capital Index
Fin Tec:	Financial Technology Innovation
CDD:	Customer Due Diligence
SCDD:	Simplified Customer Due Diligence
ECDD:	Enhanced Customer Due Diligence
AMLA:	The Anti Money Laundering Act

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1. INTRODUCTION

Globally, over 215 million migrants move from countries of origin to other countries. Majority came from poor developing countries. These migrants sent about 400 billion in 2013, more than 500 billion in 2015 and it is expected to be more than 600 billion US Dollars by 2016. The money migrants send is an important source for daily maintenance but also for education and investment,(Naudé and Bezuidenhout 2014) and (WB Annual report 2013). Migrants send money, most of the time at home to support their immediate family; they very often encourage new waves of migrants to embark on new journey. Once these new migrants left their home for better life elsewhere, they require a lot of financial support from the settled migrants and usually spanning years before they can settle and become financially independent, Cohen, (2005). Thus migration begets remittance and remittance begets migration. Hofstede`s cultural dimension theory of individualism versus collectivism, Hofstede (2010), said that most migrant seem to emerge from collectivist traits culture. Therefore, by their cultural orientation, migrants from non-western region or country tend to be more supportive of their extended family members or even their neighbors who form new waves of migrants.

Remittances have grown significantly over the past decades in many regions of the world, World Bank, (2014). Remittance is said to have been the biggest financial inflow to weak states. It is bigger than Foreign Direct Investment (FDI), and Official Development Assistance (ODA) (WB 2012,2013). The increasing size of remittance is getting to attention of political decision makers, ECB, (2006, schiopu and Siegfried) and it is becoming growing focus of study (Dutsman and Mestres, 2008). Therefore the flow of migrants and the money it generates in the form the remittance is an interesting area on consideration by economist and international development scholars.

The post September 11 terrorist attack on the Twin Towers in New York, United States of America has also created more attention for the need to be more vigilant in monitoring the transfer of money to prevent money laundering and combat the financing of terrorist activity, World Bank (Todoroki et, al. 2009). Therefore the growing coordinated effort to prevent criminals and terrorist from using the global financial system through strict regulation and sound supervision is essential to protect the integrity of global financial sytem (Vaccani 2010).

2. METHODOLOGY

Research methodology is the approach of a communicative process that helps to generate or explain the means of the results that others should be able to examine and evaluate the results independently, (Ghauri and Gronhaug 2010, 37). It is also the formulation and translation of a selected research problem or topic into specific research questions (Krishnaswami and Satyaprasad 2010). This suggests that the definition of the research problem and the reason for the study. Krishnaswami et al. relayed the opinion of Merton et al. 2001, that the important aspects of research formulation problem that is the original question about what you want to understand which helps to discover new facts and can also test the relevance of the concept.

Therefore the aim of this thesis is to answer these broad questions including the following:

- What is the size of the personal remittance market in Finland?
- What is the trend of the personal remittance market?
- Who are key market participants?
- How is the remittance service provided?

The objectives of this thesis is therefore to investigate and try to acquire relevant and appropriate answers to the questions.

2.1 What is the motivation for choosing this area of study?

I am an immigrant living in Finland, quite often I need to send small amounts of money to my relatives back home. Therefore the idea and concept of remittance looks very interesting to investigate in Finland and to determine and better understand the remittance market. This was further strengthened when I started operating money transfer services as an agent of one of the biggest service providers in the world called RIA Money Transfer. The money transfer market marketing and promotion activities look very interesting. Therefore I want to understand how the industry operates in different places and what could be the opportunities and the trend in the future.

2.2 Research method

Descriptive research analyses facts, investigates existing situations but is also qualitative in nature (Krishnaswami et al. 2010). Quantitative research is concentrated on numerical data whilst qualitative research focuses on studying behaviours. However (Sanders, Lewis and Thornhill 1997) noted

that all business research are partially academic and applied depending on the purpose of the research. They also claimed that academic research is carried out to understand a business process and their outcome.

A case study is an indepth but comprehensive study of a social unt. It is a popular method used to study the interactin between elements (Krishnaswami et al. 2010). Sanders et al use Robison (1993) definition of case study as investigation of detailed knowledge. Case study is used to increase the undestanding of the concept being investigated (Leila Hurmerinta and Niina Nummela 2011). Bryman and Bell 2011 borrowed from (Stake 2005) who said that collective case study are used to find out about a general idea. Case study is a qualitative field research method. It involves data collection by various means such as verbal reports, personal interviews as sources of primary data (Ghauri and Gronhaug 2010). The method can also be combined with quantitative data (Eissenhardt 1989 543-5). Sanders et al 1997, quoted (Yin 1994) who said that case study is preferred if ``how and why ” questions are to be used and when the issue is a current reality in a life situation. Therefore this study used a acase study to investigate the personal remittance market in Finland.

3. LITERATURE AND THEORETICAL FRAMEWORK

Probably one of the fundamental functions of business transactions, from the early age of trade has been through bartering or as early as the beginning of human transactions is the exchange and transfer of value. With the creation of this medium of exchange through a consensus, of acceptable units of measurements, could have been the beginning and basis of transfer of value. Banking and finance from the earliest of its time could be seen as a partial fulfillment of this ever increasing important function of business. The foundation of transfer of value from one place, person, institution or any identifiable entity to another seems to have been thriving based on the fundamental traditions and principles of confidence, trust and security of the value. However, the safety and security of value appears to have been associated with increasing high cost nowadays. The trust built in the system seems to have been associated with religion at least historically, and of more recent with power and political authority of domestic, national, international, regional and global control.

In fact, trust is a very important element for business success. Nguyen et al, (2012), quoted Kenneth Arrow, (1972) as saying every business transaction has trust especially over time. Arrow further even stated that most of the economic retardations the world over can be attributed to insufficient mutual trust. Furthermore, Nguyen et al explained that

evidence suggest that trust contributes to growth, development, success and wellbeing as they quoted Zak and Knack, (2001); Guiso et al., (2009) and Alan and Cahuc. The regulations of transactions, including financial transaction by the legitimate authorities are deep rooted in history. Such regulations could be direct cause of insufficient trust, Aghion and Cage, (2012). According to Fukuyama, trust is a factor of cost, therefore reduces transaction cost, as relayed from Fukuyama, (1995). As such, the recent multitude of local, national, regional and global regulations, regulatory authorities and frameworks of various facets of human activities including business and especially financial transactions in the global era could be seen as an attempt to sanitize transaction and minimize fraud whilst serving the function of trust and credibility.

The continuous transformational transfer of value, through the various historical instruments of commerce which lead to the latest global electronic value exchange and networks, is one of the celebrated but greatest achievements of financial convenience through exchange in both space and time.

However, evidence suggests that regulation can only impact the undesirable transactions and activities to a certain tolerable level. When rule gets are very strict it becomes counterproductive, IMF, (2005, Uribe, p74), World Bank, (2010).

3.1 Concept of remittance

Remittance is a value that has been a subject of continuous transfer by individuals to and from places. But what is actually considered remittance? Probably this concept is much closely and deeply related to the idea of migration as they seem to be like hand in glove. Castaneda and Buck (2011), strongly and very critically observe remittances in typical social context. They indicated that remittances are indication of strong social bonds between migrants and their families left behind in their home country. As expressed Castaneda (2009), emigrants are usually physically far away from their families but emotionally connected to their homes. Therefore migrants keep their commitments to family by sending remittance. They said that remittance represent the sweat and tears that migrants shed to be able to care for and support their people. So, according to them migration is a natural attribute of humans and more generally animals. They claimed that remittance is and has been formidable source of maintaining relations between migrants and their families including other relatives.

However there seems to be some significant concession on the concept of remittance. Though, the traits of the concept seem universal because the same or similar but general characteristics of remittance is almost found in different places at different times. There are different explanations of the concept with emphasis on different elements.

Committee on Payment and Settlement Systems report of the World Bank (CPSS) defined remittance as “cross border person to person financial payment of relatively low value”, (World Bank 2007). This definition recognized that these payments can be domestic, that is within the same country or international, that is across border of two or more different nations. However, CPSS definition attempts to put the emphasis on the person to person side of the remittance, though the purpose of the report and the committee was to help develop and international payment system to facilitate the easy transfer of remittance through synchronized global platforms.

On similar terms, using the definition of Maimbo and Ratha (2005), (WB, 2012) noted that remittances are unidirectional economic transfer from an immigrant to his household in the country of origin. But according to Carling (2008), remittance is far beyond unidirectional transfer. In fact, real life experience of contemporary migrants witnessed a sustained financial support from home to help them in their initial settlement in new destination country.

Maimbao (2004) used (FATF 2003) definition of money or value transfer service (MVT service) as “a financial service that accepts cash, checks, other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the MVT service belongs. Transactions performed by such services can involve one or more intermediaries and a third party to whom the final payment is intended for.” This definition seems to cut across the board by showing the common nature of remittance, be it formal or otherwise. Noting the definitions of Kapur (2004) and Ratha (2005), Tyburski (2012) considers remittance as monetary resources migrants send home. Dutmann and Mestres 2010 widened the idea of remittance to cover kinships and even non relations. They regard “all transfers from the immigration country to the immigrant's home country. Then remittance flows consist of both transfers to support family and kinship in the origin country, as well as savings or investments for future consumption at home” Cohen, (2005).

However, it is also very important for people to note that there is a growing diversity of migration trends. Migrants send money not just, most of the time at home to support their immediate family; they very often encourage new waves of migrants to embark on new journey. Once these new migrants left their home for better life elsewhere, they require a lot of financial support from the settled migrants and usually spanning years before they can settle and become financially independent, Cohen, (2005).

At another level, considering Hofstede's cultural dimension theory of individualism versus collectivism, Hofstede (2010), most migrants seem to emerge from collectivist traits culture. Therefore, by their cultural

orientation, migrants from non-western region or country tend to be more supportive of their extended family members or even their neighbors who form new waves of migrants as in the case of crossing the Mediterranean Sea to arrive in Italy, Spain, Greece and many other countries of Western Europe. Thus a closer observation of migrant remittance sending behavior could underscore a slight shift in the definition of remittance. IMF BPM6 definition

3.2 Alternative remittance

Alternative Remittance Systems (ARS) is defined as “any system used for transferring money from one location to another generally operating outside the banking channels.” (World Bank, 2010, Vaccani). Another report based on a study of ARS in Kazakhstan defined ARS as non-bank formal and informal remittance transfers, (World Bank 2011, Todoroki, Celik and Kholmatov). There seems to be no standard definition of alternative remittance as the first suggested that it is informal whereas the second considers Money Transfer Organizations (MTO) as an alternative even though they are formal and indirectly regulated.

However, World Bank 2010, report used the definition by the Financial Action Task Force 2005 (FATF) which has been considered as a standard bearer in financial regulation, especially remittances. FATF bundled all alternative remittance as an Informal Value Transfer Systems (IVTS). Therefore (IVTS) is another name used interchangeably to refer to the same concept that is ASR. Freud et al (2005), developed a more specific definition of remittance and clearly distinguished between formal and informal types of remittances. They consider informal remittances as money transfer services (MTS) which are not formal. The informal service providers do not provide contracts and are unlikely to be recorded in national accounts. Thus, formal money transfer providers include MTS offered by banks, post office banks, non-bank financial institutions, and forex bureaus and (MTOs). Informal transfers include cash transfers based on personal relationships, through business people, or carried out by courier companies, friends, relatives or by the individual person by himself or herself.

However, typical informal value transfers are now generally referred to as Hawala. It is common and has a long history of existence in the Asia and Middle East. Hawala is a type of informal funds transfer (IFT). IMF (2002) and Maimbo (2004) noted that there are many names used to describe informal remittance systems including alternative remittance service. They are also known as “alternative remittance systems,” “underground banking,” “ethnic banking”. Regional or country names for the same concept has been identified as fei-ch’ien in (China), hundi in (Pakistan and Bangladesh), hawala in (India and Middle East), padala in (Philippines), huikuan in (Hong Kong), and pheikwan in (Thailand).

It is pointed out that economic policies and institutions in the home country of origin, like exchange rate restrictions and higher black market prices reduce remittance transmission and could direct remittances from the formal to the informal sector (IMF, 2005 and El-Sakka & McNabb, 1999). Schiopu and Siegfried (2006) argued that the size of the informal economy impacts the average remittance sent by a single person. Remittance could be of different kinds: from individual persons referred to as personal remittance; it can also be from a group of individuals in a form of home town association contributions intended for their communities. Clubs also offer contributions and donations to needy people in low income parts of the world. In rare cases individuals donate small amounts of money and send to disaster affected countries through civil society organizations as have been identified in the new IMF fifth balance of payment report preparation guide (2009).

3.3 Global remittance trends

Migrant remittances received in developing countries were \$338 billion in 2008, up nearly 17 percent from \$289 billion in 2007, (World Bank, 2010). An estimate of US\$400 billion in officially recorded remittances was sent to developing countries in 2012 (World Bank, 2013). The exact amount of migrant remittances including unrecorded flows through formal and informal channels is believed to be much more than this amount. This makes remittances the largest source of external finance for many developing countries, especially poor countries, (World Bank 2010, Irving, Mohapatra and Ratha). Remittances have now more than double the amount of official development aid received in developing countries (IMF, 2007).

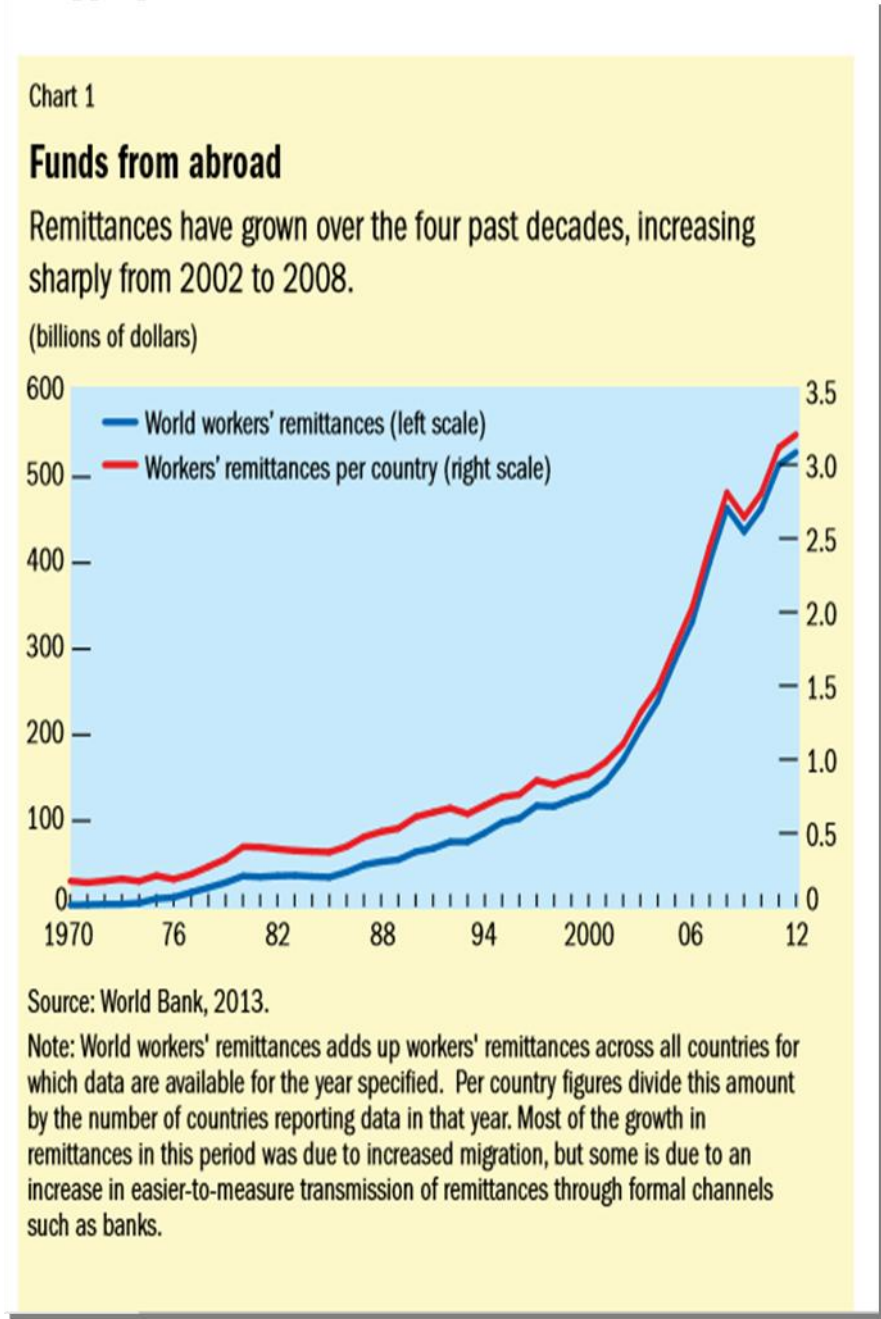


Figure 1. REMITTANCE TRENDS Source: (World Bank, 2013).

The increase of remittance volume appears to be influenced by multiple factors such as level of migration, migrant worker skills and education levels, and economic situations in the host country of the migrants, (World Bank, 2013). Schiopu and Siegfried (2006), found that the differences of GDP in migrants' country of residence and origin countries raises the average remittances flow. However empirical studies suggest that an under reporting is also eminent in remittances figures given by countries and institutions. J. Scott Shonkwiler, David A. Grigorian, and Tigran A. Melkonyan 2008 cited (Freund and Spatafora, 2008; Acosta,

2006; Acosta et al., 2006, Roberts, 2004) have noted that remittances seem to be understated in household survey data. As they quoted Acosta (2006) who stated the nationally representative household survey 1998, El Salvador calculated the remittances over non-remittance income ratios of 5.9% which was a huge difference from the IMF report of 12.9% of remittances over GDP ratio. On a parallel level, it is suggested that a third of global remittances are channeled through the informal transfer channel (IFAD, 2006). Balagi and Perigo, (2005) believed that the informal remittance sector including hawala systems could account for up to 50% of the formal sector. Ratha, (2012), in an IMF publication, Remittance: Funds for Folks Back Home noted the difficulty and but almost the impossible task of exact estimates of remittance because most of them are carried out through informal channels. He propounded that unrecorded flows through informal channels are believe to be 50% larger than recorded flows. Freud et al 2005 suggested that informal remittance could be over the formal by the range 35 to 250 % as they quote the speculation of market observers. Similar opinion has been state by various publications based on empirical findings, (World Bank,2005, 2006, 2010, 2011, 2012, 2013).

Although there are many modern payment platforms to remit funds from one country to another but many people still choose alternative modes. From Germany to Serbia there are remittance service providers such as banks and other formal registered service providers. It is believed that just half of all money sent from Germany to Serbia is sent through formal channels despite the fact all foreign workers in Germany have a bank account (Martines, Endo and Barberis, P3, May, 2006). According to Martines et al, Serbs residing in Germany like to take along money by cash as they visit Serbia or send through informal channels e.g. giving to a friend, bus drivers, relatives traveling to their home country. It is expected that remittances are likely to be the main source of capital transfers and investments because it is now more than official development aid to developing countries.

In The City of Montreuil, France, The Greenback 2.0 reported the use of unregulated channels among the various sampled migrant communities. "Ivorian's typically transfer funds using regulated channels, Malians to a lesser extent, while Algerians mostly use unregulated channels (cash carried by hand) by friends, family members or other persons" (WB,June, 2015 Greenback 2.0 report, Montreuil, 34). However, the report said that caution should be taken with regard to the data as in their particular module of the questionnaire, a significant number of migrants refused to answer. The team of interviewers reported difficulties with this module because many migrants, amongst which majority of Algerians were very reluctant to give detailed information regarding the channels they use to remit funds. The main reason seems to be that many of them do not use regulated channels in order to benefit from the more advantageous exchange rates on the black market and they fear being reported," (Greenback 2.0 Montreuil, WB, June 2015).

3.4 Remittance transfer cost

Cost is usually an inseparable part of business transaction; thus remittance transfer is no exception. The cost of sending money across borders was estimated at 13% of the amount according to (WB 2005). The same report quoted (Orozco,2003) who estimated Hawala / Hindi informal channels as their transaction cost is less than 2% of the amount being transferred. It also cited in (Sanders 2003) who stated that the global average of informal transfer cost of remitting money is about 3-5% though it could be higher in some specific circumstances. WB, (2005) report also referenced Swanson and Kubas, (2005) that remittances can be less than one percent and to a maximum of 5% of the amount. A more peculiar indication shows that remittance to certain countries can even be more expensive through formal channels like banks. The global average transaction cost of sending an amount of about 200-500 US Dollars is 7.9%. However, since 2009 concerted global effort has been mounted by G8 and G20 countries to reduce the cost of remittance transfer to developing countries from 10% to 5% in five years which has been referred to as (5x5) objective, (WB, 2012). Sending remittances to Africa is even more expensive at 11% but surprisingly the most expensive remittance cost is the internal remittance market in Africa. Sending money within Africa cost up to 20% of the amount, which is the highest in the world, (Isaacs, 2014, October 30th, TED Talk, TEDxBonn). Currently this high cost of transferring remittances has been reducing significantly and especially online base transfers. In the chart below, according the author the high cost of remittance transfers to Africa and internal remittance transfer in Africa has significantly influence the average global transfer cost of remittance.

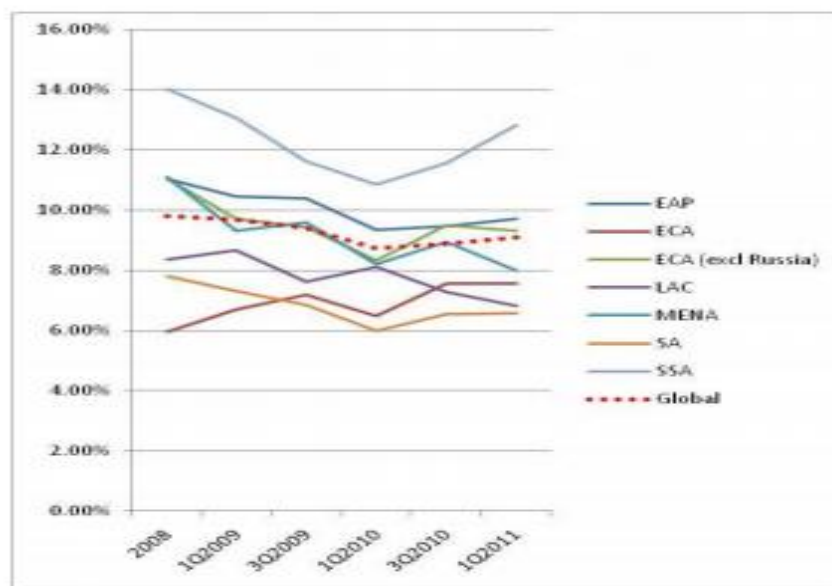


FIGURE 2. REMITTANCE PRICES WORLDWIDE REGIONAL TREND
Source: (World Bank, 2012)

A World Bank blog post by Micheal Kent (Kent 2016) said that the 2015 migration summit by EU, Thirty countries and Africa agreed to “reduce the transaction cost of migrant remittances by less than 3% and to eliminate remittance corridors with cost higher than 10% by 2030”. He recognized the ambitiousness of the objective but he sounds very skeptical of the long time frame for the achievement. Kent said, the high cost of remittance is due to cost involved in payment networks, commission for multiple intermediaries as channel members in the form of agents, cash management cost and security expensis. He said multiple cost components is already being replace by advances in technology such as online payments and mobile transfer by sending money digitally through mobile wallet such as M-Pesa in kenya. Kent believed that currently remittance transfer cost are currently even below the 2030 target and suggested that the cost is approaching 3% of the amount.

3.5 Implications of remittances

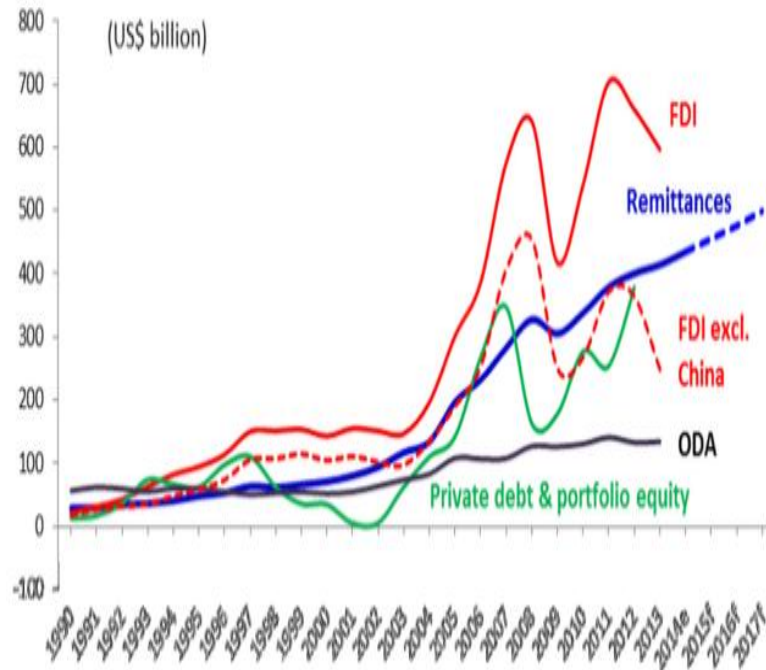
Remittances have grown significantly over the past decade in many regions of the world, World Bank, (2014). Remittance is said to been the biggest financial inflow to fragile states and surpasses Foreign Direct Investment (FDI), and Official Development Assistance (ODA) (WB2012 and 2013). The increasing size of remittance is getting to attention of political decision makers, (ECB,2006, schiopu and Siegfried),(Dutsman

and Mestres, 2008). In fact, the 2016 presidential primary election of United States of America has featured very strongly the issue of migration and remittances by The Republican Party Front Runner, billionaire and presumptive nominee, Donald Trump, (CNN, BBC, YLE, 2016). Mr Trump pledged to build a wall along Mexico USA border in a bid to stop illegal and irregular migration of Mexicans and other migrants from entering USA. He claimed that Mexico will pay for the cost of the wall at about 15 billion USA Dollars, (CNN 2016).

Latin America is a major beneficiary of remittances, whilst Mexico receives the largest amount of more than 22 billion US Dollars in 2012 which is the second highest revenue of the government of Mexico but only second to oil revenue, (Dorantes and Puttitanun2014). According to them, this income from remittance can be significantly reduced due to various immigration enforcement mechanisms being implemented by United States Federal Government. Pew Hispanic Center of research showed that recent number of migrants who came from Mexico has reduced from one million in 2006 to 404,000 in 2010. This appears to show the effectiveness of the immigration policy of the USA government, (Passel and Cohen, 2012). High skills of migrants have impact on the high volume of remittance whilst huge informal economy size in sending country suppresses remittances (ECB 2006).

The achievement of desired development objectives for many countries requires acquisition of needed funds from private sources, such as private transfers (e.g., remittances). Remittances are recognized as a new and innovative source of development finance for developing and remittance receiving countries. As remittances are classified under Diaspora resource, in the form of diaspora bonds and remittance-backed bonds is estimated at USD 400 billion by 2014. The usage of remittance receipts as a collateral to secure international funding seems untapped by many developing countries. There is an increasing possibility and the popularity is gaining momentum, (WB 2012) and(Isaacs,October 30, 2014, TedTalk, TEDxBonn, London). Global remittance is projected to grow to US\$515 billion by 2015, three times more than official development aid and is estimated at USD 540 billion by 2016 (WB 2013). Kent noted that the latest WB 2016 remittance amount is expected to be more 601 billion us dollars, (WB 2016).

Figure 1.1: Remittance flows are large, and growing



Sources: World Development Indicators and World Bank Development Prospects Group

FIGURE 3. THE STABILITY OF REMITTANCES COMPARED TO OTHER FINANCIAL FLOWS Source: (World Bank, 2010)

The huge increase in the rise of remittance is seen as the direct product of the global increase in migration, (WB, May, 2014), (Freund et al., 2005). Remittances are believed to be steady than both private debt and portfolio equity flows and they are also a more stable component of receipts in the current account, reliably bringing in foreign currency that helps sustain the balance of payments, (WB 2014). Migration and remittances are claimed to have a direct impact on poverty alleviation therefore suggesting that recipients of remittance could less experience the extreme poverty (Celemens and Mckenzie, 2014). In Guatamala, a reduction of 1.6% reduction in extreme poor families is said to be mainly affected by remittances as the single most important factor(Adams, Davis and Brazil 2016). Remittances help to understand the economic effect of migration on various countries, (Cohen 2005) as stated from Landolt et al (1999).

The disproportionate economic disparities between countries and regions has been noted as the product of immigration. These differences are usually in the form of limited growth opportunities and fewer job prospects in migrant home countries. The continuous increase in

remittances volume to many countries makes it one of the most important source of foreign exchange, (WB 2006), (Nimi and Özden, 2010) (Kock and Sun, August; 2011), (IMF 2006, 2007, 2009). Many studies have emphasized that migrant remittances and their investment are hampered by inefficiencies and access barriers in financial services both in sending and receiving countries. Cohen noted the debate about the appropriate approaches in studying migrant remittances and considered the benefits to global capitalism, national finances and local economies is growing. He argued that remittances are as a result of a complex decision making process starting at individual level building through family consensus and then influencing community and national trends, (Cohen 2005) as stated from Cohen (1995). He further asserted that this movement of people and resources from origin to destination communities initiates and brings about new opportunities and new challenges respectively.

Remittances are valuable and accounts for multiple benefits for individual recipients and countries. They make social bonds stronger and a way of maintaining trust networks over space and time as Castanade and Bucks stated from (Tilly 2007:5) but also as a ``product of love`` as they mentioned from Federico Basserer as cited from (Escobar 2006). It is a source of external current account financing by facilitating higher imports, including oil (Castanade and Bucks 2011:12).

Remittances contribute to macroeconomic stability in many countries. In many country situations, remittances prevent balance of payments difficulties. Remittances are much larger than merchandise exports and exceed foreign aid in the developing countries. The real exchange rate is said to put pressure on the competitiveness of the export sectors in the various regions and countries (IMF 2007). Remittances also seem to influence the foreign exchange-rate (Singer 2010). They are key and growing sources of foreign exchange in many recipient countries (IMF 2012). Without remittances, several countries would need to undertake very substantial adjustment to protect their external position, adding to the many challenges already faced by policymakers in raising growth rates. It is a major source of foreign exchange for receiving countries (IMF 2011, Kock and Sun).

On African continent, it appears that accurate data is insufficient but records of the 2010 shows that remittance to the continent is an equivalent of 2.6 % of GDP. World Bank estimate 2007 of remittance inflows has indicated 29%, 10%, and 11% of the GDP of Lesotho, Cape Verde and Gambia respectively and increasing volume of remittance to the low income countries continued from the late 1990s. Mohatra and Ratha (2010) agreed that informal remittance flow to Africa is likely to be more than the formally recorded data due to the large scale of the undocumented migrants, the wide spread of informal remittance channels. Weak official data on remittances from many African countries created this situation. Now many countries on the continent are making

significant effort in making regulations to be in line with global standards (WB 2007).

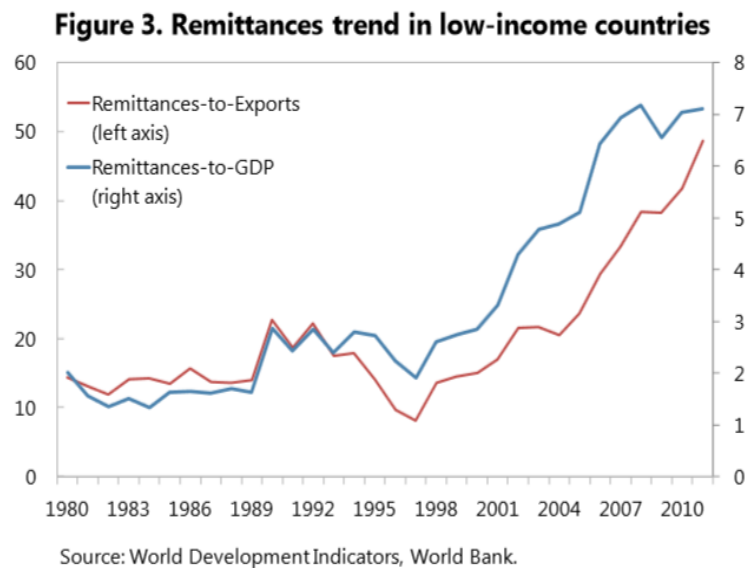


FIGURE 4. LOW INCOME COUNTRY REMITTANCE TRENDS
Source: (world bank 2011)

Also many countries continue to register significant growth in the volume of remittances received internationally. This is supported by the introduction of various domestic money transfers services and even more innovative forms of Mobile Money Transfer e.g (M-PESA) in Kenya which started in 2007 and expanding to many other neighbouring countries, (Linah 2013). Thus M-PESA is said to be a very successful and popular service within the country due to the mass adoption by the mobile subscriber population. It has both attracted and increase the banking population of kenya significantly. This is very true as it proved very popular among the unbanked rural population. M-PESA is an innovative mobile money transfer solution which enables you to send and receive cash as well as make payments using your cellphone anytime anywhere (safaricom 2014).

3.6 Remittance and growth

Since the unprecedented increase in the flow of remittance over the last few decades, professionals and academics have been pondering over the development impact both at macro and micro level of economic activities as well as at unit and individual level. However, it is challenging for them to document the effect of remittance in increasing growth at macro level.

Such sentiments have been echoed by (Binford, 2003 and Reichert, 1981). But the benefits can be seen and felt at both micro and personal level in the form of pursuit and improvements in education, acquisition of better health services and improved housing facilities among other basic necessities. World Bank (2009), stated that remittance makes positive improvements on national income of countries and create growth (Bettin et al 2014). Similar findings have also been echoed by (Singh et al 2011). Remittances may improve physical capital accumulation leading to a positive contribution on economic growth; it can also help human capital development mainly through bigger spending on education, indirectly through enhanced food consumption and housing. In any case, the impact on growth more importantly depend on existing economic conditions and in specific instances on the amount of remittances invested than consumed (IMF 2016 Country Report, Kyrgyz Republic). Remittance accounts for a reasonable part of GDP of many developing countries.

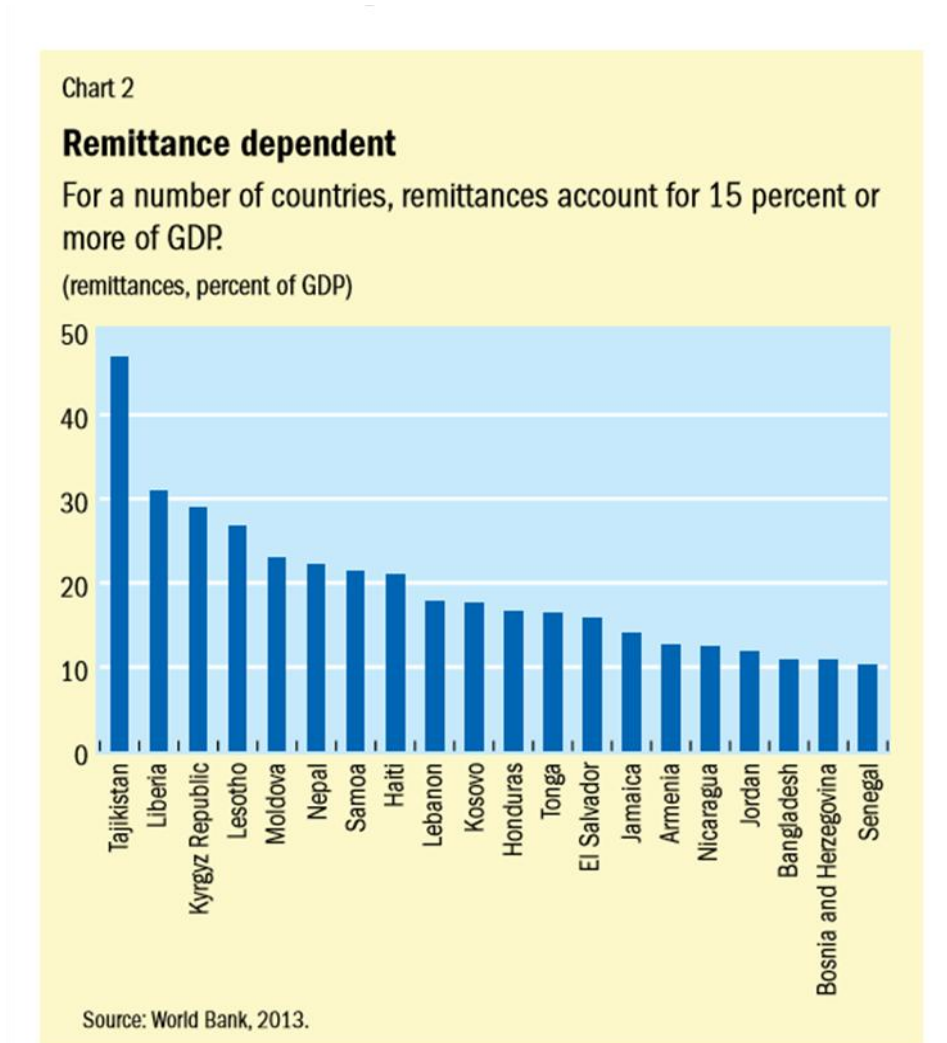


FIGURE 5. REMITTANCE AS SHARE OF GDP OF SOME RECEIPTENT COUNTRIES Source: (WORLD BANK, 2013)

On the contrary, (Barajas et al 2009) argued in the case of macroeconomic impact that not even one country in the world can be identified to have had achieve significant growth or development as a result of investment from remittance. They believed that the contribution of remittance on growth at national level are at best very small, thus cannot be used as significant or as tangible evidence. Clemens and Mckenzie 2014 found an astounding rise of 8000% in remittance per capita in Nigeria, Bolivia and Sierra Leone from 1990 to 2010. They could not find any relationship between the rise in remittance and that of GDP. In fact, they concluded that there is no difference in GDP of these high remittance receiving countries and similar countries that receive limited or no remittance. However, they posited that the lack of evidence of higher remittance leading to growth in remittance receiving countries might be explained by multiple reasons among them: insufficient and incomprehensive data about remittance in many developing countries. Authors also suggested that researchers might lack the appropriate calculation methods leading to inappropriate or faulty conclusions of remittance analytical studies. Similarly, IMF Report 2016, specified that remittances can, in some circumstances, create negative effects on growth through a Dutch disease effect. It can also create increase in the real exchange rate which could reduce the trade in goods by making the economy less attractive. The supportive evidence can be attributed to the same report which expressed the long standing notion that high remittance received leads to an increase in the real exchange rate has been reported by (Bourdet and Falck 2003) in Cape Verde for the period 1980–2000, by (Hyder and Mahbood 2005) in Pakistan between 1978–2005 or by (Saadi-Sedik and Petri 2006), in Jordan for the period 1964–2005. Amuedo-Dorantes and Pozo (2004) reported similar findings using a panel of 13 Latin American and Caribbean countries from 1978–98. The evidence found in these reports proof that higher remittance receipts leads to appreciation of exchange rates in various countries. Thus meaning higher remittance may create Dutch disease effects, which erodes the competitive trade position and ability. They conclude that huge remittance flows may create negative effects that could stifle growth. Therefore, when remittances are not adequately directed to growth oriented area, the impact doesn't bring meaningful economic effects, thus welfare, adequate consumption and poverty alleviation becomes difficult challenge (IMF 2016Report).

Earlier studies of a more sinister cohort of scholars who are extremely critical of remittances as an outcome of migration process describe it as addictive, abusive and exploitative never ending cycle. It is viewed that the process undermines the traditional local practices in origin of migrants, (Cohen 2005 and Rubenstein 1992). However, one can infer from this statements that remittance and migration doesn't only affect origin community practices, but also at a significant magnitude. It affects and even change the normal practices of destination communities. This is evident in the changing face of communities, resident composition and

population of various popular western destination countries including Finland. Furthermore, as testimony to this trend, is the hardening negative views of locals in destination communities about their new neighbors that is the migrants. As in the case of Scandinavia, witnessing the rise and popularity of anti-immigrant parties in Norway, Denmark, Finland and Holland and in other places such as France, Australia among many (BBC and CNN News broadcast, 2016).

A deeper and more recognizable change in community norms and values, individuals and politically related perceptions seems to be a sustained trend morphing into degrading and dehumanizing criticisms of migrants. Some people have been legally reprimanded for hate speech against some migrants in Finland (YLE 2016). A growing wave of sometimes racially abusive trend is rampant within the social media and has in many cases sniffed and publicized by Finnish National Broadcasting Company, Yleisradio. (YLE 08.06.2012).

An investigation of the same theme by (Koyame-Marsh 2012), in Economic Community of West African States (ECOWAS) countries, identified negative socio-economic factors of remittance in West Africa. Following his review of several similar studies, he observed that remittance has been acting as a negative motivation for work. He stated that remittance recipients tend to reduce their work and depend more on the remittance without the knowledge of the person sending the money. Therefore, in such a situation remittances exert negative effect on GDP of such countries. He used Benin as a clear sample country with 1% annual increase in remittance leads to 1.4% fall in GDP of the country. The literature repeatedly shows that the bigger portion of remittance is used for consumption rather than investment. However, The African Development Banks (ADB) noted that remittance to the African continent increase GDP of about 2.6% and even more than FDI and foreign aid, (ADB, 2013). The Bank noted that households that receive remittance have seen reduction in poverty, have more consumption opportunity and are able to spend on human and economic capital.

3.7 Migration and remittance

It is evident to say that migration is an integral component of existence, inseparable from life and livelihood. Living beings by their very nature are migratory species, either human or otherwise. Movement of humans from one destination to another creates benefits in many ways and forms such as economic, social, legal, political just to name but few. The function of migration to people globally is very vital and can be seen in the growing numbers moving constantly from one region to another, (Miller and Castle 2003). Historically, migration has many faces but the form could basically be in two forms, either forced or voluntary migration. The latter is predominantly triggered by economic motives linked to industrialization and globalization with positive and negative

ramifications for all stakeholders, (Cohen 2005). In the long run both Forced and voluntary migrants tend to show the same or very similar attributes within the pool of migrants in the same or similar destination.

(Borri, 2013) Master's Thesis on Immigrant Integration during the Financial Crisis in the EU, noted from (Goran 1994) that the history of migration is the story of mankind. In explaining the possible causes of immigration as have been quoted from (Tilly 1978) whose assessment of the major causes of long distance migration of the past few centuries includes:

- The differences in labour opportunities in different parts of the world
- Higher and lower population needs of the various regions of the globe
- Policies and programs of states and regional entities in creating wars,
- Immigration control and persecution of some groups.

Borris's (2013) account of (Dustmann and Frattini 2012) claimed that the experiences of migration by each country differs as there have been different situations of migration and migrants.

But, contemporary migration according to (Cohen 2005) is considered as a new territory referred to as transnational phase, where migrants, global capital and services flow freely across borders creating a glocalization effect. Such an activity develops new identity and a transnational communities of participants who are very global in their activities. As such the concept of transnationalism movements is a common phenomenon among migrants the world over. Extending this concept further, (Levitt 2000), opined that transnationalism increases the flow of remittances from developed to the developing world. This is as a result of continues leapfrog improvements in transportation and communication. This, he suggested, encourages remittance receiving states to create permanent communities abroad to ensure a steady flow of remittance.

Empirical evidence suggests that the sustained growth in remittances is as a result of increase in migration. A study of more than 100 countries (Freund and Spatafora 2005) stated that the amount of migrants in OECD countries is the main determinant of remittances.

Taking a bird's eye view of the current migrant situation across the board, a clear pattern of dynamic national and ethnic community trends can be seen in most advance or migrant destination countries, e.g. Russians, Somalians and Estonian communities in Finland; Mexican, Dominican, Hondurans and other South American nationals ethnic communities in various parts of United States of America; Bangladesh, Philippines and Nepal nationals communities in Saudi Arabia and other Middle Eastern migrant destination countries; Distinct Asian and African

Communities in United Kingdom and France; The same or similar trend of existence of many other African migrant communities in South Africa and other high income countries. This pattern clearly can be mapped out in any high income country attractive to migrants.

The Macroeconomic approach study of remittances, Castles and Miller 2003 as stated by (Cohen 2005) looks at the relationship between political economy, the global market-links, structures and instruments that are used to influence migration and remittances. They propounded that the debate around remittances are considered in global terms with respect to trade balance between nations. A critical consideration of this view suggest that remittance is a product of migration which in itself is a function of political decisions at national and regional levels which have global implications economically. On another level Messy suggested that migration can be seen as an instrument which developing countries use to manage surplus labour in an economic sense. They said that cost of migration is nill to departing country whilst emigration has a multiplier effect as the income of even non-migrants may increase when emigration increases. They argue that effect of migration on destination countries appears negative because an influx of migrants creates both social and economic ills for the host destination. The presence of migrants exert pressure on job market and put the minimum wage downwards and also leads to deterioration of working condition for employees. In the long run the same condition will creep up among the native as they consider remuneration and working conditions as inadequate (Cohen 2005).

4. REMITTANCE THEORIES

Since the emergence of remittance as a focus of study and interest to academics and other professionals, various explanations have been attempted at highlighting the issue and a better understanding of the development of the concept. Generally, Remittance as a vital economic activity is considered to be less understood, (Weber et al 2013). The prominent theories of the idea have been drawn from or related to economics and other social sciences postulations. Many explanations have been attempted to determine the nature of remittance. Like many other social and financial concepts. This phenomenon continues to change but also development in the industry is growing and expanding.

Commentators said that the research should enhance our understanding by strengthening theoretical and empirical models; but it seems to even create more confusion, (IMF 2008). It further opined that, this confusion could be attributed to the simple and deceptive nature of sending money by migrants which can be seen as an intricate activity. It continues to recognize that research is gradually revealing the real nature of remittances but still a universally standardized application of research is difficult to use in order to compare and harmonize the many researches and the literature. It also noted that each of the models singularly cannot be a stand-a-lone but must be view together with others. However, there are generally two different theoretical models that shows the remittance behavior of migrants, namely individual motivations and familial arrangements (Bouoiyour and Miftah, 2015).

Further criticism of remittance empirical data suggests that most researches are carried on individual countries with small sample sizes and therefore difficult to aggregate to paint a big picture. It is noted that remittance theories could have been better modelled based on the intended purpose for which it is sent or end use of it, (IMF 2008).

One could identify many models developed in the literature which gives an insight into the nature of the concept, among them: Altruism, self-interest, Portfolio diversification and Informal contracts are some of the theories used to explain remittance phenomenon.

4.1 Altruism

The traditional Altruism explanation of remittance is based on the concern and care of migrants for their family members and relatives left in the country of origin. Since popularize by (Lucas and Stark 1985) the

model attracted several scrutinies by various researchers in testing the validity of the idea as a reason that trigger migrants to send the needed money home; such as (Carling, 2008), (Rapoport and Docquier, 2006). Altruism is highly likely to be a significant motive for migrant's choice to send money to Egypt, Morocco, Tunisia, Jordan and Pakistan and the beneficiaries are likely to depend on it for a long term as sender show solidarity with recipients, (Bouhga-Hagbe 2006).

Lucas and Stark use two contrasting approaches in their study to test and affirm the concept which ultimately lead to the same outcome that is increase in remittance. Therefore, the Altruism theory claimed that migrants send home money because they have a selfless concern and attachment with the people living in their country of origin whereas the second contrasting model, "Self Interest" suggest that migrants remit because they are reciprocating the investments household did for them in terms of school fees payment and travel expenses related to their migration. Altruism is an important and significant motive for remitting, (Fonchamnyo 2012). Legal migrants may increase remittance amount by sending money altruistically to deported family members, (Mahuteau, Piracha and Tani, 2014).

Women from poorer background are more altruistic in their remittance behaviour, (Vanwey, 2004). Second generation migrants send more money altruistically, (Luke and Singh 2011). However, married migrants remit bigger amounts, (Luke and Singh 2011, Weber et. al, (2013). Other reasons include the claim that migrants remit because they want their presence to be recognised at home and fulfill their self-esteem. Altruistic behaviour of remitting money could be influenced by co-insurance model as well as need to care for orphans and HIV/AIDS patients at home, (Luke and Singh 2011),

Further arguments mention in favour of Pure Self-interest said remittances are motivated by the desire to acquire properties such as land, housing, businesses among other items. But Altruism model indicated a converse relationship, that is, remittances fall as household get more income.

Contrary to this view (Antoniades, Seshan, Weber and Weber, 2013) argued that Altruism is difficult to proof and economist have been doing an indirect measurement. They identified three limitations of the Altruism theory which makes the theory ambiguous: Other tests can also establish a converse relationship between remittance and household income, as shown by (stark 1995). They believe that, a positive correlation between household income and remittance cannot eliminate altruism as a factor if past remittances increase current household earnings. If the converse relationship between remittance and household income upholds altruism view compared to other models, yet altruism model cannot be directly tested independently but it is part of many other motives that trigger remittances. Thus, in their study that tests,

altruism on remittances, (Weber et. al, and 2013) concluded that altruism as a motive for remittance is contextual and depends on situation of the migrants. Loan, as a different factor of two very similar migrants from very similar background show a difference in their remittance behaviour. This, therefore shows that altruism is not a stand-a-lone factor but part of many others as a motive to remit. Further, (Collier et al, 2011), argued that Pure Altruism has not featured in their work and cannot be stated as a valid reason to explain remittance behaviour.

4.2 Inheritance

The proponents of this view suggest that inheritance does induce migrants to maintain strong links with family members at home as it may enable them to maintain strong family ties and also take part of their share of inheritance. In fact (Lucas and Stark 1985) and (Hoddinot 1994) believed it to be another reason that encourage some migrants to send money home so that they will also be recognize as part of home even though they might be far away. For inheritance to be strong enough to motivate migrants to send money, then there has to be mutual benefit for parties concerned which have been considered as a kind of an enforcement mechanism for migrants to remit the needed funds required at home, (Rapoport and Docquier 2005). This, according to them is obvious if family resources have been earlier agreed and used to finance the journey of the migrant in an informal contract. They further identified two social norms as a tool to pressure and ensure enforcement of the contract at family level and denial of inheritance.

A divergent opinion noted that it is better for migrants to acquire their own properties and businesses instead of inheriting family property, (Opong 2012). However, on another perspective a closer look at the social structure of most remittance recipient countries either traditional or otherwise, there are clear rules of inheritance as defined by traditional norms, religious rules or the most common in the case of common law. In any one of these three options, neither an individual's income nor his or her family contribution impact the person's share of inheritance. Thus it appears that Opong's opinion seems to be a valid argument against this theory.

4.3 Prospect theory

This explanation of remittance behaviour and its underlying reason envisioned that prospect theory could be a better explanation of the behaviour of the remitters. This could also explain the concept of remittance and the surge in the volume of remittance in the past few decades. Economists argue that this theory is somewhat in contrast to utility theory. Propounded by (Kahneman and Tversky 1979), as a

behaviour decision making process under impending risk and uncertainty. Opong, (2012), said that Prospect theory came about due to empirical limitations of utility theory, which means that decision makers choose to maximise their expected utility. He further argued that decisions made in reference to a specific time are sensitive to gain and loss which affect the behaviour of the decision maker. According to (Opong 2012), clear difference between utility and Prospect theory with regards to risk avoidance is that, under utility theory people try to avoid risk in decision making whereas in prospect theory decision makers avoid risk in face of gain but take more risk when expecting severe losses in order to limit the loss.

This supposed innate human behaviour that is taking relatively more risk to avoid bigger and more serious risk is perhaps more strongly captured by the concept of ``loss aversion``, which noted that people experience the same degree of pain and pleasure differently, therefore they try to avoid loss. Considering the same amount of joy and pain, the loss or pain appears more painful than the excitement enjoyed from the same degree of gain or joy,(Kahneman and Tversky 1979). Thus they argued that most people do not like to bet the same value in the context of looming greater pain of loss. The concept of loss aversion is illustrated in the graph with the loss side showing concave curve of steeper and deeper curve implying the greatness or magnitude of the pain of loss whilst the gain depicts the convex which is usually less obvious beneficially at the point of reference.

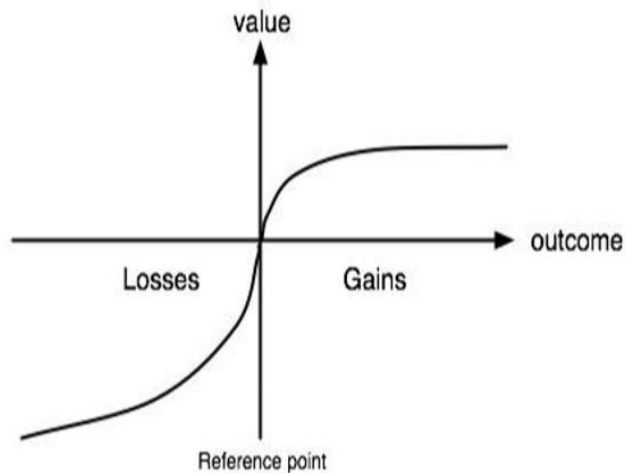


Figure 3 A Value Function

FIGURE 6. VALUE FUNCTION CURVE OF LOSS AVERSION Source: (OPONG 2012), ADAM SMITH BUSINESS SCHOOL, UNIVERSITY OF GLASGOW

As consequence of loss aversion, the loss end of the value function is steeper compared to gain in the figure above therefore leading to give more value to what people have ``endowment effect``(Opong 2012) quoted (Thaler 1980). Prospect theory suggest that decision makers tend to overweight options that appear certain compared to the uncertain ones which is referred to as ``certainty effect``, (Kahneman and Tversky 1979). Social condition of the home of migrants is the generally the point of importance in determining their remittance behaviour which are very strong social bonds and those bonds cannot be quantified.

The implications of prospect theory for migrants seems to point to the domain of losses; where person could be showing risk-seeking. The potential short term disruption of the norms, values and familial relations due to migration misses in the domain of losses on the migrant's value function. This is indicative that behavioural response will be risk-seeking and the migrant is most probably likely to make decisions that will help avert disconnections in family relationships. These kinds of decisions may require monetary and material remittances for the benefit of family, relatives among many other cherished bonds. Thus, it is one of the possible reasons that make migrants consider remittances as

reinforcement instrument in family relation and ties with home country. Prospect theory somehow imply that remittances are likely to be strong and stable in the face of adversity compared to capital flows and private equity flows which are profit driven and subject to general economic environment. It could also show the cushioning of non-cyclical economic impact of remittances on beneficiary countries indicated by (Chami, Hakura, and Montiel 2009). It is indicative of the growing volume of remittance resilience in the Mexican financial down turn in 1995, in Indonesia and Thailand in 1998 (Ratha 2007) and natural disasters and political conflicts as has been cited from (Clarke and Wallsten 2004); (Yang and Choi, 2007); (Yang 2008),(Mohapatra, Joseph, and Ratha 2009). The theory shows how migrants can rapidly conform to the necessary changes in their environment when they encounter favourable and achieve significant personal financial improvement in their destination as have been cited from (Akalis 2008).

The application of this theory in determining the remittance decision behaviour of remitters seems to be more applicable and appropriate in an attempt to explain remittance patterns. Thus, it is obvious to reason that a lot more migrants will want to avoid the deeper displeasure of the pain their relatives may suffer due to lack of funds to acquire some basic necessities such healthcare, sanitary facilities or even the future loss of economic opportunity as might be a result of loss opportunity for young ones dropping out of school if they could not pay school fees. In such a scenario migrants are likely to send more money home to prevent their own unhappiness about poor living conditions of their families and relatives when they get unfavorable information of such deplorable situation back home. They will also optimize the gain of pleasure of extending financial help to love ones and maintain social prestige as they are likely to get more respect and social prestige compared to their counterparts who did not migrate. Similarly, `` the endowment effect`` concept further validate the argument of prospect theory as more appropriate explanation of remittance. Thus, most migrants might prefer to maintain the current livelihood standard of their families at home by continuing their current level of financial support than reducing the remittance which could lead to lowering of the living standard of their family, hence the fall in family income.

4.4 Return intention

Most migrants do have intention to return to their country of origin at some point in their life. As such many believe this to be another reason which motivates migrant to send money home, (Delpierre and Verheyden 2009). Migrants who decided to go home are often likely to remit regularly than those who decided to stay, (collier et al 2011). Temporary migrants tend to send more money (Dutsmann and Mestres 2010). Collier et al, focuses on specific groups with home return intentions and

identified two major groups each exhibiting different remitting behavior of remittance. According to them, depending on an individual characteristic(s), household type(s) and the type of temporary migration, that is (a) one-time temporary migrant and (b) repeated migrant, also known as circular migrant explains their motive of sending money to their origin. Migration policies that encourages temporary migration leads to high volume of remittance whilst policies that encourage permanent migration leads to less remittance, (Dustamann and Mestres 2010). They further claimed that those with intention to return mostly have families at home or have family commitment which seem to account for their higher average money sending behaviour compared with those with the aim of staying longer or even permanently. However, but also surprising is their view that if remittance senders have some family members outside the home country, then remittances to home country tend to be smaller.

Findings by (Collier et al. 2011), note that illegal immigrants remit more of their income due to the fear of being caught and deportation. Similar situation has been cited among undocumented and unauthorized Mexican migrants in USA according to (Passel and Cohen 2012).

Closer but different view has been pointed by a research in Italy to determine the time relevance on the remittance behaviour of migrants. (Busetta et al, 2013) noted that there is no conclusive evidence to support that the duration of time migrants stays away from home influences remittance behaviour. Instead supports Dutsmann and mestres view that, it is subject to the kind or type of migration that is either temporary or permanent. This “time effect” as has been used by (Lucas and Stark 1985) theoretically suggest that as migrants integrate into their new society, slowly, their ties and relations become weaker leading to lower remittance sending. This phenomenon has been referred to as “Remittance Decay Hypothesis” which according to them has been tested in many similar studies with contradictory results. This assertions, they claimed are found in the studies of (Holst and Schrooten 2006); (Vargas-Silva 2006); (Agunias, 2006); (Fairchild and Simpson, 2004); (Menjivar et al, 1998) that time has a negative bearing on remittances sent home. On the contrary according to their review of (Goza and Marteleto 1998); (Merkle and Zimmermann 1992) and (Simati and Gibson 2001); (Brown 1998 and, 1997) concluded that remittances appear to increase as migrants stay longer in their host country of migration.

However, critics point out that financial benefits and privileges are not the basis of traditional family relations. The argument of intention to return is said not to be strong reason to remit as propounded by many. It is stated that when this is the reason to send money, such remittance behavior leads to investments in fixed asset such as housing. In many instances relatives at home are the major beneficiary by occupying house at no cost, (Opong2012).

4.5 Insurance

This view of migration has also been seen as a way of minimizing and diversifying the risk and sources of a family income. In this way, remittances function as an insurance against loss or fall in resources of beneficiaries in the country of origin (Agarwal and Horowitz 2002; Gubert, 2002). In macroeconomic perspective, this could indicate that remittances will supplement output in face of volatility in the recipient country, (Fonchamnyo 2012). The insurance concept has also been argued as a form of replacement of labour contribution by the absent migrant and as insurance cover in many remittance recipient countries where there are no government social support programmes, (Yang and Choi 2007).

Weakness of this theory has been identified by as (Rempel and Lobdell 1978) and (Lianos 1997) as narrated by (Opong 2012) that remittances are generally used for agricultural production purposes such as acquiring farm implements. It is also further stated that parents generally would not enter any repayment agreement with their children for money spent on children development. The argument further claimed that migrants from rich families and backgrounds send money to their families which suggest serious weakness of the insurance claim as a motive for sending remittance. It is clarified that conventional insurance contracts for income security is available in many countries, therefore many could easily take such insurance contracts.

5. FORMAL REMITTANCE SERVICE PROVISION IN FINLAND

The division of the world into different units is perhaps, no accident but may have been perceived and planned. The level of progress and development achieved by the various continents, regions and countries has been very well documented and various indices have been developed to measure the many types of successes. According on the WB and IMF reports, bigger share of global remittance emerge from the high income and advanced countries that is predominantly western countries WB, IMF and UN indices. Finland belongs to the category of advanced, high income countries. For many years Finland has been consistently among the best countries (UN HDI, 2015).

However according to (EU report 2006) Eu Survey on Worker Remittances to Non EU countries noted that there are two ways of reporting of remittances on balance of payment statistics. The main source is the banks that collect and report worker remittances through International Transaction Reporting System (ITRS) that provides data from Central Banks or the statistics authorities of the countries. EU Member States (MS) and Accession Countries (AC) were asked to indicate total remittance sent to non EU third countries. They have also been encouraged to indicate the average remittance per person and were also told to give an estimate of yearly total of money representing migrant transfers not captured by labour offices i.e the estimate representing illegal immigrants and asylum seekers. The report shows significant differences among (MS) and (AC) data received. Many countries provided total amount and an estimate amount of transfers to developing countries but others did not collect remittance info. However there was no indication of average transfers and also no indication of estimates of transfers by illegal immigrants and asylum seekers. The report further noted that some (MS) pointed reasons of under reporting of the data and underestimation of remittances including unaccounted remittance channeled through alternative means and inappropriate recording of information as tourist expenditure, (EU 2003).

They suggest that remittances sent from a sending country depends on multiple factors: the number of migrants residing in the country, the income of migrants, the strength of bonds with relatives and family, the needs in the country of origin and the transaction cost in remitting the remittance.

Earlier, in the beginning of the second millennium witnessed inconclusive and incomprehensive remittance information in Western Europe, noted the report. The Second EU Survey on Remittances to non EU countries

also documented that many gaps for both Member States and Accession Countries do not provide reliable data and even those that comply with the request was fraught with miss reporting and inconsistency in methods of data collection. Finland is among countries that do not provide remittance data, (EU 2006).

Generally personal remittances are individual migrant payment transfers. The transmission of transfers is carried out by payment institutions. (Leinonen 2008 and 2009) said that payment behaviors likewise payment methods and modes have changed overtime ranging from cash, checks, notes, fund transfers, card payments and to modern electronic payments by digitized instruments. He noted that these changes in payment practises, instruments and industry are similar to the developments within the transportation industry. These changes he claimed have been triggered by factors such as : lower costs, faster speed, very good security and more comfortable use of the solutions. He also pointed out the differences among regional standards of payment systems. However, global trends started with the increasing use of international card payments. The creation of Single Euro Payment Area (SEPA) harmonizes and mitigates some of the difficulties within the EU. He implied that improvements in payment systems lead to both savings and better allocation of resources to other areas. He said that retail payment system efficiency translates to cost, competition, integration, development, security and regulatory efficiencies

5.1 Formal Remittance Process

Finanssivalvonta, otherwise known as, Financial Service Authority acronym as FIN-FSA has been established by an act of Parliament of Finland no 878, 2008. FIN-FSA is an independent financial regulatory authority under the purview of Ministry of finance but closely aligned with Suomen Pankki that is The Central Bank of Finland. Its objectives have been defined as including, ensuring smooth operation, safeguarding interests and maintaining confidence in insurance and financial market. FIN-FSA supervises and ensures compliance of insurance and financial service provision in the market. Generally it has to be notified of intention of service provision in the country. Remittance companies that is, money transfer companies and their agents and similar institutions are considered as payment service providers in Finland, many are directly or indirectly supervised by this regulatory authority.

Remittance service provision usually requires official authorization by the relevant authorities. This process is mainly in two ways in different countries that is by either registration or licensing and sometimes a combination of the two methods. Remittance services in Finland have been covered by Laws of the Parliament among them: Payment Institutions Act 297/2010, Payment Services Act 290/2010, Money

Laundering and Terrorist Financing Act 503/2008 and Consumer Protection Acts of 1978 and 2005. Thus FIN-FSA ensures compliance with these laws and in accordance with European Parliament, Commission and Council directive 2007/64/EC which requires the harmonization of payment services within the administrative area. Therefore remittance service provision and transmission is regulated and should only be provided by authorized legal person and entities that have been found to have met the requisite conditions for operations. Key among the conditions is the guarantee of customer funds in accordance with Consumer Protection Act (2005), business plan, physical location of the business, and integrity test for natural person carrying out the transactions among other requirements assessed by FIN-FSA.

5.2 Formal remittance channels in Finland

This section of the thesis looks at the many kinds of remittance channels available in Finland and analysis the nature of the various channels. The transfer of funds includes the use of both formal and informal channels and in many cases cross border transaction and transfer of funds through the channels. The global nature of the current business environment involves diverse participants both domestic and international. However the informal or the alternative means of transfer of funds usually involves the movement of cash through the border of countries. The following remittance channels have been identified in Finland but may not be limited to these channels alone. These channels include: bank account to bank account transfer, Money transfer from one money transfer operator (MTO) to another, Cash couriers and smuggling of physical cash, usually illegal proceeds through the borders and online money transfer by MTOs that are legally and remotely present in Finland but physically registered in other EU countries, but they offer money transfer services to the public in Finland through the internet.

5.3 Bank transfer (Account to account transfer)

Finland like many other developed advanced and high income countries and also a MS of the EU have a well established economy with robust financial system, serving both domestic and international demands. As one of the first member countries of The Society for Worldwide Interbank Financial Telecommunications (SWIFT) since 1977, (Scott and Zachariadis 2014), the country has since then been using the (SWIFT) platform to carry out its interbank payment transactions. The main advantages of (SWIFT) have been identified as including security, connectivity and reliability as it is a global communication system through which banks and other financial institutions exchange financial information. It is asserted that more than Ten Thousand banks in over two hundred countries are connected to SWIFT and it is now the standard bearer in

global financial transmission messaging network. The financial information sent through SWIFT is standardized and it is not just a money transfer system.

Therefore SWIFT has been a conduit by banks in Finland as well as customers who send money to their relatives in home countries through account to account transfer both domestically and internationally. This is a very convenient method of personal remittance transmission by many immigrants living in Finland who have banks accounts. Migrants who live in Finland and use this channel consider this method cheap and easy to use. A disadvantage of this channel is that it takes a long time, about four days or a week for the money to be transmitted through the international banking network and for the beneficiary to receive the money in the home country bank account. Depending on the service fees and policies of the banks involved in the transmission of the money, senders of money who use this service, experience paying the sending fee and the recipient may also be charged some fees for receiving the money through the bank in the recipient country. If the recipient country uses a different currency then the sending bank would have to apply the available foreign currency exchange rate on the amount being sent. Such foreign currency exchange rate is predetermined by the sending bank and may not be favorable for the person making the order.

Before the popularity of MTOs, bank to bank money transfer has been a very common method to transfer money. This was relatively expensive for two reasons; Some banks charge a base fee for any transaction carried through SWIFT and the second is due to the small size of amounts of money immigrants send to support their families in their home country makes the cost appear to be very expensive. However the process for account to account transfer internationally is very slow compare to the service offered by MTOs. The sender must identify the full name of the recipient of the funds, the correct international bank account number (IBAN), bank branch, address, and the SWIFT code of the recipient bank or the Bank Identifier Code (BIC). The banks generally do not like the sending very small amounts as it does not appear to be cost effective and profitable for both the bank and the individual sending customer.

A customer who wants to send money through a bank transfer has to be at least 18years old. He or she must produce a valid passport and has to get a bank account within the bank where he or she wants to make a wire transfer.

5.4 Money transfer operators

It is perhaps sufficient for one to argue that Finland has a good and competitive remittance market environment. This assumption can be fairly confirmed by large number of money transfer service providers

available in the country who have notified the financial service regulator. FIN-FSA list of payment service providers, (FIN-FSA 2016), shows that there are nearly 600 payment service providers in Finland. More than 400 hundred of these payment service providers are payment institutions from EEA and offer cross-border money payment services in Finland. An additional 128 MTOs are Finnish agents (legal persons i.e. registered businesses) of foreign payment institutions. It is hard to establish the number of officially registered MTOs in Finland whose primary purpose could be identified as remittance transmission. The majorities of the MTOs are not even physically present in the country but have been following the trend and opportunity brought by the surge in online transaction. This implies that a payment service provider registered in another EU country can offer services to customers in Finland.

The European Union recent regulation concerning the payment services within EU domestic market requires changes to the licensing process of provision of money remittance services. The legislation 2007/64/EC on payment services within the internal market came into effect has to be integrated or put into practice by November 2009. This EU law creates two kinds of license; that is some payment service providers can be authorized to function but cannot take deposits from public and they cannot issue e-money. Notwithstanding, a payment service provider registered in one EU MS can provide the service in other MS countries and is not required to register but can also operate through local agents. However, acquiring authorization to become a payment service provider requires difficult to meet prudential conditions. National governments can also further develop the specific requirement and conditions for natural and legal person intending to provide the service must fulfill those criteria.

The graph below clearly indicated that the origin of majority of the personal remittance service providers in Finland in fact came from other EEA countries and are offering money transfer services through their agents which are quite often established small businesses in Finland.

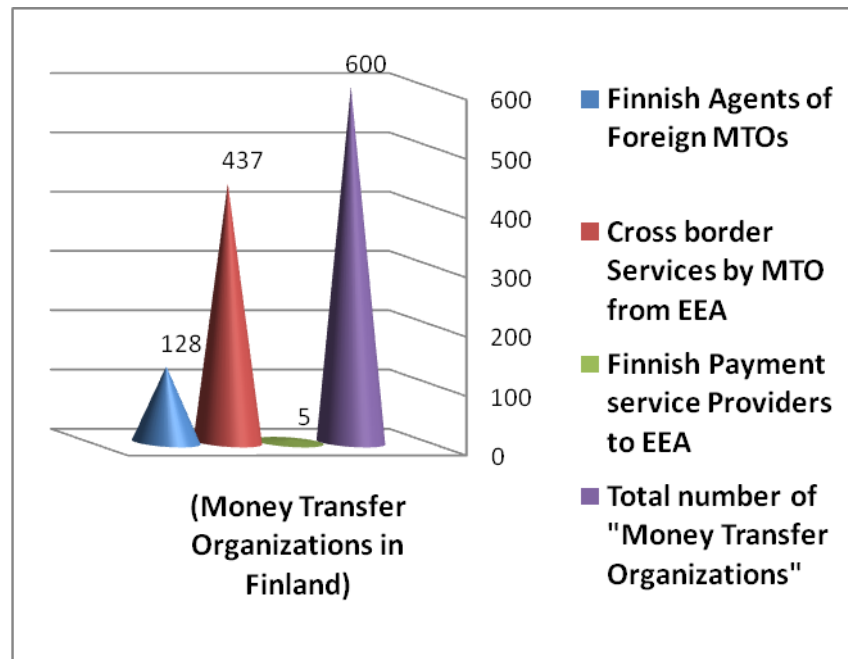


FIGURE 7. DISTRIBUTION OF PAYMENT SERVICE PROVIDERS IN FINLAND (FIN-FSA, 2016) Source: (finanssivalvonta.fi, 2016)

On another perspective by analyzing the graph above, the number of Finnish payment institutions offering their Services to other EEA countries is very negligible. According to the data from FIN-FSA, out of a total 574 payment service providers just 5 of them have the opportunity to offer or are offering their services to the European Economic Area. This suggests that less 1% of Finnish payment service providers are offering remittance transmission from the rest of the EEA. The graph also shows that more than 76% MTOs offering money transfer services in Finland are organizations from EEA countries. However over 22% of MTOs offering personal remittance transmission service in Finland are Finnish companies operating as agents of foreign companies. Therefore it appears that Finnish companies have very limited initiatives in affecting the nature of personal remittance transmission. Though there are many Finnish Payment institutions but it appears that they are not competitively involved in personal remittance transmission market either in Finland or beyond. Various factors could explain this situation among them: the small size of the immigrant population, the attractiveness and the viability of a remittance service provision, the tough requirements needed to fulfill the conditions prescribed by laws to provide money transfer services, the small size of the population of the country among many others possible experiences.

5.5 Online money transfer

E-businesses have transformed the tradition of business practices all over the world, thus transactions conducted over the internet open new but transformative opportunities. Thus E-transfers are an increasing trend that is being the new tradition of current financial transfers and transactions. Sending and receiving individual small payments, settlements of business payments which demands affordable, reliable and fast executable transactions is available regardless of time and location, (Loudon 2010) as relayed by (Getembe, Magutu and Bitundu 2013). The electronic era has unusually changed the delivery of money transfer services. The online money transfer system has replaced the old methods and costly ways. The dynamic changes in information technology have meet and accelerated online money transfer services, (Getembe et al 2013).

Online money transfer services that offer their services in Finland operate on exactly or on similar grounds and conditions like the banks transfers and transfers through MTOs. For a person intending to carry out an online transaction of transferring money from Finland to another country, he or she must fulfill a series of criteria and conditions. All online money transfer transactions required a bank account and internet banking access service. The person must first have a current account in a bank, where once salary or income must have been credited for at least three months before any bank will agree to open a net bank facility. It is valid to state that online money transfer is only accessible to legally verified residents without any serious financial criminal record. For a person to open a current account with any of the banks; he or she must be at least 18 years of age and must provide a valid passport. If the person is a foreigner, he or she must be able provide proof of legitimate source of funds or income for the bank account being opened before the bank can agreed to sign a bank account service agreement . Thus, for individuals who are not involved in business activity but have gainful employment, they are required to provide a proof of a valid work contract.

Upon completion of the probation period of the three months and the salary or income of the individual being credited to the account, then the person is qualified and meets the requirements. The individual would make an agreement with bank to use online transaction services. The customer further has to activate the online transaction facility for him or her to be able to transfer funds and make payments. By default almost all current account are accompanied by Bank Cards that customers can use online to make purchases and make payments online. Generally all the Bank Cards are well recognized global brands that can be used in most

parts of the world to make payments and even withdraw cash from Automatic Cash Teller Machines (ATM).

Since the surge in the availability of various kinds of internet based services, many of the MTOs recognized the business potential, thus design and deliver money transfer services for verifiable individuals. MTO corporations such as Western Union and many other smaller MTOs are exploiting the opportunities of timeless, space less and limitless transactions in countries that have well developed financial markets, money transfer instruments with strong financial regulation, reliable, competent and effective supervisory authorities in accordance with global standards.

Online money transfer has also very strong regulations just like traditional financial Services. Their operations are regulated by the law to ensure customer due diligence and record keeping and identifying the identities of their customers. The online money transfer service in Finland is growing gradually; this is enhanced by the EU principle of the free movement of goods and services within the economic area and the political block. Therefore other MTOs operating in many other MS of the EU are just required to notify the regulators in Finland about their intention to offer their services. The popularity of online money transfer services can be attributed to its cost (a) effectiveness, (b) timelessness and its (c) lack of need for physical location.

The effectiveness of online money transfer can be viewed from multiple perspectives. Compared to the usual process of providing personal identification document(s) and in some instances, pre-screening questions are asked by the operatives about the source of the money is avoided. The people sending the money are obliged to declare that the money being sent is clean and free from criminal activity. The operator deserves the right to probe customers and could decline to accept to offer the service base on the assessment of the customer. The online money transfer services over come such challenges. Therefore it is very fast, simple and efficient in its execution. The service can be carried out by the users even while traveling using a tablet or an appropriate smart phone with internet connection.

Before the introduction of online money transfer services through the online platforms offered by MTOs, customers have limited service choice, because they can only send money when they physically visit money transfer location. Even when the stores are open, customers may still find long queues and may wait for long time to get their turn to meet the operator to carry out the necessary formal process of sending the money. If, for any kind of reason of the service interruption, either due to a mistake or a need to make changes to the order; the customer have to visit the location where the service was offered. Thus, if a particular customer travelled a long distance, this causes a lot of discomfort and can constitute unfavorable service experience. A customer may sometimes

lost the receipts bearing the control number before they transmit the information of the money transfer order to recipient at other destination, as such it becomes a nightmare to find and relocate the order information in the system, since many customers visit a single location within a period.

Quite often, unpaid money transfer orders are not returned to the individuals and the customer who place the order are not usually informed that the order was not picked up; therefore such customers lose their money. Transfer orders made by customers at MTOs physical location usually are at least 50% more expensive in terms of sending fees compared to the services created by customers online. An interesting but also very exciting feature of most online money transfer services is the ability to track the status of the transaction. Therefore a customer can be sure to be aware when the order has been received by the recipient or not. If a customer did not receive any feedback concerning a money transfer order, then the customer can go online cancel the order, resend the order or even notify the recipient that the order should be picked up. Therefore the long time customers use to visit a location and send small amount of money have been eliminated by the use of online service. The huge gaps and problems customer have been experienced with regards to money transfer service consumption and delivery is bridged by online transfer service. Many MTOs develop application that makes the online money transfer transaction very simple and easy. Many of the services require customers to register with them, create a username and password but also verify their identity if they intend to continue to use the online services. It is also important to note that online money transfer services accept limited amount of money to be transferred within a period. The limited amount limits fraudulent transfers.

5.6 Informal remittance channels in Finland

Informal remittance is the money sent through unofficial channels, such informal business transactions, includes money sent through friends, by migrants themselves and cash couriers among others. It is also referred to as alternative remittance, informal transfers or informal money value transfer, (Maimbo 2004). This practice can almost be found in any country that experiences immigration or has an immigrant population. In Finland, there is a classical case of immigrant phenomenon. By the end of December 2015, about a quarter of a million people of foreign nationals have been living in the country, Statistics Finland, (December, 31, 2015). The largest nationals were Estonians followed by The Russian federation. There are signs that appear to show indications of informal remittance practices and channels in Finland, though there has not been any specific study on the subject to my understanding. Key among these indications is the notion of grey economy employees in various industries as evidenced by publications by the Finnish National Broadcaster (YLE 21.03 2014,) and

the issue surrounding undocumented or irregular immigrants. The report stated that more than 3500 inspection by tax authorities found that a third of them involve grey economic activity. Several reports have also been featured by the same media with claims of police seizure of drugs and cash from captured dealers along the routes of Finland Estonia and within the country but many of such proceeds avoid the formal financial channels for transmissions.

Hawala is a common name used to describe informal money transfers. An interview with Financial Intelligence Unit of The Finnish Police Force confirmed the existence of Hawala money transfer operation in the country. All the Hawala operators in the market are legal persons but offer the service as an additional service. The operators have been monitored by the financial intelligence unit of the police. The police have not yet so far seen any sign of criminal activity associated with operation. The police identified about ten to twenty business in the country whose businesses can be classified as offering an additional Hawala services. It is estimated that the total Hawala transaction value annually is about three million Euros. Most of the Hawala transfers go to the Middle East and North African Countries, (Pekka Vasara, interview 02/12/2016).

5.7 Remittance service locations in Finland

Tracking and identifying the various remittance service providers is relatively simple. The task is however very challenging to identify various service outlets within a region and even more difficult in situation where MTO uses a well distributed business network as an independent agents. Each branch of such business can serve an outlet of the MTO in its entire network because it can offer the service from any of its distribution outlets. Thus many MTOs do not readily provide such information as it is considered as a kind of trade secret that competitors can use against them. The personal remittance market in Finland like in many other countries in the world is dominated by global MTOs like Western Union Money transfer, Money Gram and RIA Money Transfer Services. Western Union transferred about 250 billion US Dollars in 2015 for its customers around the world. It increased its money transfer revenue by 21% with an average of 31 transactions per second, (Annual Report 2015). This confirmed it as the biggest MTO the world over.

Its operations in Finland shows similar performance, its services can be located in nearly all Matkahuolto business outlet, ForexBank branches and Stockmann branches around the country. Matkahuolto is a major logistics company with an extensive network of bus station branch office all across Finland in all major town, cities and villages. It has about 2000 outlets in different locations in Finland. Western Union Finland claimed that it have 170 agents in the country (Wikander,e-mail 24.11.2016). This location competition advantage gives Western union a big market presence in Finland. Followed by Ria Money transfer which is also constantly

increasing its agent network through ethnic immigrant oriental stores of about 120 agents in Helsinki metropolitan area and in some major cities. Moneygram has a very limited presence as its agent numbers seem to be dwindling (Moneygram Finland, 2016). It operates in few cities and only Change Group with most of its outlets can be found at Helsinki Vantaa airport.

5.8 Size of Finland personal remittance market

This section gives a broad perspective of officially recorded available personal remittance data of Finland according to the Balance of payment data. It attempts to make a possible indication of the size of the remittance market compared to neighboring countries of Sweden and Norway. This gives a broad picture of the remittance market within the Nordic region. The total personal remittance market of the country according to the balance of payment data recorded was highest in 2014 at an amount of more than 1.8 billion US Dollars (Knoema 2016). The balance of payment data on personal remittance in Finland indicated that Finland is a net personal remittance receiving country. The table shows the trend of personal remittance from 2004 to 2015 for a dozen consecutive years the country has achieved and sustained a net surplus of personal remittance performance. The table gives the percentage changes in year over year which also appear to be interesting. This evidence could trigger several questions to help understand this unexpected situation. What factors make a highly developed country like Finland to be a net personal remittance receiving country? How common is this situation among developed advanced western countries? What is the economic impact of this positive net personal remittance on the country? What lessons could be learned from this experience?

Table 1 FINLAND PERSONAL REMITTANCE DATA Source: (knoema.com 2016)

REMITTANCES RECEIVED US \$			REMITTANCES PAID US \$			TOTAL REMITTANCE \$
Date	Value	Change %	Date	Value	Change %	
2015	806,333,448	-17.19	2015	635,962,564	-23.88	1,442,296,012
2014	973,679,983	0.04	2014	835,448,356	0.04	1,809,128,339
2013	973,243,372	12.85	2013	835,073,730	7.79	1,808,317,102
2012	862,428,409	14.14	2012	774,729,446	74.13	1,637,157,855
2011	755,571,704	-15.49	2011	444,918,723	-38.29	1,200,490,427
2010	894,036,317	3.35	2010	721,010,718	5.08	1,615,047,035
2009	865,053,941	-9.81	2009	686,145,307	0.17	1,551,199,248
2008	959,168,579	18.99	2008	684,977,549	23.77	1,644,146,128
2007	806,086,784	12.82	2007	553,417,171	26.74	1,359,503,955
2006	714,507,681	3.16	2006	436,668,690	63.94	1,151,176,371
2005	692,623,968	3.93	2005	266,359,347	18.53	958,983,315
2004	666,427,015		2004	224,710,362		891,137,377

5.9 Balance of payment statistic of remittance

The IMF Balance of Payment Manual 6th Edition (BPM6) is very detailed but complex in the assessment and determination of remittances originating from and to the different countries. It considers remittances of both cash and non cash items transferred by temporary and permanent migrants and residents. It includes income of workers employed by nonresidents, income of non-residents workers that is those living near the border but work on the opposite side of the border, seasonal workers and short term workers from other countries. But another component which appears difficult to comprehend and accept in the context of remittances in the IMF Balance of payment manual 6th edition (BPM6) is the compensation for the work carried out by residents of the country for the nonresident employers. This concept or residents working for non residents employers includes local Embassy staff and international organizations. Another component considered by the BMP6 as part of remittances is any kind of contribution either capital or current transfers from any area of sending country economy to Non-Profit Institutions Serving Households (NPISH). This component on BMP includes both public, private and individuals who give aids and contributions to humanitarian causes such as charities eg Red Cross and e.g. funds raised to help Ebola outbreak affected countries in West Africa, tsunami and earthquake donations to frequent natural disaster hotspots and destinations, international scholarships to other countries and cultural activities funded by a sending economy country to another country are all considered as part of total remittances paid or received.

5.10 Recorded personal remittance in Finland

For the purpose of this study personal remittance is considered as all transfers made to beneficiary households, individuals, groups of the beneficiary economy by nonresident individuals and groups. These individuals could be nationals of beneficiary economy; they could be migrants from other countries or a philanthropist. However BPM defines personal remittances as the sum of transfers both current and capital transfers between resident households and nonresident households. It also includes remuneration of employees excluding transportation cost, social contributions, taxes and travel cost incurred for working abroad.

Table 2 TABLE OF DEFINITION OF REMITTANCE

SOURCE: (IMF Balance of Payment Manual Six edition, 2007, updated 2013)

Table A5.2. Tabular Presentation of the Definitions of Remittances

Total Remittances and Transfers to NPISHs: a+b+c+d+e+f

Total Remittances: a+b+c+d				e	f
Personal Remittances: a+b+c			d		
a	b	c			
Personal transfers (part of current transfers)	Compensation of employees less taxes, social contributions, transport, and travel	Capital transfers between households	Social benefits	Current transfers to NPISHs	Capital transfers to NPISHs

Note: Personal transfers is a standard item; other items are supplementary.

The concept of remittances is such that it should be beneficial or at least is expected to be beneficial to the recipients of receiving country. In the case of seasonal, short term workers and cross border workers; with regards to their net income, there is no conclusive evidence that the total balance of their net income will all be transferred to home country. It therefore makes one to wonder the basis of the assumption of calculation of just deducting travel cost, transportation cost, taxes and social contributions in an attempt determine the total personal remittances paid or received in any particular country. The definition of this concept gives a broad perspective of the idea of remittance. Furthermore it showed a clear difference between the conceptual definitions of total remittances and personal remittances. At a higher level, that is, total remittance, includes transfer to Nonprofit Institutions serving Households in recipient country (NPISH) such as Non Governmental organizations, NGOs.

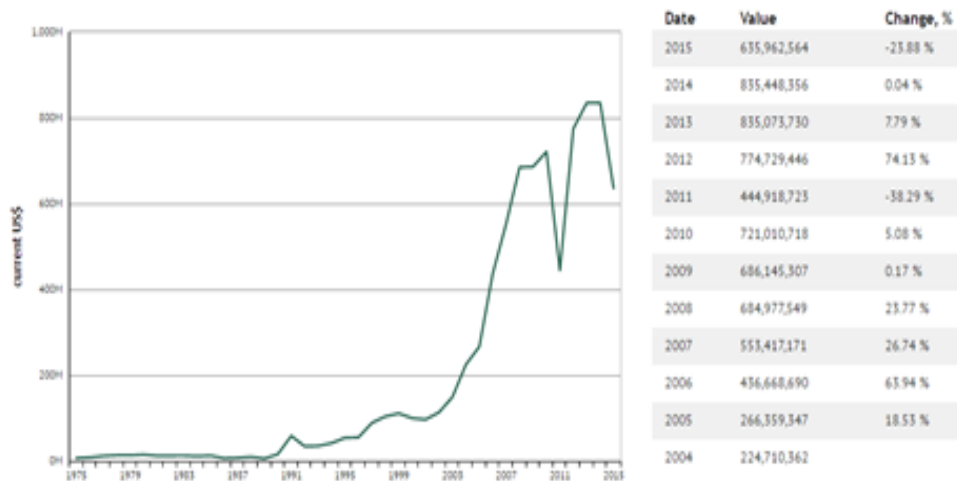


FIGURE 8. FINLAND TOTAL PERSONAL REMITTANCES PAID IN US DOLLARS

Source: (knoema.com, 2016)

The Graph above showed the trend of personal remittance paid by Finland from 1975 to 2015. The growth of personal remittance started in early 1990. It was around the same time when Finland experienced depression. This trend increased as the country joined the EU. The hard times of the country's economic performance can also be clearly spotted on the graph but around the same time when personal remittance of the country continue to grow. The impact of the early 90s economic depression as (Conesa, Kehoe and Ruhl, 2007) relay the accounts of some Finnish economist Vartianen and Kiander who describe the depression as caused by bad luck and bad banking policy. The aftermath of the great depression in Finland showed clearly a huge increase and a continuing trend of increase in both the volume of personal remittance paid and received by the country from the graph. Probably an indication of the economic performance and the job market attractiveness of country which could be an indication of the positive effects of the economic policy in the years following the depression.

Comparing the total personal remittances received by the country within the same period to the total personal remittances paid; it shows that Finland received net surplus personal remittance as illustrated by two graphs showing remittances received and paid. This finding seems a very big surprise as many might think and expect the opposite scenario that is Finland pays more remittance than it received.

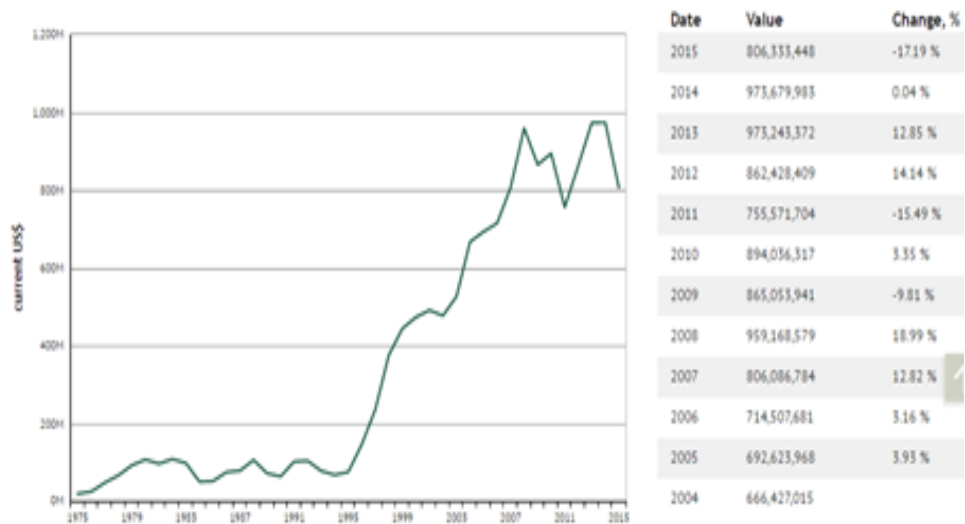


FIGURE 9. FINLAND PERSONAL REMITTANCES RECEIVED IN US DOLLARS

Source: (knoema.com, 2016)

The country is an advance country but also a high income country (UN, HDI 2015). It is one of the best countries in the world, one of the places to live and the best small country (Newsweek, August 2010). The Guardian Newspaper of Britain argued that Finland reached limits of its economic boom in 2008 (guardian April 15th 2015). It could be inferred from The Guardian publication by looking at the graphs of paid and received remittances which showed a steep and uninterrupted increase in the remittances which peaked in 2008. Inward remittances are quite bigger than outward remittances but also the rate of increase of both trends of remittances has increased significantly over the past three decades. The country has one of the highest levels of high education achievement and penetration. The World Economic forum index measure and publish the human capital report of country's preparedness for the skill requirements and preparedness for the future challenges known as the Human Capital Index (HCI, 2015). This measurement is based on the quality, variety and quantity of education and training available to population of a country that enables them to use their capabilities. The (HC 2015) index ranked Finland as number one and the best country last year, (HCI report, and 2015). The volume of Finland skilled labor export could be insignificant compared to bigger countries but the Salaries earned by the highly skilled work force of the country employed in other countries could be one of the main factors that accounts for the status of the country as net remittance recipient country because the most highly skilled are likely to earn big pay package.

The country was predominantly homogenous society with a stable economy prior to the last depression in early 1990s (Conesa et al 2007). This argument could be a possible explanation of smooth nature of the two remittance curve before the depression started. However during

hard economic times many highly skilled professionals and experts lose their jobs due to redundancies. Such experts and professional may search for appropriate and fulfilling gainful employment outside the country. The Finnish Broadcasting Corporation reported that employment among PHD graduates has been difficult for the past five to fifteen years in Finland. More than two thousand doctoral graduates were without jobs in Finland, (YLE, and 11.1.2016). These graduates are experts in their field of specialization and are very valuable assets. It is natural that they are likely to pick employment outside the country and therefore at some point they will be sending remittances into Finland. This and similar circumstances might influence Finland as a net recipient of remittances. IMF (BPM) definition of personal remittance includes income of cross-border employees, short term workers and nationals working for nonresident employees; however Finland shared border with three different countries (Sweden, Norway and Russia). Thus many Finns could be employed in any of these countries whilst living in their home but cross the border daily for work. Therefore, if a significant numbers of people have such an employment then it is highly likely to impact the total personal remittances received. The second significant possible explanation that could account for this net personal remittance surplus of Finland considering (BPM) definition could be the income of resident employees employed by non-residents such as foreign embassies and international organizations.

5.11 Finland personal remittances compared to neighboring countries

The immediate Nordic neighboring countries with similar economic and social characteristics to Finland are Sweden and Norway. They have similar landscape, population trends, size and structures. These countries also have similar political systems. These countries influence and learn the positive experiences of each other. It is therefore appears appropriate and sensible to compare their activities and performances in activities that happens in all these countries.

5.12 Finland personal remittances received compared to Sweden and Norway

A comparative analysis of Finland and its closest border shared Nordic neighbors could give a good perspective of the status of the country in terms of remittance services. As neighbors, these countries have a common language as Swedish is an official language in both Sweden and Finland. They share similar characteristics such as population, immigration and migration trends and even economic and social policies. It could also highlight the trends of the activity around the region. These countries have inadequate birth rate and the consequent birth deficiency have been supplemented by positive net immigration. The two countries have very similar graph from early 1970s as to the volume of remittances received were relatively low until 2003. But a huge leap of a straight

upward vertical swing in the graph is an indication of the big changes in the size of incoming remittances. As shown on the graph, the size of personal remittances Sweden received was more than four times the size of Finland whereas the population of Finland is nearly half of Sweden. Though Sweden has bigger population size than Finland but such a stark difference within a single year could be attributed one or a combination of some factors that affect personal remittances received by a country including: An increase in the resident cross border employees of neighboring countries, an increase in short term workers who work in another country or certain economic windfall that impact this segments. The foreign born population of Sweden is at 17%, (Statistics Sweden 2016), whereas Finland immigrant population is under 5%, (Statistics Finland, 2016).

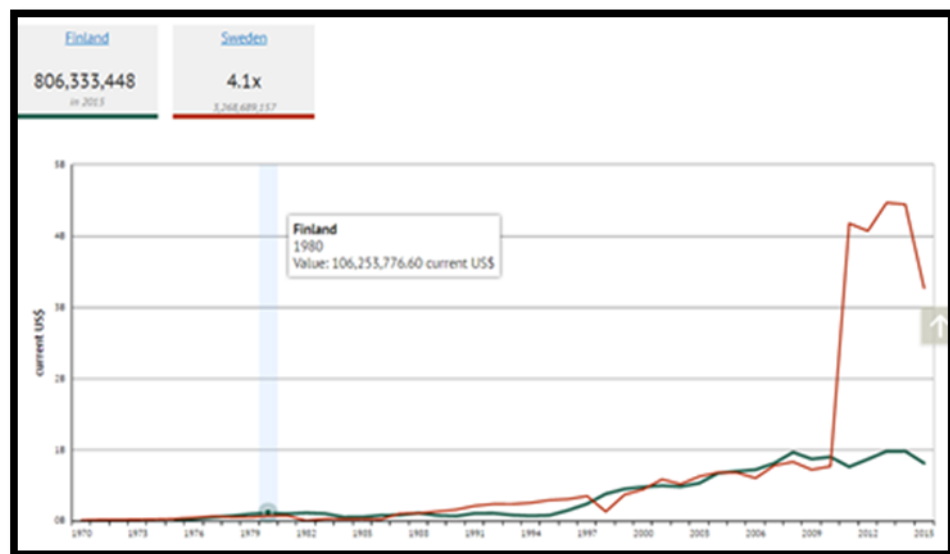


FIGURE 10. TOTAL PERSONAL REMITTANCES RECEIVED IN FINLAND COMPARED TO SWEDEN IN US DOLLARS

Source : (knoema.com, 2016)

However comparing the two countries personal remittances paid over the same period of time shows a relatively smooth pattern of the graph. The similarities in graphs appear to show an appropriate reflection of similarities of the characteristic features of the two neighboring countries. It can still be inferred from the graphs, the differences in the size of the personal remittances as Sweden nearly double the amount of total personal remittances paid by Finland. In this context it is easy to give a possible explanation for the differences in remittance volume because Sweden population is nearly twice the size of the population of Finland. There may be other reasons which better explain causes of these differences in the remittance situation in the two countries.

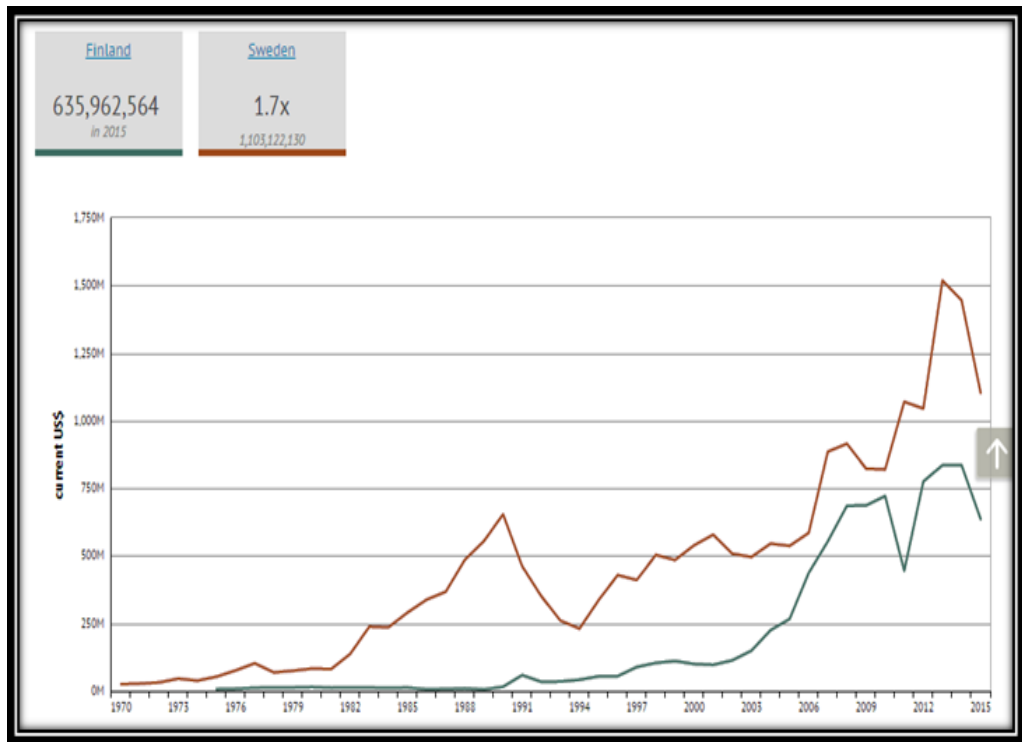


FIGURE 11. TOTAL PERSONAL REMITTANCE PAID FINLAND COMPARED TO SWEDEN Source : (knoema, 2016)

A more comprehensive view of the nature of the pattern of personal remittance emerges when Finland, Norway and Sweden personal remittances are all compare in one graph. An interesting difference is seen as Norway clearly shows a different trend compared to both Finland and Sweden.

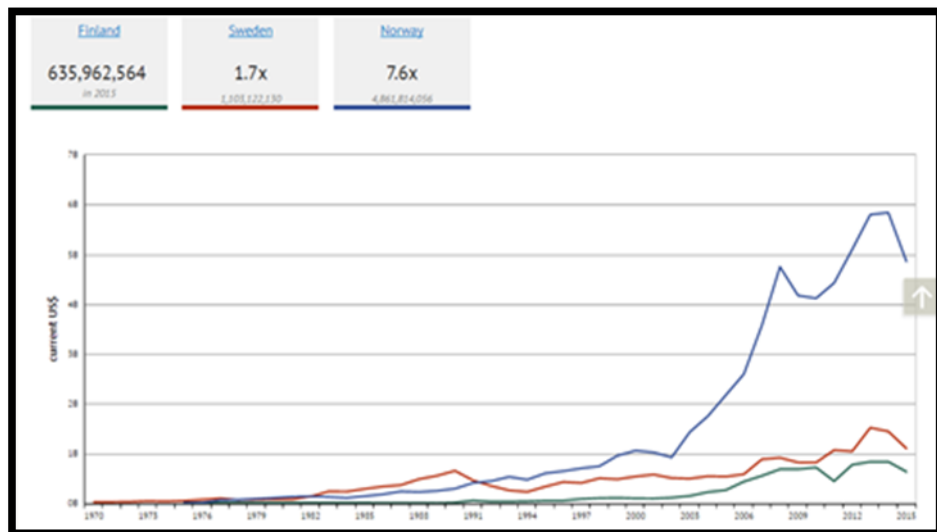


FIGURE 12. TOTAL PERSONAL REMITTANCES PAID FINLAND, NORWAY AND SWEDEN COMPARED Source: (knoema, 2016)

Norway, a country that has a similar population size with Finland both within five million range, but a very small one compared to Sweden whose population is beyond nine million. Yet Norway paid four times more personal remittance paid by Sweden and more than seven times the total personal remittance paid by Finland. A probable explanation could be due to the fact Norway has naturally been endowed with natural resources such as oil. On the other hand, a comparison of the three countries personal remittances received, Sweden is outstanding compared to Finland and Norway.

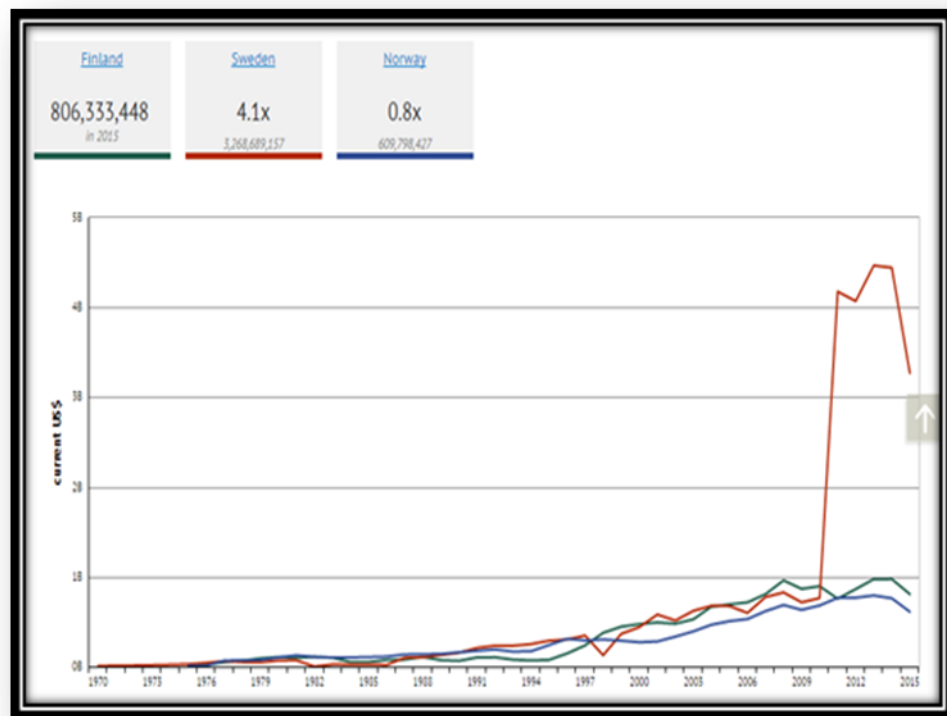


FIGURE 13. TOTAL PERSONAL REMITTANCES RECEIVED FINLAND, NORWAY AND SWEDEN COMPARED Source : (knoema.com 2016)

Norway receive the least amount of personal remittance but also five times less than Sweden and also far less than the amount received by Finland. Another explanation of this huge differences between Norway and the other two countries with respect to the total amount of personal remittances paid and received could be explained by the findings of (Niimi and Ozden, 2006), who concluded that the amount of remittances is influenced by level of immigration. Thus considering the immigrant population of Norway at more than 13% therefore appears to be a confirmation of the conclusion that remittance volume is relative level of immigration or volume of migration.

5.13 Payment service revolution

Payment systems are an essential fundamental of monetary economy. Business transactions are accomplished by ending with payment which almost always involves the exchange, transfer of value and ownership whereas payment often flows through financial systems. It is argued that smooth operations of the current global business environment is to a large extent, dependent on the robustness and reliability of payment systems, (Livarinen, leinonen, Lukka and Saarinen, 2009). The fast changing legal environment and regulations could be trying to keep up with the innovations in financial operations, services, practices and consumption; this assumption is confirmed by (Gonzalez, 2004) as reported by (Haataja 2015) that the payment services is a relatively new area in its current form. He reported that payment services earlier, have generally been provided by banks, however, the innovations in technology and e-commerce created more convenient services like online payments and service providers like paypal just emerged a couple of years after the web revolution. Reporting from (Skan et al., 2015), (Haataja 2015) further said that the emergence of mobile banking solutions, e-wallets, crypto currencies and open source payment systems brought changes and practices in different ways. These developments make it very necessary to create and implement the regulation to ensure the good operation of the payment services, (Salmony 2014).

Many countries had different kinds of payment regulations. The Euro wide Payment Service Directive (PSD) by the commission was meant to be implemented and operational end by 2009. The PSD has been structure as the new EU standard that must be the same across the EU block. It virtually became the new norm by breaking down and expanding service provision which has been a near monopoly of banks. The PSD dismantle obstacles and allowed end users better access to variety of payment Services. It has, as well allow new industry participants to offer payment services such as non bank financial institutions, thereby enabling free market participation, and an expanded opportunity for a new category of consumers, (Haataja 2015).

Such an opportunity creates dynamism in the market by creating new entrants and giving rise to giant global startup especially in the social media age. In this context, digitalization of financial services has transformed the industry. According to Oliver Wyman consulting report on the impact of Financial Technology Innovation (FinTec), (Oliver Wyman, June 2015) the digitalization process is changing the financial service industry. New entrants and competitors create big problems for the banks in service provision. These challenges are prominent in payments and lending. The report predicted further more, a possible serious disruption in various regions as illustrated in what it called as ``HeatMap``. The so called heatmap featured major European markets but surprisingly payments and remittances are identified as the most

disruptive services that will create the greatest impact across the board and Finland may not be an exception.

Exhibit 1: The product / geography "heatmap"

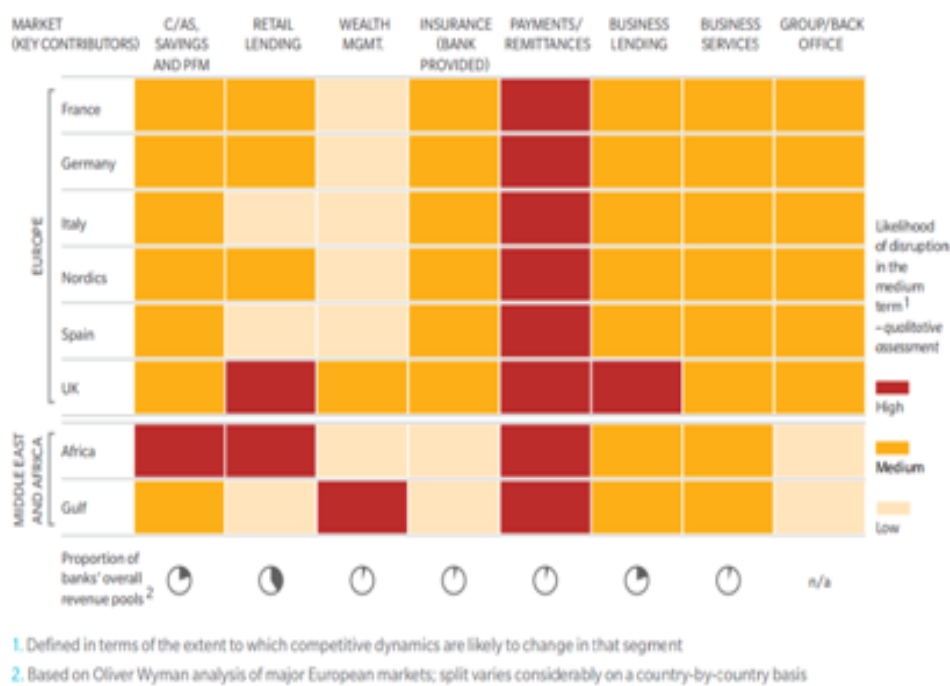


FIGURE 14. HEAT MAP OF PAYMENTS SOURCES: (OLIVER WYMAN, 2016)

The Oliver Wyman report recognized that FinTecs have increased in the past few years and concentrate on specific services. Their strengths include small operational cost, superior technology and user friendly services. In fact FinTecs gets more powerful as they appear to partner with big and popular giant retail brands that have big network advantages. Thus the report has acknowledge that global brands like Apple, Amazon, Face book and Google are poised to expand into financial services as they have already started e-wallets, peer to peer money transfers services and their own mobile payment and digital solutions. Therefore it should be no surprise if the institutions transformed themselves into global banks very soon. Therefore it is expected that further disruptive changes will occur in the mode of transmission of remittance payments and transfers, small business and retail services. The introduction of digital wallets and electronic prepayments products by various companies such as Google pay, Paysafe, Netflix among many other local brands enable payments by individuals and businesses online without the use of bank account or identifying oneself.

6. LEGAL AND REGULATORY ENVIRONMENT OF MONEY TRANSFER SERVICES

Money could be regarded as the energy for any business transaction. From public to private, groups to individuals, poor to the rich influential entities and across the span of modern civilization, it is an item that fuels power and yields influence, it sustains life, in many situations, enforces death and it is sometimes a means of exercising authority and order over others. Being a global item of interest underlying economic transaction and a medium of exchange, thus it requires some sense of order and sanity in the mode of its transfer and ownership. Therefore, this sense of order derives its authority from legal and state institutions. In this regard, domestic and international, regional and global institutions have been setup to ensure orderly transaction and transfer of money between and among entities. These institutions are in the form of regulatory bodies that ensures the supervision of the provision and consumption of financial services by service providers and consumers in accordance with laws.

Under these circumstances, Finland has domestic, international and regional obligation to fulfill the conditions of conventions and agreement through financial legislation. As a member country of the FATF, the country operates according to the observations and recommendations of FATF to ensure the soundness and integrity of financial provision in the country. EU directive 2005/60 of The European Parliament and Council give clear instruction on how to prevent and protect the financial system from abuses of money laundering and terrorist financing, (FIN-FSA 2008). The EU law also obliged national governments to create laws to address domestic challenges. Therefore, Finnish law, The Act on Prevention of Money Laundering and Terrorist Financing 503/2008 was promulgated and requires supervised entities to ensure customer due diligence as a central theme of their daily operation. However, this law also focuses on the process through risk identification and mitigation (FIN-FSA 2011).

6.1 Money laundering

Money Laundering is defined by FIN-FSA as “Money laundering means receiving, using, converting, conveying, transferring or transmitting property acquired through an offence or the proceeds of crime or property replacing such property, in order to conceal or obliterate the illegal origin of such proceeds or property, or in order to assist the offender in evading the legal consequences of criminal offence. Money laundering also consists of concealing or obliterating the true nature, origin, location or disposition of, or rights to, property acquired through criminal offence, whereas, Terrorist financing comprises of either direct

or indirect provision or collection of funds in order to finance terrorism, or awareness that they will be used to finance terrorism. The essential element here is that such funds are assigned for the financing of terrorism”, (FIN-FSA 2011).

This definition defines the total regulatory and supervisory framework of FIN-FSA in the execution of its supervisory duties in money transfer market. Therefore money transfer companies and other market participants are subjected to comply with the content of the instruction. MTOs are required also to understand and prepare their own internal procedures to ensure detection and prevention of money laundering but also MTO must fulfill and understand their customer service principles which require the implementation of customer due diligence process.

6.2 Fin-FSA supervisory procedure of money transfer services

The customer due diligence procedure for supervision of the remittance market in Finland is based and built on multiple laws such as 2005/60/EC, (EC) No 1781/2006 of the European Parliament and of the Council and more than 25 other local financial legislations of Finland. The domestic laws include the recommendations and guide lines offered by FATF. The detail process on customer interaction process and mitigation of associated risks is spelled out in the Customer Due Diligence process, (CDD).

6.3 Customer due diligence

CDD is the process by which service providers are required to get detailed verifiable identity and the business activities of their customers as need in the establishment of good relationship between the customer and the service provider. It is mandatory that remittance service providers and MTOs must never have anonymous customers. Thus, if MTOs or service provider do not trust the customer or the customer do not seem to satisfy the requested information, the service could be denied. However there are different levels of CDD which consist of Normal Customer Due Diligence (NCDD), Simplified Customer Due Diligence (SCDD) and Enhanced Customer Due Diligence (ECDD). The CDD has the following main components in FIN-FSA procedure:

- ❖ Customer or the person who represent customer must be identified
- ❖ The identity of the customer must be proved
- ❖ The identity of person representing the customer has to be proved if needed
- ❖ The recipient should be identified and proved if needed
- ❖ Information about the sources of money to should be ascertained

- ❖ The information about transaction or money transferred must be stored for at least five years
- ❖ There should be continuous monitoring of transactions and customer relationships to mitigate risks
- ❖ Service providers have to comply and carry out necessary procedures to get information when they suspect a transaction.

The different procedures are applicable according to the sensitivity of customer to potential risks associated with money laundering. However the bank most often are much more poised to apply SCDD and ECDD because banks have many kinds of customers where as many MTOs are generally limited to individual customers. Generally, traditional MTOs are required to fulfill all the necessary aspects of the money laundering legislation likewise terrorist financing precautions. However all business financial transactions including cash transfer must be carried out through the banks, therefore all the banks have an additional obligation to scrutinize the activities of all its customers to ensure compliance with both FIN-FSA guidelines on CDD and also the individual banks own internal procedures to prevent illegal transactions and fraud.

Based on this structure and the strict implementation of the various forms of CDD procedure in Finland, it is nearly impossible for any significant financial transaction to genuinely pass through all the checks and balance appropriately without thorough understanding of it. The traditional MTOs exposure to money laundering at personal level is limited by their internal policy. Many of these money transfer companies allow a limited amount of monthly transaction. A single customer can carry out a certain maximum transaction within a month but further conditions has to be fulfilled if customer want to send more money beyond general acceptable limit. When individual customers need transaction beyond the agreed limit, they required a special permission and the customer must provide further evidence to comply with the internal risk management requirements of the company and the necessary control to prevent the occurrence of money laundering.

6.4 Internal anti-money laundering procedures and prevention of terrorist financing

Legal persons participating in the money transfer market are obliged by FIN-FSA to create their own internal process and procedures on CDD which enable them to be compliant. It also helps supervised entities to customize reporting of suspicious transactions reports (STR) to the relevant authorities. The internal company CDD instruction should consist of company distribution channels, products and services delivery guidelines. Such procedure has to include training of personnel and evidence of the training and implementation activities must be recorded. Employees participating in CDD services must be protected whereas the

CDD process must be confidential and customers must not be told or be aware that a suspicious transaction report is made about their activity. It is the obligation of MTOs to ensure their agents have the capacity and implement CDD as customers must always be identified and verified at the beginning of every customer relationship activity.

6.5 Customer identification and verification

Customer Identification and verification is a key precondition prior to any value transfer transaction in Finland. Thus, the process can be carried out in many different ways according to the legal provisions. The Anti Money Laundering Act (AMLA) states further conditions even if the identity of the customer has been previously verified. These conditions should include any time:

- I. You start transaction with a new customer or a regular customer
- II. You are not sure that a identified regular customer's identification and verification information are not sufficient or reliable
- III. You establishing a customer relationship, carry out (with a non-regular customer) a single transaction that individually or as the sum of interrelated transactions amounts to at least EUR 15,000
- IV. Do a transfer of funds exceeding EUR 1,000, not withdrawn from the customer account (cash payment).

Furthermore, identification and verification of customers can be carried out physically that is face to face, through provision of legally acceptable verifiable documents and through a strong electronic identification as stated in the identification act.

6.6 Identification and verification documents

The identification of natural persons as customers of value transfer is clearly stated in FIN-FSA guideline for making acceptable money transfer service in Finland. The underlying principle states that the reliability of the document should be based on difficulty of counterfeiting attempt, reliability of the procedure of the acquisition of the document and it must be a valid official document with a photo and a fixed duration of expiry. Thus the following documents are acceptable forms of identification to enable customer to be legible to carry out a value transfer.

- i. driving license
- ii. identification card
- iii. passport
- iv. diplomatic passport

- v. alien's passport and refugee travel documents
- vi. Social Insurance Institute card containing photo

The application of these guides, rules and conditions cuts right across every sector of financial value transfer chain in Finland. The supervision and enforcement of the application rest with FIN-FSA and in collaboration with Financial Intelligence Unit of The Finnish police Force. The application and enforcement of these instruments is not a guarantee for the prevention money laundering and terrorist financing in Finland. It is a very strong deterrent for criminals and perpetrators to avoid mainstream financial space.

7. ANALYSIS AND DISCUSSION OF THE RESEARCH DATA

7.1 Data collection

This is the main part of the thesis and it attempt to gather first hand information about the personal remittance market in Finland. In pursuing this goal, the main participants of the personal remittance market are the immigrants. They have been identified at random and informed about the purpose of study. The consent of the respondents were sought voluntarily to respond to questionnaire. The questions of the research have been drafted and tested twice to minimize ambiguity, ensure clarity and understanding. This helps the people administering the questionnaire and respondents to have the same perception of the issue and the same or similar level of understanding of the concepts. The questions were limited to ten questions with multiple choices of responses. The questions were closed ended question because the study is intended to determine a specific outcome.

Therefore the questionnaire gathered personal information of respondents such as gender, age range, duration of stay in Finland, whether the person sends money home, how the person send money, what is the intended purpose of the money sent, the kind of channels used to send or transfer money, the reasons for the choice of the channel, how often do the person send money, the average amount of money sent, their level of education and what percentage of their income is sent.

The Questions were administered in Greater Helsinki Region as it has the highest concentration of immigrants but also the most vibrant economic hub in Finland. This region consists of the Helsinki, Vantaa and Espoo municipalities including Kaunianen which is a predominantly Swedish speaking population. Some of the questions were also administered in the city of Lappeenranta. The study was intended to get a general overview of this particular market. Therefore the respondents must be living in Finland with an immigrant background or at least the person is a Finn he or she must fulfil the criteria of sending money regularly to non Finns in developing country. The survey captures at least twenty four different nationalities across in Finland. This range of respondents includes those from Africa, North and South America, Asia, Europe and The Middle East. The total population of survey respondents were hundred and fifty six people. Two third of questionnaire was administered by myself and one third of the questionnaire has been administered by and individual who had academic research experience. This decision of an independent person administering some of the questionnaire helps to prevent my personal bias as I might be deeply

involved in the survey that my personal opinion could influence the outcome of the research in an undesirable manner without being consciously aware of it. The questionnaires were administered within a period of at least six months in 2015.

The survey questions were then reviewed for partial completeness. If all four first questions are completed then it is accepted as it fulfils and identified certain category of respondents who do not send remittances. The result were then categorised into the multiple choice responses according to each question ranging from A B C D with some questions with two alternatives but only one possible response. Some questions have A B C D possible responses and may require a single or multiple answers.

7.2 Discussion of the research

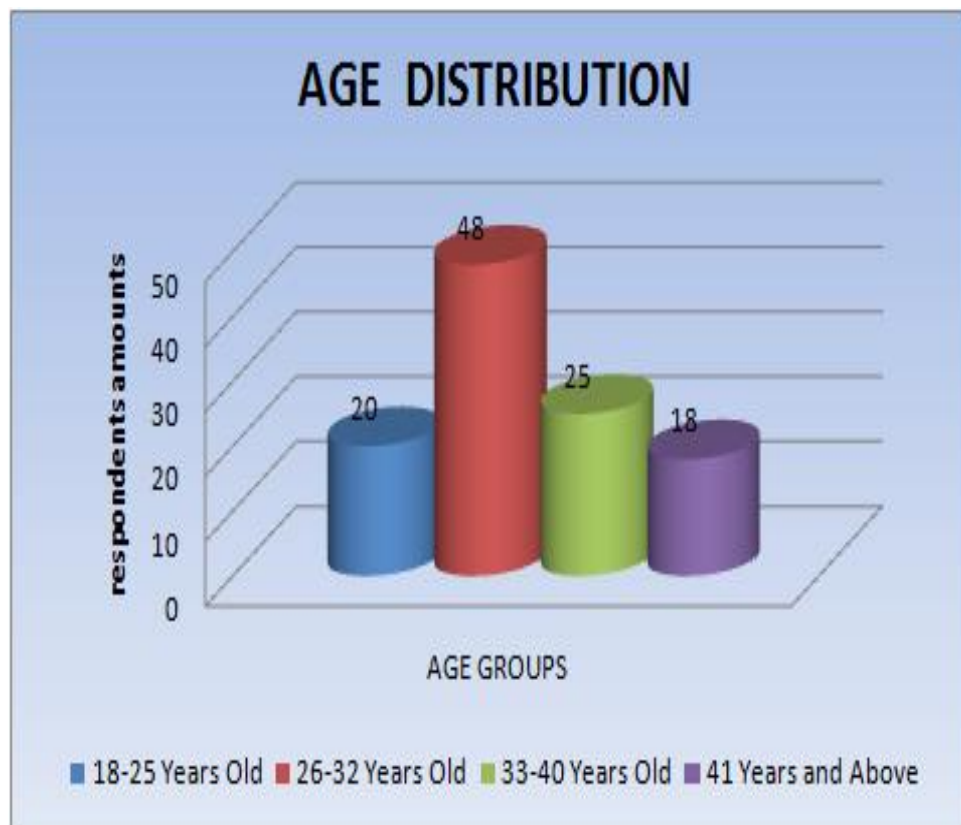


FIGURE 15 AGE DISTRIBUTION

Populations always have certain universal characteristics unique to the group, whether it is animals, plants or humans. Therefore multiple traits of the survey population of this research has been identified and measured. Thus age of the responds is an important criterion in identifying and understanding the age characteristic of the participants.

The distribution of the ages gives a significant insight, as to which particular age groups are the most active in the personal remittance market. Clearly, those in the 26-32 age brackets are the highest group of respondents at 48% followed by those in middle thirty to the beginning of forty years. It appears that the older people are not very active in sending lot of remittance. The youngest adults do not also seemed to be preoccupied in sending of personal remittances

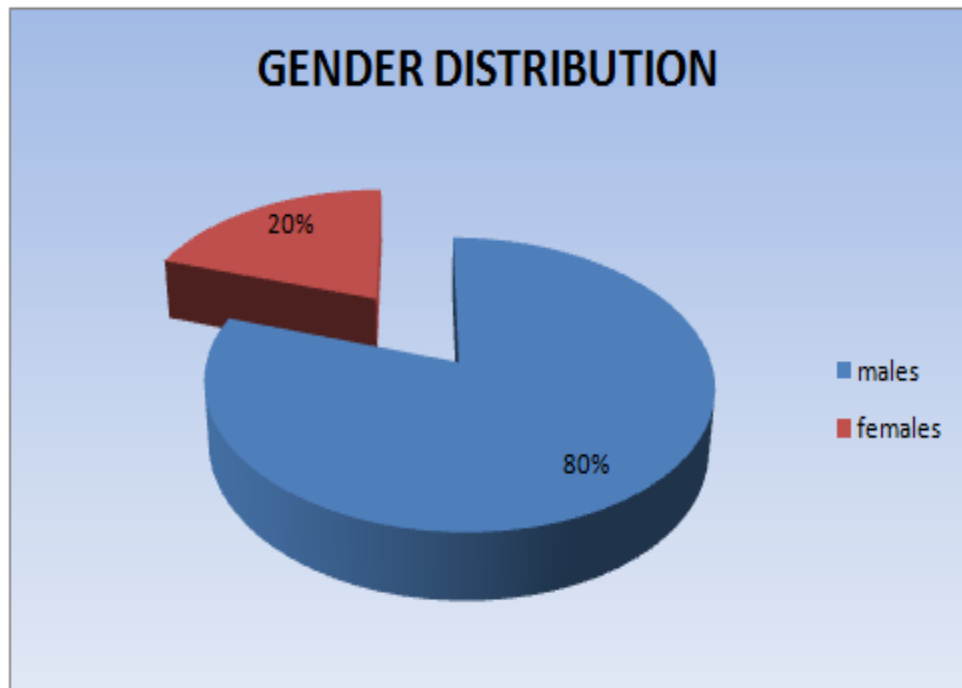


FIGURE 16: GENDER DISTRIBUTION

Evidence indicated the gender of a migrant can impact the person's remittance behaviour, Zanker and Siegel, (2007), Dorantes and Pozo, (2000), Argawal and Horowitz, (2002). The male population is at least four times more than the female. Another confirmation of this proposition by (Ansala 2012) claimed in her findings that male migrants resident in OECD countries tend to send more remittance compared to females. Contrary to the claim of Ansala, this characteristic of the survey participants only intend to measure the gender distribution at least to confirm that females are also active in the personal remittance market.

The total population of the respondents shows two distinct categories. A segment of the respondents claim that they send remittance and support family, however a small set of respondents also send money home but do not support family. The second largest group of respondents claim that they do not send any remittance at all. This class of respondents was very interesting and a surprise finding which was not expected at all

The diversity of total surveyed population gives an intriguing insight into the nature of the immigrant population of the country with regards to personal remittance transmission. It was interesting to understand a significant part of the population of up to 29% do not at all send any form of financial support in the context of remittance. The second surprise is the 7% of sample population send money home but not for the purpose of helping people in the recipient country. This evidence seems to be inline perhaps with savings, loan repayment and investment theory of remittance as have been shown in earlier finds of, Le (2011), Havolli, (2009), Singh, (2015), Bjuggren et al (2008)and Rapoport and Docquier, (2005). The remaining 64% of the population send personal remittance, help families and support others in the recipient country.

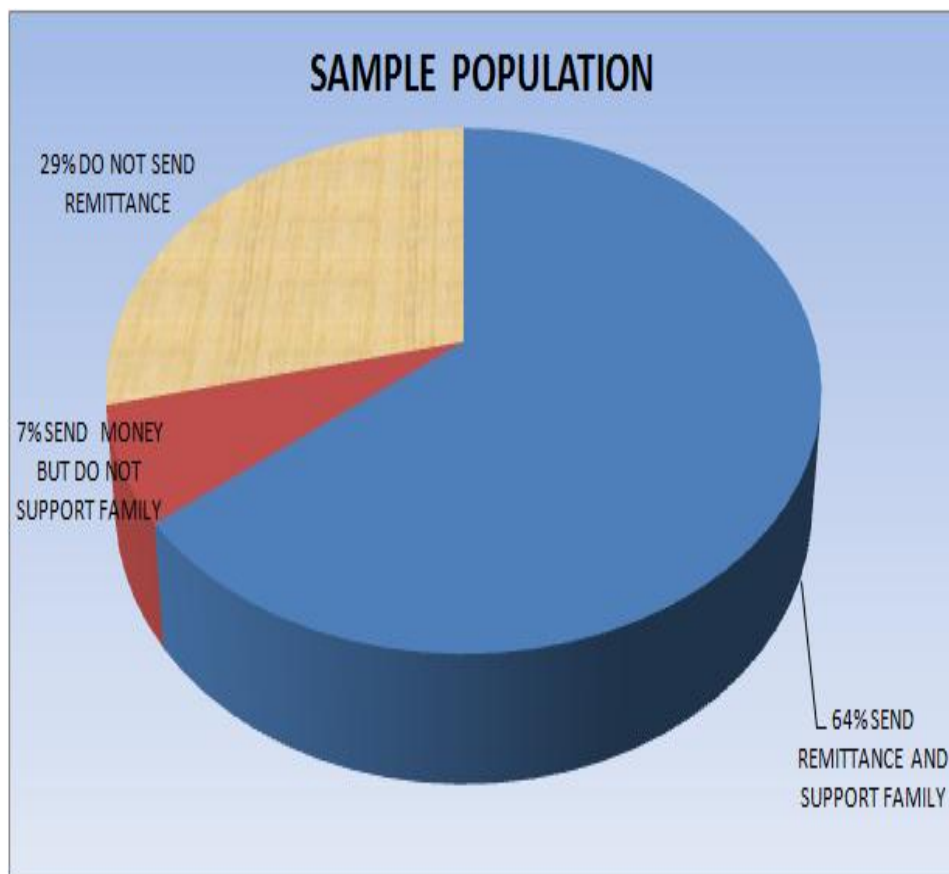


FIGURE 17: SAMPLE POPULATION

The graph below fulfils multiple functions. According to the response of the respondents depicted in the illustrations there are multiple channels of personal remittances transmission in Finland. The most popular choice by remitters is the MTOs, however it is also a proof that non-formal methods of money transfers existed. A combined total of 28% of respondents make use of the alternative means of transfer of remittance service.

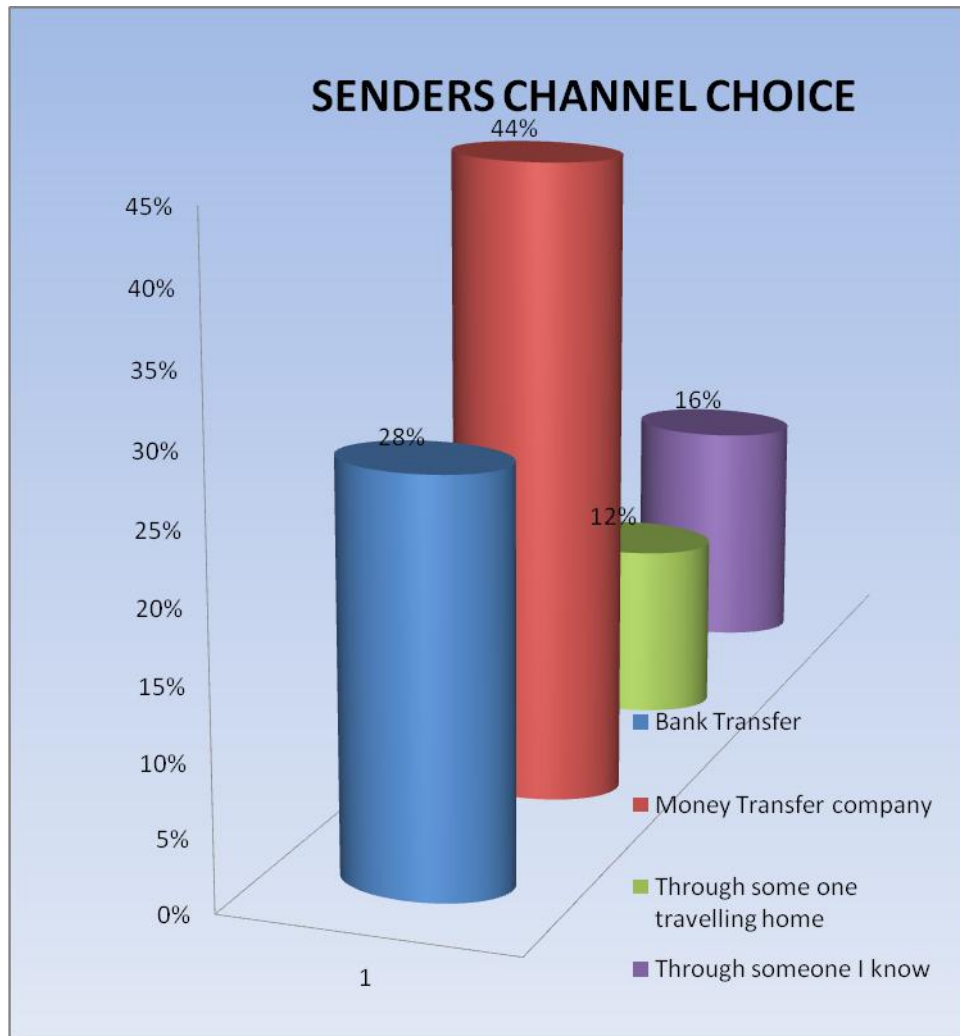


FIGURE 18: REMITTANCE CHANNEL CHOICE OF SENDING MONEY BY RESPONDENTS

The choice of method of transmission of remittances by the senders is influenced by a range of factors. These factors can determine the senders choice of channel and method depending on the existing circumstances. Therefore, this graph shows the various preferences by respondents. It is also important to understand that this chart only represent the segment of respondents who use multiple channels and methods of money transfer services. The combine 72% of responses usage of formal channels is inline with similar research findings. Such evidence can be found in (Ansala 2012) who reported from, (Ngugi and Sennoga 2011, 250) that international remittances are very often sent through formal channels.

Figure 19 is a breakdown of people who switch between different kinds of channels. The change of channel could be influenced by the situation depending on the factors at a particular time. However it is clear that many people who send personal remittances do not only use a single method or channel. Greenback 2.0 report June 2015 of Montreuil France concluded that the choice of remittance sending method and channel seems to depend on different factors. Whereas the factors that make one group of immigrants use a particular method of sending could be completely different with another group that send to a different country. Some reasons for choice of remittance method could be based on legal, economic or even security grounds.

SENDING METHOD CHOICE COMBINATION

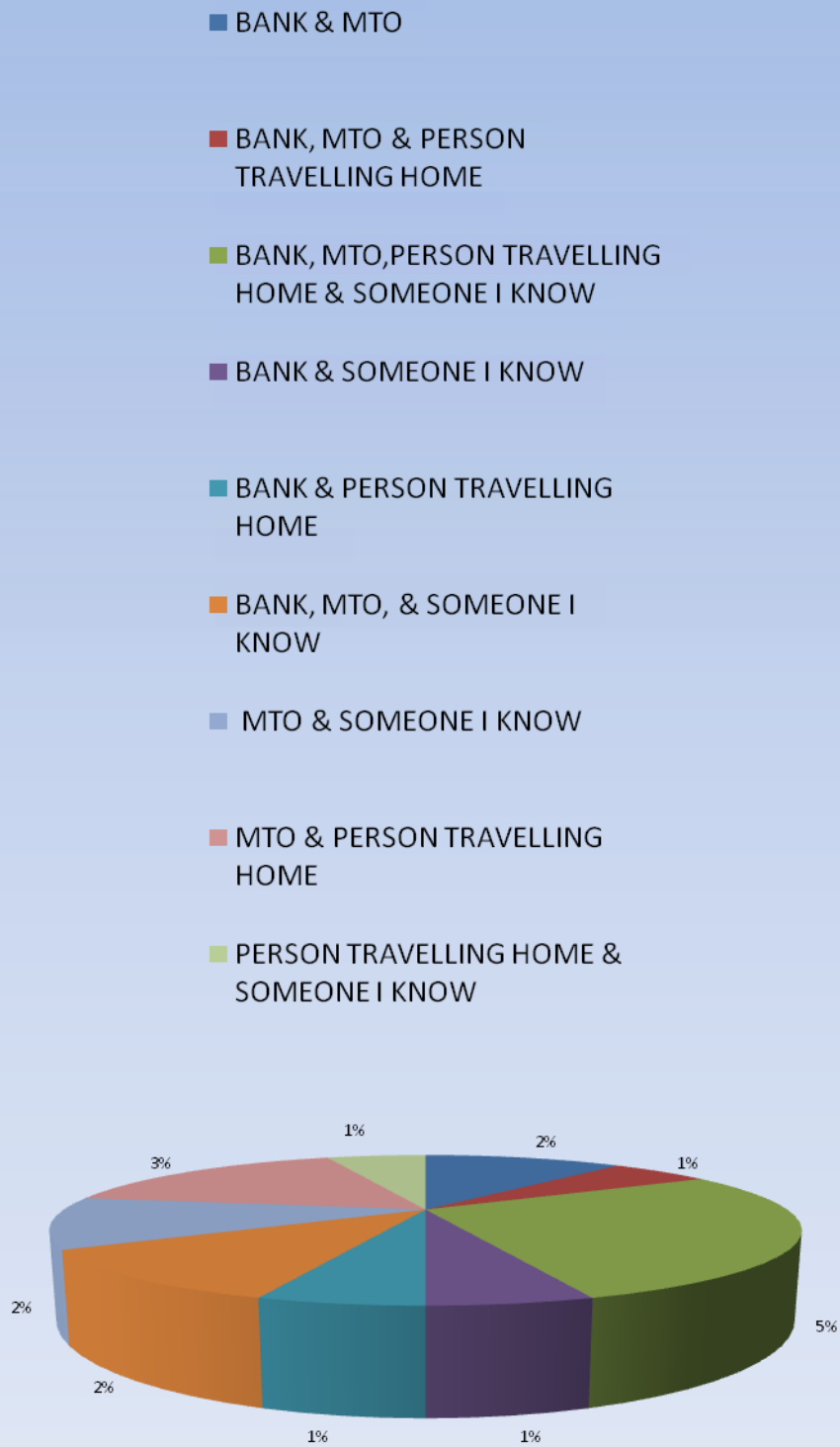


FIGURE 19: COMBINATION OF METHODS OF SENDING

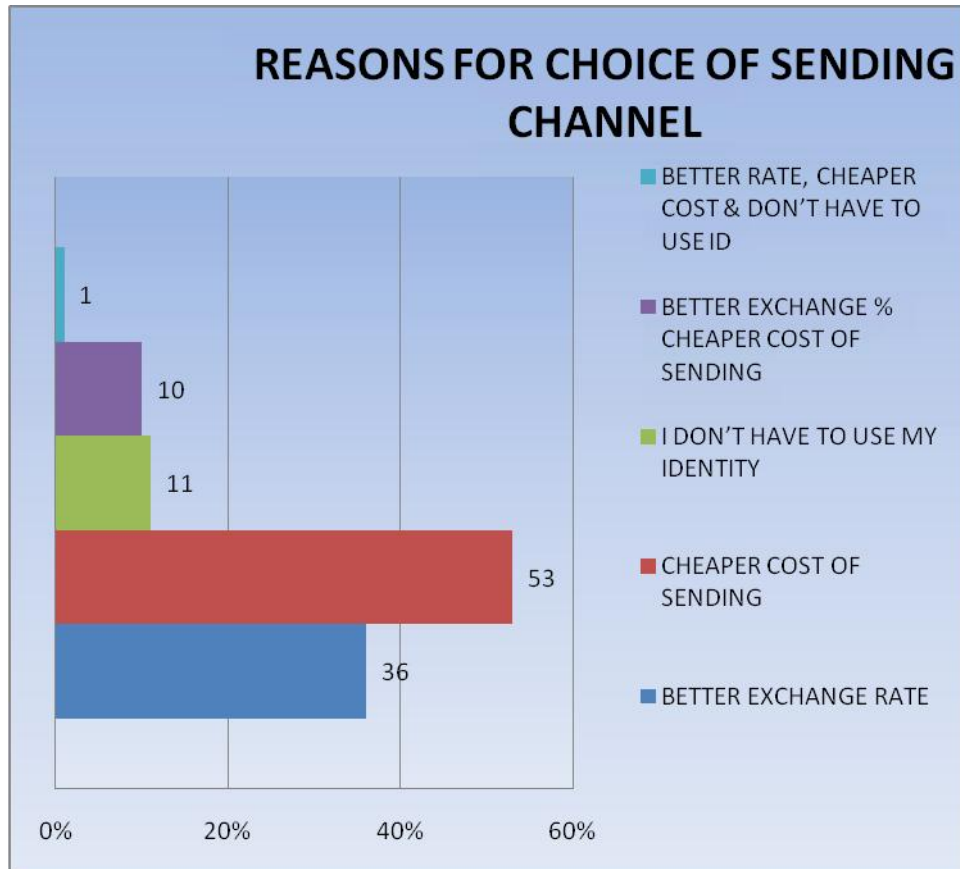


FIGURE 20 REASONS FOR THE CHOICE OF SENDING CHANNEL

In determining the motive for the choice of channel it can be seen from figure 20 that, the value of transfers to be received by the beneficiary influence the remitters sending choice of channel and method. A population of 111 respondents nearly half of them are influenced by the cost of sending fees, whereas a third of respondents choice is mainly based on the exchange rate, both of which determines the amount of money to received by the beneficiary. This finding has featured in similar research such as the Green back report 2.0 on Montreal France. Although small but a significant 11% of the sample population also choose a method where there is no need to use formal identification as in the case CDD procedure. Only 1% of respondents choose a combination of cheap cost, good foreign exchange rate and where they do not need to identify themselves.

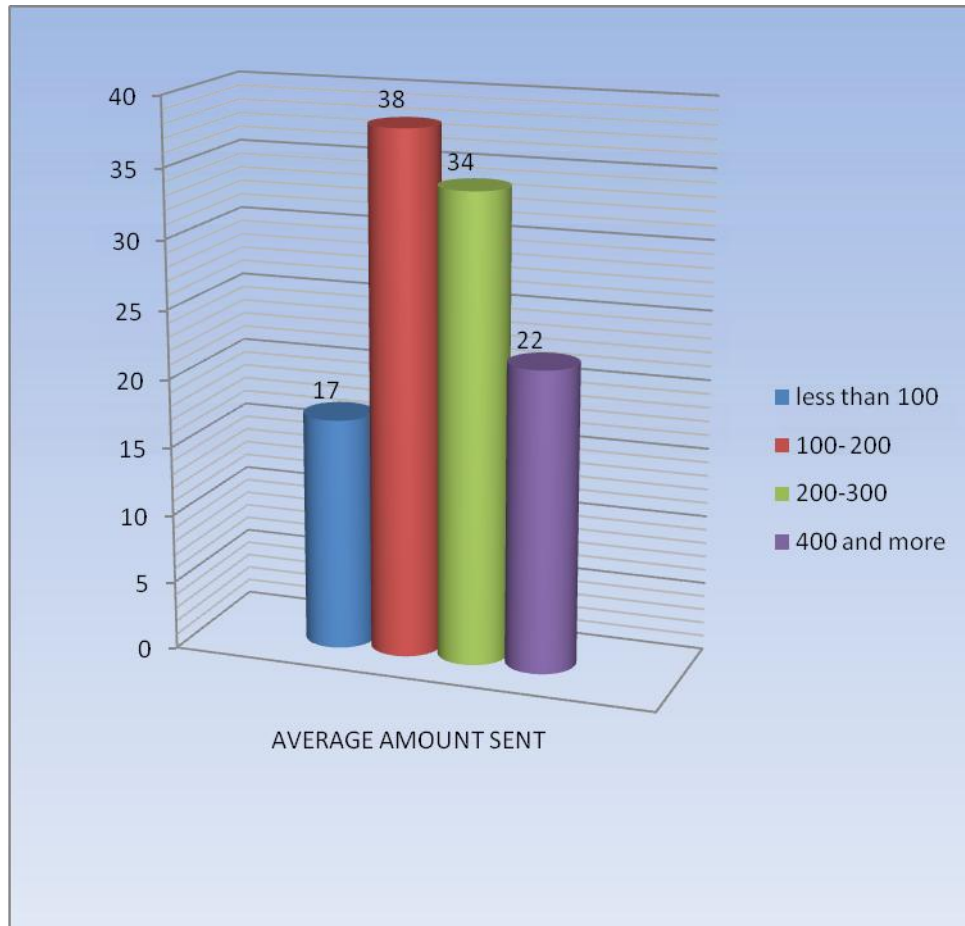


FIGURE 21 AVERAGE AMOUNT OF REMITTANCE SENT BY INDIVIDUALS

Personal remittance literature generally noted the average amount of money sent as personal remittances are usually small. Therefore, figure 21 is a confirmation of this fact within the survey population. When asked about the average amount of money sent as remittance about 15% replied that they send less than 100 Euros, that is the bar representing 17 respondents. The respondent who send between 100 to 200 Euros on average is the highest bar with 38 responses which is 35% of the respondents. The second highest bar of 34 claim to send 200 to 300 euros on average per transaction which represents 30% . The last bar of 22 represents about 19% of the respondeds send an average of 400 Euros for each transaction.

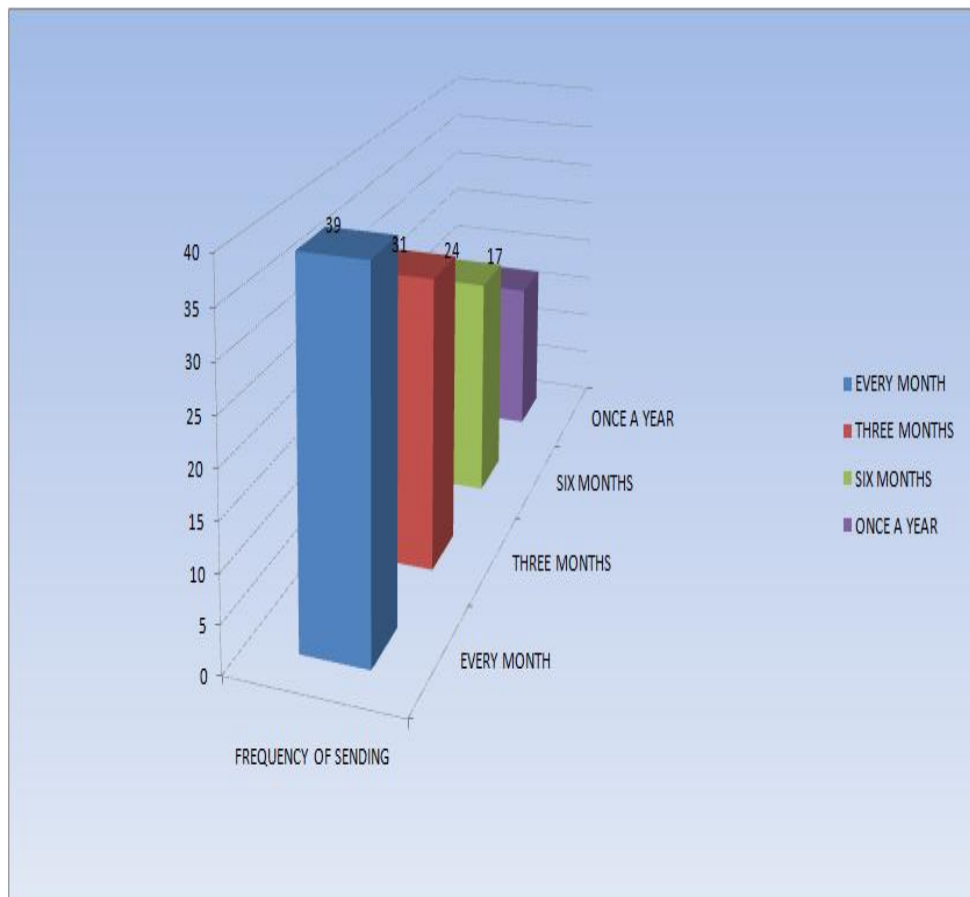


FIGURE 22 THE AVERAGE NUMBER OF TIMES RESPONDES SEND MONEY

The outcome of the survey concerning the number of times each individual sends money is shown in the graph. The group of people who very often send remittance are the most common in the market. This group of people send at least once a month is about 35% of the sample population. Second to this group is the category of remitters who does it at least once every three months is 29% and 21% of respondents send money at least every six months. The people who send money only once at least every year is the smallest of 17 respondents which represent just about 15% of the research sample population.

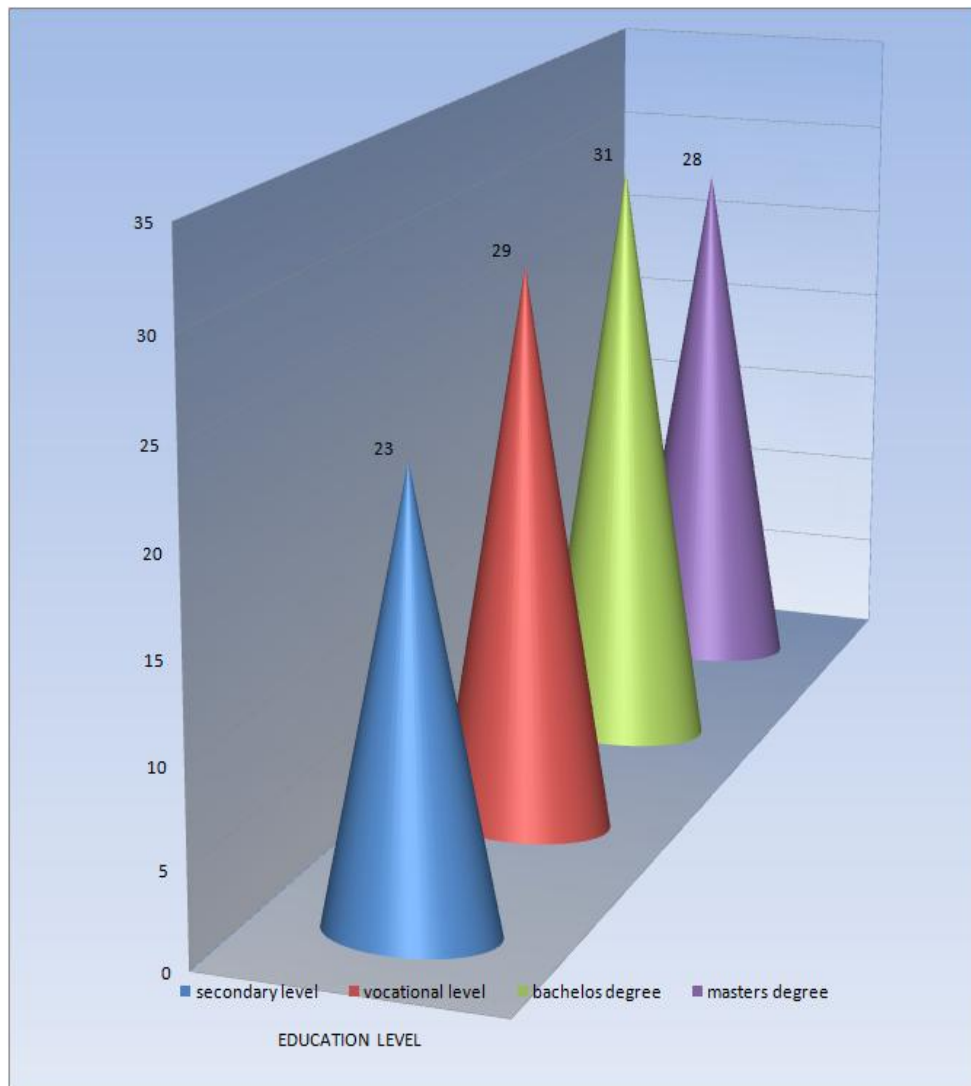


FIGURE 23 EDUCATION LEVELS OF RESPONDENTS WHO SEND REMITTANCE

Surveys concerning remittances have attempted to identify level of education of migrants who send money. Remittance literature sometimes suggests that education level has an impact on the remittance behaviour and remittance volume. However the level of education among the respondents in this survey is identified only as an important characteristic. It helps indicate the level of education among not only the immigrant population but also among the people active in sending money to their home country. However the assessment of the impact of education level on the remittance behaviour and remittance volume is beyond the scope of this study. Some interesting relationship between levels of education of a person and how the level of education influences the choice of remittance channel could be established.

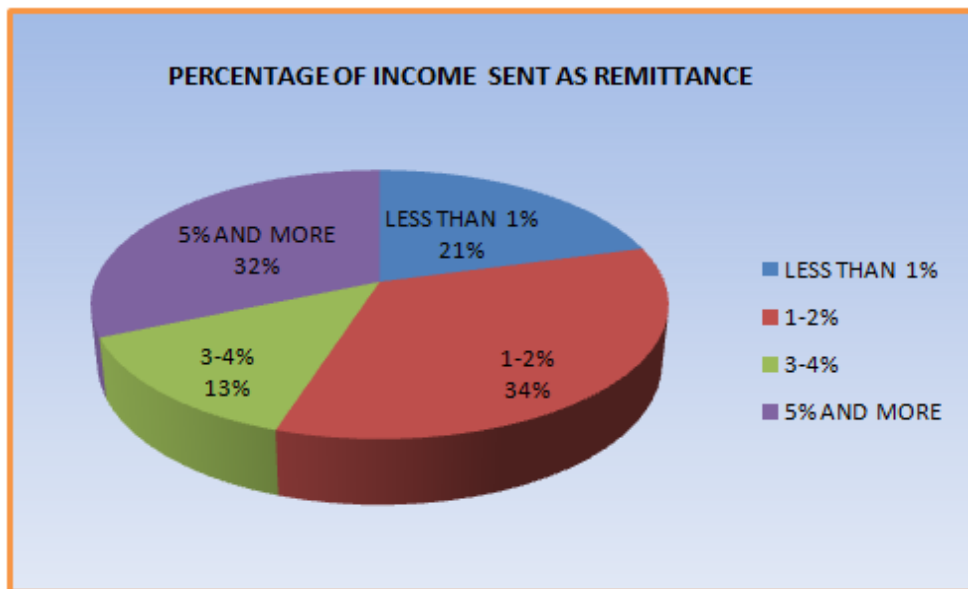


FIGURE 24 PERCENTAGE OF INCOME SENT AS REMITTANCE

The figure 24 shows distribution responses in the chart. It is a general indication of the amount of income or share of respondents earnings sent as remittance to their home country. The chart shows that 34 % of respondents send about two percent of their income as remittance. This closely followed by the second biggest group of the sample population who send the biggest share of their income at least 5%. This is a significant population which also imply that at least nearly half of the people active in the remittance market make significant financial contributions from Finland to their home countries.

7.3 Conclusion

Remittance is a relatively new concept in academics that cuts across economics, business and the social sciences, the concept is still developing for nearly five decades. The results of this research work is extending the discussion of the idea in two phases, firstly, it went through a review of the literature of remittance across the various countries and continents. It looks at the remittance trends as well as some of the factors that influence remittances such as migration. The study highlights many theories developed which try to understand this new but growing mode of income for millions of poor people around the world. However the concept sounds very controversial as some economist and researchers argued that it is not a progressive concept, but rather one that induce dependence on consumption of finished goods and services imported in to remittance receiving countries (Cohen 2005) . Further more many believed that remittances kill any hope of generating substantial and sustainable economic growth especially in

poor developing countries. These pessimistic view also noted that so far, there was no single country that use remittances to neither transform its economy nor has it had positive tangible macroeconomic impact on any single country.

On the other hand microeconomist argued that remittance have life changing transformative effects in dividual families. It increase availability of needed health care services at thesame time lifts millions from extreme poverty (Ratha 2010). Remittances are an increasing source of finances for middle income countries and have been use as security to secure funding in the case of remittance backed bond (WB 2013). Remittance is source of needed foreign exchange in many developing countries and has been helpful in current account deficit financing in may poor countries. The growth in the volume of remittace is bigger than total FDI to developing countrie and more than three times total of Development Aid to poor countries (IMF 2010, 2011, 2012, 2015 and WB 2014, 2015 and 2016).

7.4 Contributions

Considering the limited data and availability of remittance information in Finland this research is the first of it kind in the country that give an insight of the remittance market. It high lighted the very important information about the country which perhaps have never been available for the public information purposes. The work has identified a comparative view of the remittance situation in Finland, Sweden and Norway. A major surprise and finding of this research pointed out that Finland is a net personal remittance receiving country for the last decade. Generally it is believed that only very poor or developing countries are the major recipients net remittance flows which seems to be faulty conception according to the information provided by this study. Further more, this work could attract more academic attention and focus on remittace in Finland and in other advance countries which are usually considered as source of remittance for majority of net remittance receiving countrie in the less developed parts of the world.

There are many gaps about the nature and sources of remittance in Finland that needs futher study. What segment or area of the economy accounts for the remittance received? Where or what are the sources of the remittances received? What is the impact of the remittance on the economy? What is the relationship between Finns migrating out and remittances received?

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Vasara Pekka, Financial Intelligence Unit of Finnish Police interviewed 02.12.2016 at Jokiniemenkuja 4, Vantaa, Finland

APPENDIX

Appendix 1

	A	B	C	D	Total
AGE GROUPS	20	48	25	18	111
GENDER	89	22			111
DURATION OF LIVING IN FINLAND	16	20	17	58	111
SUPPORT FAMILY	100	11	45		156
SENDING METHOD	43	68	19	25	155
REASON OF SENDING METHOD	45	66	13		124
FREQUENCY OF SENDING	39	31	24	17	111
AVERAGE AMOUNT SENT	17	38	34	22	111
EDUCATION LEVEL	23	29	31	28	111
PERCENTAGE OF INCOME SENT	Less than 1%	1-2%	3-4%	5% & More	

TABLE : THE RESPONSES TO THE QUESTOINNAIRE

APPENDIX 2 REQUEST LETTER TO FINANCIAL INTELLIGENCE UNIT OF NATIONAL
POLICE FORCE, FINLAND

Saikou SS Camara
Jarrumiehenkatu 2A15
Pasila, Helsinki.
21 April, 2015
Finnish Financial Police
Helsinki

Dear Officer,
REQUEST FOR FINANCIAL DATA ON UNOFFICIAL MONEY TRANSFERS

I am Saikou SS Camara, a student of Hämeelinna University of Applied Sciences currently writing my thesis, Topic: ALTERNATIVE REMITTANCE MARKET IN FINLAND, CASE STUDY OF PERSONAL REMITTANCE TRANSMISSION. An important data which should form the basis of this thesis i believe is available at your office. Therefore i would be grateful if you could enable me to acquire this needed data. I am collecting different data from different institutions in order to complete this task, as such, I need the following data from Finnish Financial Police from 2009 to 2015:

1. Cash smuggled or attempted cash smuggle into and out of Finland.
2. Illegal money transfers sent out of Finland and sent into Finland.
3. Unofficial money transfers sent out of Finland and sent into Finland.
4. Any other data at police that is relevant to this topic

Depending on the kind information I might receive from the police I might also want to organize and interview to enhance the information. The data acquired from your institution is confidential and shall be used ONLY for academic purpose.

I thank you in advance and hope to receive your response soonest.
Saikou SS Camara
Cell phone :0505205552
Email:saikssj@yahoo.co.uk

NOTE: Please find attached a copy of the certificate to verify my identity and request

APPENDIX 3 RESEARCH QUESTIONNAIRE

This questionnaire is designed for student research. The survey is being carried out for an academic purpose only in fulfillment of a condition of a research project as a thesis. The thesis is part of a study programme for a Masters Degree of Business Management and Entrepreneurship at Hämeenlinna University of Applied Science (HAMK). The identity of the respondents of these questions will not be declared to anyone and is not required for this exercise. Please, kindly answer these questions by choosing and circling the correct options that best describe your situation.

SURVEY QUESTIONNAIRE FOR ALTERNATIVE PERSONAL REMITTANCE TRANSMISSION IN FINLAND.

1. WHAT IS YOUR AGE?

- 18-25 years b. 26-32 years c. 33-40 year d.
41years above

2. WHAT IS YOUR GENDER?

- a. Male b. female

3. HOW LONG HAVE YOU BEEN LIVING IN FINLAND?

- a. 3 months b. 1-2years c. 3-4years d. 5years and more

4. DO YOU SUPPORT FAMILY HOME WITH MONEY?

- a. Yes b. no

5. HOW DO YOU SEND MONEY HOME? : choose as many as applicable

- a. through Bank transfer b. through money transfer companies
c. through person travelling home d. through someone I know

6. WHY DO YOU USE THE ABOVE METHOD(S) TO SEND MONEY HOME?

- a. Better exchange rate b. cheaper cost of sending c. I don't have to
use my ID

7. HOW MANY TIMES DO YOU SEND MONEY IN A YEAR?
- a. Every month b. every 3 months c. every 6 months
- b. d. once a year
8. What is the average amount of money you send to your family or others?
(Euro)
- a. Less than 100. b. 100-200 c. 200-300 d. 400 and above
9. WHAT IS YOUR LEVEL OF EDUCATION?
- a. Secondary school b. vocational school c. bachelors degree
- d. masters degree
10. WHAT PERCENTAGE OF YOUR INCOME DO SEND ?
- a. less than 1%. b. 1-2%. c. 3-4 d. 5% and above

Thank You!!!!!!